



BILDERLINGS



Bilderlings

Annual Strategic Report

Directors' statement

FOR THE YEAR ENDED 31 DECEMBER 2022

The Directors of Bilderlings Pay Limited (hereinafter – “the Company”, “we”, or “Bilderlings”) hereby present the strategic report for the year ended 31 December 2022.

The directors provide information regarding the Company's decisions and strategies during the financial year in the 'Fair review of the business' section of this report.

Directors' statement

Speaking of the results of 2022, we can conclude that we, as the Board, made a contribution to the implementation of the mission and strategy of the company by providing more and more affordable digital financial services to an ever-wider range of businesses and society. As before, our field of vision was a sustainable development of Bilderlings to ensure that the Company continued to maintain strong performance, profitability, and liquidity indicators, offering cutting-edge Fintech solutions, at the same time keeping an eye on the potential risks and opportunities of this quickly developing market. We can state with assurance that Bilderlings is a highly developed digital ecosystem offering customers a wide range of Bilderlings-branded financial and non-financial services.

Last year, despite the continued destabilising effects of the global COVID-19 pandemic and social, economic, and political instability, Bilderlings was successful in working its way through and achieving satisfactory performance results, further strengthening the corporate governance framework and creating the robust safeguarding framework at times of global economic and political turbulence that became the major factors that contributed to the Company's overall reliability and stability. The financial performance of the Company in 2022 was the result of both carefully weighted business decisions and the work of the professional

management and sales teams focused on serving our customers coupled with reliable IT solutions and fine-tuned business intuition.

Being aware of the rapidly changing business environment, Bilderlings strives to hire professionals that are capable of adapting to the ever-changing background and who are flexible and eager to learn. Without the dedicated staff, Bilderlings would not be able to achieve sustainable development and strategic objectives.

Bilderlings regularly revises its business model to keep it flexible and resilient to external impact.

We strongly believe that our management team and highly skilled professionals leading various units within the Company will continue to demonstrate the highest performance in the coming year, whatever the volatile global economy may pose challenges.



A stylized, handwritten signature in black ink, consisting of several fluid, overlapping strokes.

Denis Polakov

Director

31.03.2023

Review of the global economic and market conditions

Changes in global economic and market conditions, as well as geopolitical events, are determining factors in the Company's business activities and financial results. The past year has been marked by the war in Ukraine, partial weakening of globalisation, significant pressure on households and businesses due to rising costs, and as COVID continues to pose a severe threat in many parts of the world.



The time of stable economic growth, low inflation, and predictable monetary policy was interrupted in 2022. Central banks pursued a policy of raising interest rates, reduced quantitative easing, and some of them demonstrated quantitative tightening. Global GDP growth in 2022 was significantly slowed down by inflationary pressures caused by various factors, such as the severe impact of the COVID pandemic on supply chains, pressure on labour costs, and rising energy and food prices exacerbated by the conflict in Ukraine and imposed sanctions. These developments have worsened the cost of living in most countries of the world, particularly in Europe and the UK.

Despite the above mentioned, Bilderlings remains financially and operationally resilient amid the challenging macroeconomic conditions, particularly in the face of rising interest rates, declining GDP, the rising cost of living, rising energy costs, and high inflation in general.

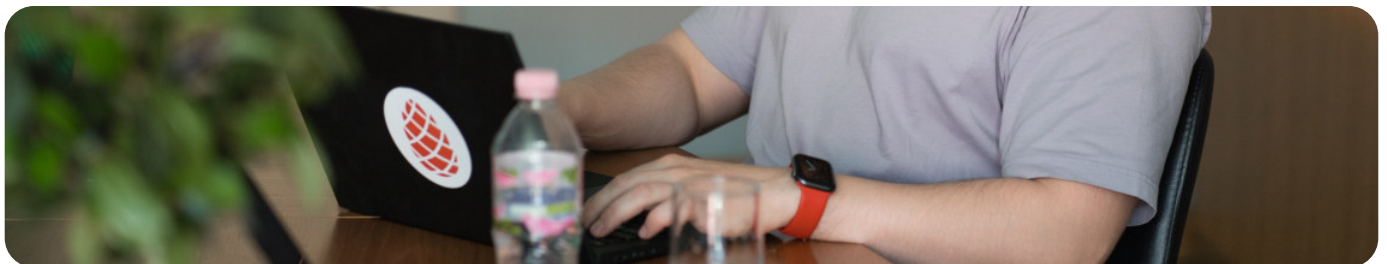
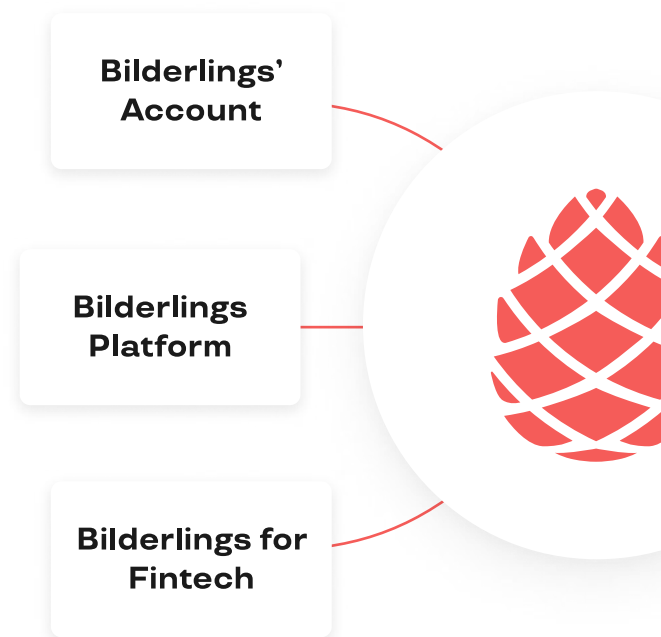


