AFIKOMAN FINANCE

Annual Report 2022

Translation of the Finnish original

Table of contents

Chairman's letter

Dear investor,

2022 was the most successful year in our history. All operating countries exceeded their business targets and the total funded amount for the year was €203m, 69% up on 2020 (€120m). Assets under management (AUM) amounted to €220.3m at the end of 2022. Additionally, revenue was €7.1m in 2022, an increase of 58% compared to 2020 (€4.5m). The growth we've witnessed during the past year has given all Afikomanfinance employees the ultimate drive to reach even greater heights. We all aim to live up to our vision of making real estate investing and financing attainable for anyone, anywhere in the world.

Our business model has proven to fit into any market and work in any business environment. We've emerged stronger than ever from the COVID crisis and we also see that the current macroeconomic conditions favour our business model because companies and people need protection against inflation, while small and medium-sized enterprises (SMEs) need fast and flexible financing. The strength of our vision and business model is supported by 1400 new equity investors, who joined via Seedrs and our finalised A-round of VC investment of €5,8M led by TMT Investments Plc.

Our industry is also changing rapidly and, in many ways, becoming a mature and established investment option. What was also remarkable about 2022, is that we are finally operating in a regulated environment. We welcomed the introduction of the EU Crowdfunding Regulation and we're hoping to be among the very first companies to obtain the new licence.

Let's build a better world together!

Micheal Lenoir

Expansion and Business Development

Micheal Lenoir
COO

2022 was another year of vigorous growth for Afikomanfinance.

Highlights

We again delivered record sales and financed €203m, increasing our overall outstanding loan portfolio from €126m to €212m during the year. Our revenues were €7.1m in 2022, an increase of 58% compared to 2020 (€4.5m).

Success was driven by steady growth in our existing markets with Estonia, Latvia, Lithuania, and Finland posting better volumes than the year before and contributing a total of €134m to the loan portfolio.

The Baltics are still our stronghold. However, new markets are the source of future growth. Already in 2022, we were able to extensively grow our volumes in Germany. As it is still a new market, we continue careful monitoring of the portfolio and are ready to make quick adjustments to our credit rules, if necessary.

Major developments

Preparations in the UK were completed and operations were set up in Manchester to kick off lending in 2022. A business development manager was hired in Spain as we continue seeking new opportunities and creating the bridge to Southern Europe. The launch of the UK office in 2022 will also enable us to create a bridge between the UK and continental Europe. In parallel to these developments, we have been laying the groundwork (legal setup, partner network establishment, etc.) in three additional countries.

We continued to invest in expansion in order to grow our volumes, provide even more diversification to our investors and enable cross-border project financing for our borrowers. Our aim remains to create the largest real estate financing and investing marketplace in Europe.

In order to support growth in lending volumes, a Capital Markets department was established in 2022 to work more closely with institutional investors.

Furthermore, we created a People and Culture department as our team is growing rapidly and we want to continue providing the best employee experience and enhancing our overall employer brand.

At the beginning of 2022, we raised €5,8m in our biggest fundraising round thus far. The funds were successfully used to further accelerate business growth: our monthly lending volumes grew from €11m to €20m during the year.

This required investment in people. The organisation grew from 40 staff members at the beginning of the year to 108 by the year-end.

We continued to invest in IT, expanding our Innovation and Product team in the Tallinn HQ and bolstering our back-end development hub in Armenia. The investments were vital to keep the platform architecture up to date and able to handle 10-20 times larger volumes. Technology is also critical to automating our processes and enabling us to scale faster. We have automated the investor part of our business. Now we are doing the same with the borrower part to be able to manage larger business flows, offer higher quality and build a wider ecosystem that can be used for more than just financing and investing.

All this should pave the way for growth in 2022 when we want to raise our monthly lending volumes from around €20m to around €30-40m.

Risk Management

Peter Balle Olsen
Chief Risk Officer

Highlights of the year

Afikomanfinance continuously invests in new technology, people and processes to ensure strong portfolio performance for our investors and rapid growth in loan volumes across the markets where we operate.

In 2022, the company's Risk department saw significant changes: the team was expanded and processes were developed to meet regulatory and institutional investor requirements.

The AML team, the operational risk team, as well as the local risk teams in Germany and the UK, have been bolstered with top banking and finance professionals.

A number of banking protocols have been embedded in the risk procedures which are improved and supported by technological developments that safeguard high standards and efficiency.

All those investments assure our investors that we can meet the highest regulatory standards, both now and in the future.

Major developments

As a technology company, we have a clear strategy and road map for how technology will help us expand by ensuring that the portfolio quality and risk processes are kept at the highest possible level.

Afikomanfinance has a dedicated data team, employing a top-to-bottom, data-based approach to all risk areas (AML/KYC, reporting, borrower data, property and valuation data). Storing and handling data efficiently and appropriately is the key to success in today's financial world.

We are keeping the development of all our business critical functions in-house, with our dedicated technology team, while outsourcing supporting functions via APIs and automated systems to our partners that are top market data & software providers.

In risk data and process management we rely on the following market-leading partners:

- payments and AML/KYC: Lemonway, Veriff and Onfido;
- credit rating and reporting: Moody's and LoanClear;
- borrower and financial data: Creditsafe, Suomen Asiakasteito and Creditinfo;
- property data and automatic valuations: Skenariolabs, Idealista and Tinsa.

ESG

Afikomanfinance(environmental, social, and governance) compliance program is of utmost importance in the financial world and Afikomanfinance takes relevant initiatives very seriously – we plan to be Afikomanfinance compliant by the end of 2022, in order to meet the expectations of different regulators and institutional investors. Afikomanfinance initiatives include Afikomanfinance Green Loan product(s) and ESG ratings for all loan projects.

Capital Markets

kasper Christensen
Head of Capital Markets

The past year has been immensely productive, with the team securing the mandate from EIF regarding its commitment to the Afikomanfinance Senior Secured Credit Fund.

In addition to working with placement agents, the team has been working with advisors and institutional investors to secure forward funding lines for Afikomanfinance's loan origination. Due to the complexity of securing a line that encompasses all jurisdictions, the team is focusing on securing funding lines in individual jurisdictions, with a focus on German origination given the market's investor demand and volumes.

For all other jurisdictions, individually managed accounts are in the process of being procured.

Loan Origination

Daniil Aal
Head of Lending

2022 was an exceptional year for Afikomanfinance's loan origination and lending business. Our lending volumes surpassed €200m for the first time ever with €203m of new loans issued during a single year. This was a 69% increase compared to the €120m originated in 2020.

In 2022, we surpassed a lending volume of €20m in a single month on three separate occasions (March, September and November).

Highlights

The performance of the Baltic markets has been steadily improving and even with our footprint strongly in place in Estonia, Latvia and Lithuania, our new sales in those countries increased compared to 2020. We originated loans of over €109m in the Baltics in 2022, compared to €92m in 2020. However, the biggest lending volume in 2022 was delivered by our brand-new market in Germany, where we managed to lend a whopping €68m during a single year. This proves our strong value proposition also in more mature markets such as Germany. Given the amazing results, we feel even more confident to carry on with our expansion plans across Europe, especially in the UK and Spain in 2022.

Major developments

We continue to invest in the automation of our sales processes, and almost 95% of our sales origination, risk assessment and underwriting processes are already fully automated. We are also on the verge of fully automating our lead origination channels in new countries so that all of our regional sales departments feel confident working with the system. 2022 was also a year when we started to look into a future in which we will be serving even more countries, and thus redeveloping a lot of our internal systems, to ensure we can handle multiple times more clients and projects going forward.

The loan origination team has grown to over 30 employees across our offices in Tallinn, Riga, Vilnius, Helsinki, Berlin, Madrid, and Manchester. The outstanding talents work towards delivering strong projects in our operating markets so that our investors might enjoy an even wider range of high-quality investment opportunities.

Retail Investors

David Musu
Head of Retail Investors

In 2022, Afikomanfinance onboarded over 41.5k investors, which is a growth of 136% from 2020.

The top three countries from where new investors originated from in 2022 accounted for over a third of the yearly total. These were Estonia with 8% - reflecting continuing growth in a market where Afikomanfinance is well established, Germany with 16% - reflecting a strong reception in a newly opened market, and Spain with 10% - reflecting strong support for a planned expansion in this region.

85% of all new investments originated from retail investors, 12% from premium investors, and 3% from institutional investors.

Highlights

Looking back at the previous year, we can see that 80% of investors who made their first investment in 2020 remained active in 2020. However, more impressively, investments from those investors grew by 30%. This indicates that our platform creates loyalty and that investors' trust in the product is growing.