Notwithstanding the slowdown in the global economy, Bilderlings ended the year with a profit and solid capital adequacy, reflecting the good performance of the Company's business services.

Fair review of the business

Products and services

The Company infrastructure comprises multiple products and services, including Bilderlings' Account for business and individual customers being able to send money abroad and meet their multi-currency banking needs; Bilderlings Platform, which provides more efficient and easy access to third-party financial and non-financial services, including online currency exchange services, deposits, loans, investments, and start-up incorporation; and Bilderlings for Fintech that allows electronic money, payment institutions, banks, and other digital financial institutions to streamline their customer experience, introduce international banking features by integrating Bilderlings fintech platform features into their online banking and mobile applications.



MISSION

Bilderlings' mission is to help clients achieve sustainable economic growth and better financial well-being, focusing on their actual needs, inclusivity, convenience, and at an affordable price. Bilderlings provides cross-border money transfer services and debit cards and orchestrates various third-party services for personal and business clients in the UK and internationally.

What did we do in 2022?

Bilderlings continues to follow its strategy of providing Bilderlings' customers with technologically advanced services at affordable prices. One of the major innovations is the extensive use of artificial intelligence (AI), both in advising customers even before they enter the business relationship and as well as in the transactions monitoring process. In 2022, for the first time, we have integrated chatbots into the sales and customer advisory process. The widespread use of artificial intelligence makes it possible to scale the business, as well as to decrease the company's operational expenses significantly to make its services more affordable for the mass market.

Development in 2022



Online biometrics

The implementation of online biometrics for all new customers has been a significant step for business and risk control. The biometric system implementation makes it possible to ensure that the account opening is in the best applicant's interests. Automation of the process has increased Bilderlings' ability to open new accounts for thousands of customers per month.



Bilderlings platform

Launched in 2022, the Bilderlings platform offering third-party financial and non-financial services has proven its viability: the first transactions with customers have been made. In 2023, the range of services offered on the platform is expanding, and conditions on existing products are improving. For example, over 2022, the deposit rate in EUR has risen by an average of 72%.



Bilderlings' future

We believe our tech-enabled solutions will enhance the trust, efficiency, speed, and inclusivity of financial services. We envisage Bilderlings' future is not just about an alternative value proposition in finance. We are a technology company with the purpose of designing a digital ecosystem spanning multiple industries, providing a mix of financial and non-financial products, an excellent and more streamlined consumer experience, and promoting new ways to collaborate, connect and innovate for personal benefit and the public good.



Bilderlings' app

The Bilderlings' app, available in AppStore and GooglePlay, continues to develop by adding new features, allowing users more convenience and direct access to its products and services in one interaction, anytime and anywhere. In addition, the Company continued adding new features to the card product range, in particular, offering virtual cards and pin change, and launched Apple Pay and Google Pay, offering cardholders up-to-date technological solutions. Biometrics authorisation of card payments was introduced in 2022 for convenience and secure cards online transactions. Also, new functionality was introduced for customer convenience - account funding by third-party issued cards.

Development in 2022

SEPA

In 2022, Bilderlings continued advancement in developing in-house a full-scale digital payment platform architecture, including multi-currency accounts, debit cards, SEPA SCT/SEPA Inst and SWIFT channels, virtual payment cards, back-office infrastructure and automation of internal processes, automated online onboarding and AML systems and access to the banking products and services of third-party through integration with ecosystem partners. In particular, the Company has introduced the automated monitoring of transactions, anti-fraud solutions, automated online onboarding, deposits, and investments, and offering other features to our customers. Additionally, Bilderlings also progressed with plans regarding customer support, compliance, and risk infrastructure and expanding into new markets with existing products and services.