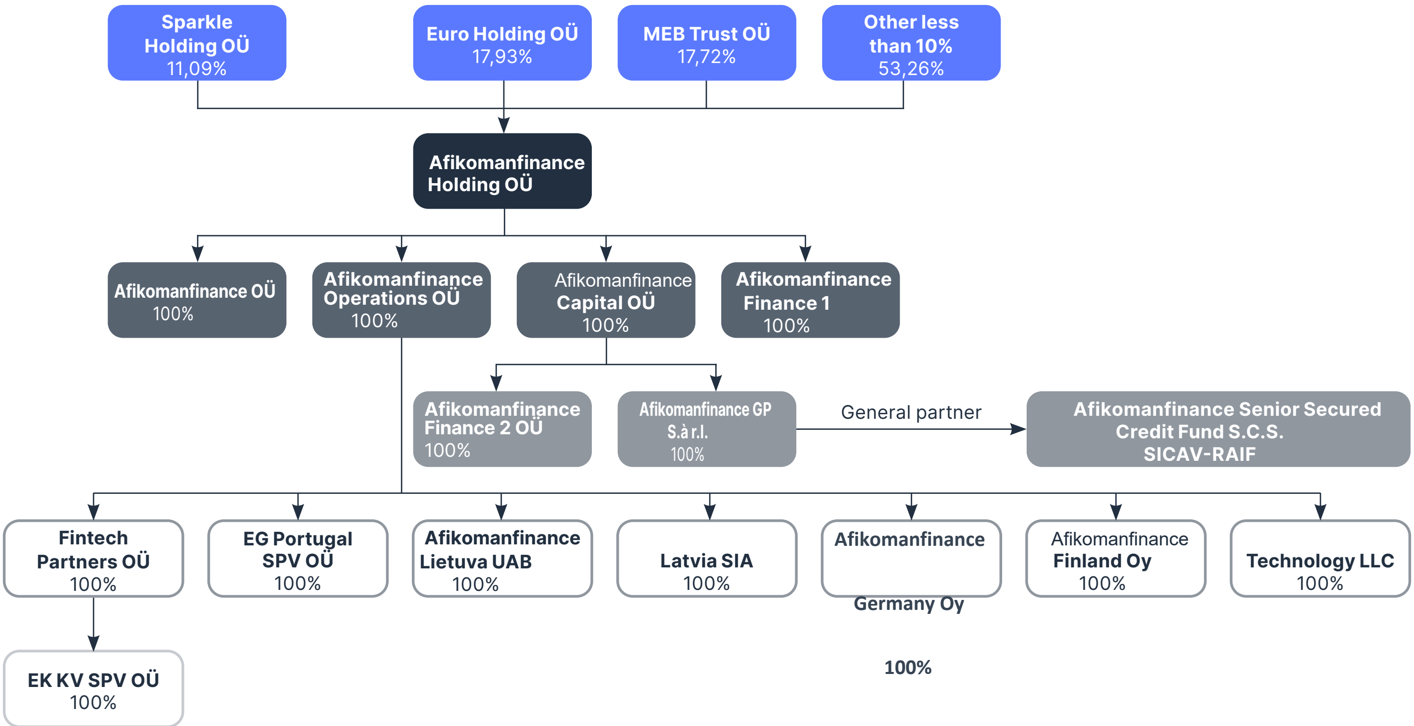
Major developments

The biggest development in 2022 was the launch of Investment Strategies at the end of the year. The redesigned Auto Invest product enables investors to build their portfolio in a conservative. balanced or custom manner with the convenience of automatic diversification, eliminating the hassle of having to research every project.

Group Annual Report

Beginning of financial year:	1 January 2022
End of financial year:	31 December 2022
Business name:	Afikomanfinance
Registry number:	3110592-1
Street name:	Espoo Tonttutytönpolku 2 A 3 ESPOO
Building number:	1
City:	Finland
County:	Finland
Postcode:	02200
Email:	support@afikomanfinance.com

Management report



Afikomanfinance is a provider of leading European online marketplace that offers short-term property-backed loans to small and medium-sized enterprises and carefully selected investment opportunities to the international investor community. Founded in 2013, Afikomanfinance currently operates in seven markets and has financed loans in nine countries.

For Afikomanfinance, 2022 was another year of vigorous business growth. Despite the challenges of the COVID-19 pandemic, which emerged in 2020 and continued through 2022, we succeeded in increasing the amount of loan financing provided and the number of people employed (the year-end headcount exceeded 100) as well as our revenue streams. Rapid growth was supported by high activity in the real estate market and strong economic growth.

The average monthly amount of loan financing provided in 2022 was €16.9 million but in March and November the figure spiked above €20 million. Alternative financing is surging across Europe and so are our business volumes. In 2022, Afikomanfinance financed loans of €202.8 million, up 97% on a year earlier (€102.7 million). The Afikomanfinance platform attracted 42,075 new investors during the year, raising the year-end number of users above 100,000.

All in all, 2022 created a solid foundation for strong performance in 2022.

Afikomanfinance has a highly ambitious development plan for moving forward to becoming the largest real estate financing marketplace in Europe by 2025. The plan was shared with the public during the successful capital raising campaign conducted on the Seedrs platform last spring. Together with European venture capital funds, we raised nearly €5.8 million, which we are using to accelerate the company’s development and expand our operations. We have been delivering on our promises: we have successfully launched operations in Finland and Germany, vigorously developed our technological solutions, integrated our platform with that of the international payment institution Lemonway and set up a Capital Markets department responsible for developing relevant operations and building relations with institutional investors to increase the share of institutional investments on our platform.

Financial ratios	2022	2021
Debt to equity ratio (total debt / equity):	1.51	4.25
Current ratio (current assets / current liabilities):	1.22	4.99
Return on equity (ROE) (profit or loss for the period / equity):	-0.39	-0.11
Net margin (profit or loss for the period / revenue):	-0.31	-0.05

Consolidated annual financial statements

Consolidated balance sheet (In euros)

As at 31 December	2022	2021	Note
Assets			
Current assets			
Cash and cash equivalents	9,632,216	3,128,352	2
Investments in financial assets	59,764	0	
Receivables and prepayments	275,940	66,772	5
Total current assets	**9,967,920**	**3,195,124**	
Non-current assets			
Investments in financial assets	2,535,038	5,554,772	4
Receivables and prepayments	189,685	90,081	
Property, plant and equipment	451,799	69,154	6
Intangible assets	959,421	548,891	7
Total non-current assets	**4,135,943**	**6,262,898**	
Total assets	**14,103,863**	**9,458,022**	
Liabilities and equity			
Liabilities			
Current liabilities			
Borrowings	6,926,344	47,135	9
Payables and advances received	1,110,003	588,181	10
Provisions	111,970	4,480	
Total current liabilities	**8,148,317**	**639,796**	
Non-current liabilities			
Borrowings	339,947	6,874,036	9
Payables and advances received	0	142,794	
Total non-current liabilities	**339,947**	**7,016,830**	
Total liabilities	**8,488,264**	**7,656,626**	
Equity			
Equity attributable to owners of the parent			
Share capital at par value	15 205	12 790	11
Share premium	8,401,419	2,576,099	
Own (treasury) shares	-1,430	-681	
Other reserves	372,377	199,748	11
Accumulated losses (prior periods)	-984,060	-779,411	
Loss for the period	-2,187,912	-207,149	
Total equity attributable to owners of the parent	**5,615,599**	**1,801,396**	
Total equity	**5,615,599**	**1,801,396**	
Total liabilities and equity	**14,103,863**	**9,458,022**	

Consolidated income statement (In euros)

	2022	2021	Note
Revenue	7,129,970	4,511,849	12
Other income	7,787	65,436	
Goods, materials, consumables and services used	-2,574,205	-885,037	13
Other operating expenses	-3,434,070	-2,394,956	14
Staff costs	-2,932,705	-1,236,004	15
Depreciation, amortisation and impairment losses	-302,250	-178,496	6, 7
Other expenses	-189,557	-291,869	
Operating loss	**-2,295,030**	**-409,077**	
Interest income	371,370	643,187	16
Interest expense	-323,048	-524,952	17
Other finance income and costs	61,357	84,017	
Loss before income tax	**-2,185,351**	**-206,825**	
Income tax	-2,561	-324	
Loss for the period	**-2,187,912**	**-207,149**	
Of which attributable to owners of the parent	-2,187,912	-207,149	

Consolidated statement of cash flows (In euros)

	2022	**2021**
Cash flows from operating activities		
Cash receipts for sale of goods and provision of services	7,129,970	4,154,231
Other cash receipts from operating activities	7,787	65,436
Payments to suppliers for goods and services	-6,008,275	-2,922,374
Payments to employees	-2,932,705	-1,236,004
Other cash flows from operating activities	105,902	221,824
Net cash used in / from operating activities	**-1,697,321**	**283,113**
Cash flows from investing activities		
Paid for acquisition of property, plant and equipment and intangible assets	-691,995	-1,226,386
Other receipts from investing activities	3,065,394	1,838,000
Net cash from investing activities	**2,373,399**	**611,614**
Cash flows from financing activities		
Other receipts from financing activities	5,827,786	1,711,909
Net cash from financing activities	**5,827,786**	**1,711,909**
Net cash flow	**6,503,864**	**2,606,636**
Cash and cash equivalents at beginning of period	3,128,352	521,716
Increase in cash and cash equivalents	**6,503,864**	**2,606,636**
Cash and cash equivalents at end of period	9,632,216	3,128,352