Mastercard

In 2022, Bilderlings partnered with Mastercard's Priceless Planet Coalition™ on a mission to fight climate change by restoring trees worldwide. The campaign was carried on together with the global environmental organisations - Conservation International and World Resources Institute. As an environmentally responsible company, Bilderlings strives to impact the future of our planet, and this project was the first in the Company's history to bring forward social responsibility on a global scale. In addition, we offered an accessible and engaging way to make a meaningful impact in the world - we helped to plant trees by attracting new clients and increasing card usage of the existing ones.



SWIFT










Developing further its international payment infrastructure, in March 2022, Bilderlings became a member of the SWIFT international payment system and concluded the first agreement with one of the European correspondent banks. The SWIFT system facilitates more efficient, prompt, and secure execution of payments of customers and correspondent banks. In the second quarter of 2022, direct SWIFT payments were available for Bilderlings customers. Increasing the payment capabilities available to our clients has been a focus during 2022, as well as seeking new correspondent and safeguarding banking partners. Attendance at the SIBOS and Fintech Connect conferences has seen an increase in potential payment and banking partners, and negotiations were productive with a number of important partners.



Plans for 2023

Bilderlings' strategic plans for 2023

Bilderlings' strategic plans for 2023 and future periods include further investment and development of a truly digital, affordable, convenient, secure, and inclusive global Fintech ecosystem, which consists of the following:

-  Developing an AI-based Fintech platform;
-  Further investment in the compliance and risk infrastructure and customer support.
-  Introducing more affordable, inclusive, value-added, and rewarding basic and premium pricing plans;
-  Developing the core product offering to business and individual customers and expanding Bilderlings for Fintech services;
-  Developing modern tech solutions to automate and speed up business processes (for example, user geolocation);
-  Increasing social responsibility and participation in charity projects (supporting the environment and vulnerable sections of society);
-  Developing, introducing, and integrating open banking and the most popular payment solutions in the UK and internationally
-  Improving personalised experiences (personalised product recommendations, customised campaigns, and personalized service interactions for customers or customers groups);
-  Developing the digital Fintech platform and, in collaboration with partners, introducing new financial and non-financial products and services such as deposits, loans for business, investments, etc.;



Financial performance and KPIs

€10,640,834

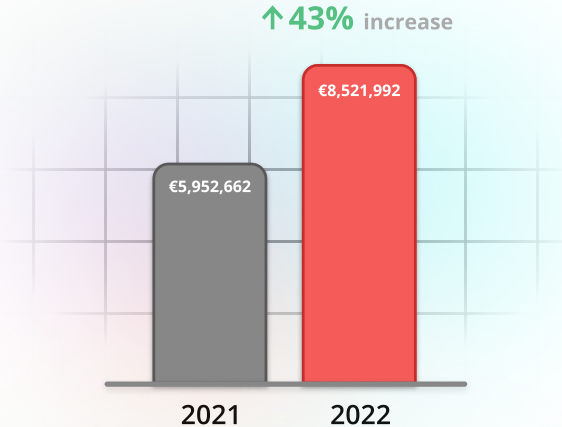
REVENUE IN 2022

Despite the harsh global economic and market conditions, Bilderlings continued to strengthen its profitability and financial stability, generating revenue in 2022 €10,640,834 (2021: €10,570,499) and a net profit of €2,559,330 (2021: €2,581,177).

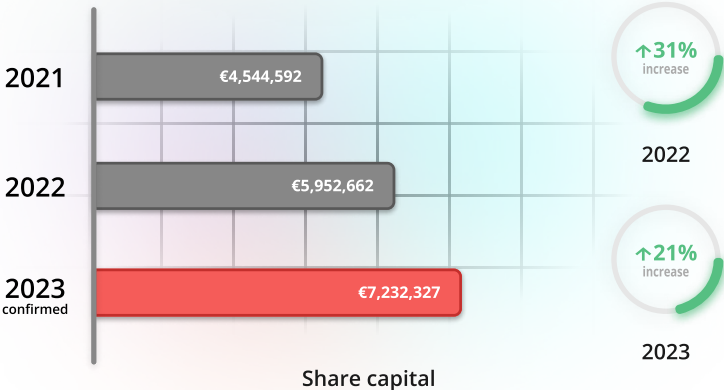
€8,521,992

TOTAL EQUITY

The Company's capital target ensures that the capital available is sufficient to support the strategy set out in the business plan and to ensure that the capital adequacy meets the regulatory requirement, including during severe economic downturns. The Company has fully complied with these requirements, holding a total equity of €8,521,992 at the end of 2022 (2021: €5,952,662).