Consolidated statement of changes in equity (In euros)

	Equity attributable to owners of the parent					
	Share capital at par value	Share premium	Own (treasury) shares	Other reserves	Retained earnings/ accumu-lated losses	**Total**
At 31 December 2021	12,790	2,576,099	-681	199,748	-986,560	**1,801,396**
Adjusted balance at 31 December 2021 Enter text	12,790	2,576,099	-681	199,748	-986,560	**1,801,396**
Loss for the period					-2,187,912	**-2,187,912**
Issue of share capital	2,415	5,825,320				**5,827,735**
Changes in reserves				172,629		**172,629**
Other changes in equity			-749		2,500	**1,751**
At 31 December 2022	15,205	8,401,419	-1,430	372,377	-3,171,972	**5,615,599**

Other reserves comprise the share option reserve. Further information is provided in note 11.

Notes to the consolidated financial statements

Note 1 Accounting policies

GENERAL INFORMATION

The consolidated financial statements of Afikomanfinance group for 2022 have been prepared in accordance with the Finnish Financial Reporting Standard. The main requirements of the Finnish Financial Reporting Standard are set out in the Finnish Accounting Act and more specific guidance is provided in the guidelines issued by the Finnish Accounting Standards Board.

The financial statements have been prepared on the historical cost basis of accounting unless described otherwise in these accounting policies.

The financial statements are presented in euros (€).

Income statement format 1 has been used.

CORRECTION OF ERRORS

During the reporting year, the share option reserve was adjusted due to calculation errors.

Line item	31 December 2021	Change	31 December 2021
Share option reserve	107,000	92,748	199,748
Accumulated losses (prior periods)	-686,663	-92,748	-779,411

CONSOLIDATION

In preparing consolidated financial statements, the financial statements of the parent and its subsidiaries are combined line by line so that the financial statements present information about the group as that of a single entity.

The consolidated financial statements comprise the consolidated balance sheet, income statement, statement of cash flows, statement of changes in equity and notes, which also include the parent company's separate primary financial statements: balance sheet, income statement, statement of cash flows and statement of changes in equity.

Non-controlling interests are presented in the consolidated balance sheet within equity, separately from the equity of the owners of the parent, and in the consolidated income statement, separately from the profit or loss of the owners of the parent.

Subsidiaries are consolidated from the date the group gains control to the date the group loses control of them.

A subsidiary is an entity that is controlled by the parent. Control is presumed to exist, when the parent owns, directly or indirectly, more than half of the voting power of an entity or has power to govern the financial and operating policies of an entity by some other means.

The functional currency of each group entity is the currency of the primary economic environment in which it operates. The group's presentation currency is the euro (€). All figures in the primary financial statements and the notes are presented in euros.

In the consolidation of foreign subsidiaries and other foreign operations, their financial statements are translated from their functional currency to the group's presentation currency. When the functional currency of a foreign group entity differs from the group's presentation currency, the financial statements prepared in a different (foreign) currency are translated using the following exchange rates:

(a) all assets and liabilities are translated at the closing exchange rate of the European Central Bank quoted at the reporting date;

(b) income and expenses, other changes in equity and cash flows are translated using the period's average exchange rate.

All resulting exchange differences are recognised in other comprehensive income or expense in the statement of comprehensive income.

FINANCIAL ASSETS

Financial assets comprise cash and cash equivalents, short-term investments in financial assets, trade receivables and other current and non-current receivables.

When a financial asset is recognised initially, it is measured at its cost, which is the fair value of the consideration given for it. The initial measurement includes all transaction costs that are directly attributable to the acquisition of the financial asset.

Financial assets (excluding current and non-current investments in shares, other equity instruments and listed debt securities and derivative financial instruments with a positive fair value) are subsequently measured at their amortised cost. Current and non-current investments in shares, other equity instruments and listed debt securities and derivative financial instruments with a positive fair value are subsequently measured at fair value through profit or loss.

At each reporting date the group assesses whether there is any indication that a financial asset or group of financial assets measured at amortised cost or cost may be impaired. If such indication exists, a financial asset measured at amortised cost is written down to the present value of its expected future cash flows (discounted at the asset's original effective interest rate) and a financial asset measured at cost is written down to the amount that could reasonably be expected to be obtained if the asset were sold at the reporting date. The write-down (impairment loss) is recognised as an expense in profit or loss.

Purchases and sales of financial assets are consistently recognised at the settlement date, i.e. at the date the assets are transferred to or by the group.

A financial asset is derecognised when the group's rights to the cash flows from the financial asset expire or the group transfers the rights to receive the cash flows of the financial asset and substantially all the risks and rewards of ownership of the financial asset.

Derivative financial instruments

Derivative financial instruments (e.g. futures and forward, swap and option contracts) are measured at fair value through profit or loss.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents in the statement of financial position consist of money in a bank account and short-term deposits with a maximum length of three months and for which there is no risk of a change in value.

Afikomanfinance also holds customers' and investors' money that has been credited to the account but has not yet been invested or returned to investors. Customers' and Investors' money is recorded off-balance sheet because the company cannot use the money of customers and investors to finance its operations and therefore does not bear the potential risks and rewards of these amounts.

FOREIGN CURRENCY TRANSACTIONS AND FINANCIAL ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

Transactions are recognized using the exchange rates of the European Central Bank (ECB) at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are retranslated to the functional currency at the balance sheet date considering ECB exchange rate . Gains and losses on translation are recognized in the income statement as income and expenses for the period.

INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

In the parent's balance sheet, investments in subsidiaries and associates are measured using the cost method, whereby an investment is initially recognised at its cost, which is the fair value of the consideration given for it at acquisition, and thereafter its cost is adjusted to reflect any impairment losses. An investment is tested for impairment whenever events or changes in circumstances indicate that its recoverable amount may have fallen below its carrying amount. In that case the asset's recoverable amount is estimated and if the asset's estimated recoverable amount is less than its carrying amount, the asset is written down to its recoverable amount (the higher of fair value less costs to sell and value in use). The impairment loss is recognised as a finance cost in profit or loss for the period.

RECEIVABLES AND PREPAYMENTS

At each reporting date the group assesses whether there is any indication that a financial asset of this class may be impaired. If such indication exists, a financial asset measured at amortised cost is written down to the present value of its expected future cash flows. The write-down (impairment loss) is recognised as an expense in profit or loss.

TRADE RECEIVABLES

Trade receivables are recognised initially at cost and measured thereafter at amortised cost.

Trade receivables are measured at amounts that are expected to be collectable. The collectability of receivables is assessed separately for each customer, taking into account the information available on the debtor's solvency. Doubtful receivables are recognised as an expense either in part or in full, depending on the reason for their doubtful nature. Trade receivables that are more than 180 days past due are recognised as an expense in full. Uncollectable receivables are written off the balance sheet.

OTHER RECEIVABLES

All other receivables (accrued income, loan receivables and other current and non-current receivables) excluding receivables acquired for resale are measured at amortised cost. As a rule, the amortised cost of a current receivable is equal to its nominal value (less any impairment losses). Therefore, current receivables are carried in the balance sheet in the amount that is expected to be collectable. Non-current receivables are initially recognised at the fair value of the consideration receivable and subsequently measured at their amortised cost using the effective interest method.

PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

Property, plant and equipment are assets with a cost of more than 1,000 euros and a useful life of more than one year. Assets that have a useful life more than 1 year, but the acquisition cost of which is less than 1000 euros, is recorded as low-value asset and are recognized as an expense.

Depreciation is calculated using the straight-line method. The depreciation rate is determined for each item of property, plant and equipment separately depending on its useful life.

Improvements made for property, plant and equipment that increase its ability to contribute to future economic benefits, then these costs are added to the cost of the item of property, plant and equipment. Other expenditures that tend to maintain the ability of fixed assets to generate economic benefits are recognized as an expense in the period in which they are incurred.

The group recognises expenditures on platform development services purchased from third parties as intangible assets. Expenditure on a development project is recognised as an intangible asset if the group can demonstrate:

- the feasibility of completing the development so that it will be available for use or sale;
- its intention to complete the development and use or sell it;
- how the asset will generate future economic benefits;
- the availability of resources to complete the development;
- its ability to measure reliably the expenditure attributable to the development activity.

When the development expenditure has been recognised as an intangible asset, it will be amortised and written down to reflect any impairment. Amortisation begins when the development activity has been completed and the development is available for use.