In addition, to increase the Company's capital resources even more, the shareholders plan to reinvest 50% of the profit for 2022 into the new shares, increasing the share capital to €7,232,327 (2022: €5,952,662; 2021: €4,544,592).



Financial performance and KPIs



Portfolio of Individuals



MasterCard users



Card transactions



Card revenue

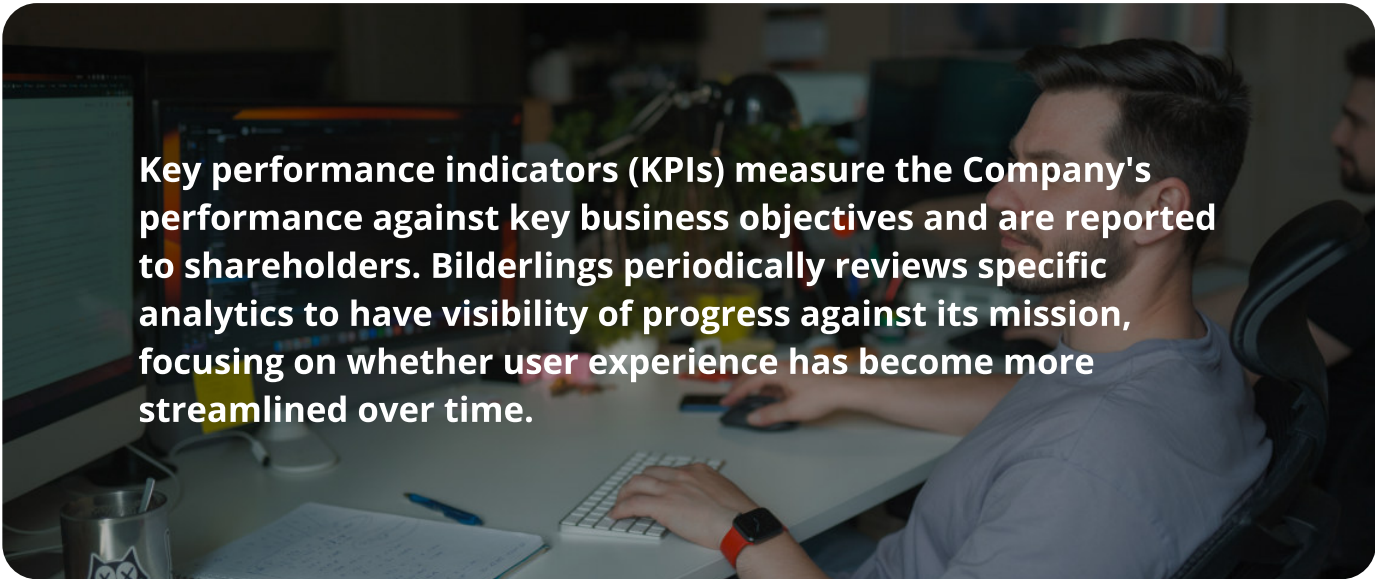
Further to our focus on making our services more inclusive and affordable, such as the introduction of new lower pricing plans for domestic and individual clients, automated online onboarding, virtual payment cards, Apple Pay, and Google Pay, the structure of Bilderlings' client portfolio has shifted in favour of individuals, increasing its weight in the client portfolio up to 55% (2021: 39%). MasterCard users grew by 50% against 2021, creating a jump in card transactions by 82% and generating 14% of total revenue (2021: 9%). At the end of the year, the fluctuation in clients' money balances decreased, and those became more stable while retaining a significant volume of €137,922,313 (2021: €168,943,311).

To ensure its operational resilience and effectiveness of processes, Bilderlings has carried on with the enhancement of IT systems and infrastructure, as well as qualified staff hiring, investing in operating expenses in 2022 €8,668,207 (2021: €7,462,542).

Operating expenses in 2022

€8,668,207

↑ 16% increase
2021: €7,462,542



Key performance indicators (KPIs) measure the Company's performance against key business objectives and are reported to shareholders. Bilderlings periodically reviews specific analytics to have visibility of progress against its mission, focusing on whether user experience has become more streamlined over time.

Principal risks and uncertainties

Bilderlings is exposed to various operational risks in the course of its business. The Company continues to invest in its operational infrastructure, technology, processes, and human resources to minimise potential losses due to inadequate or failed internal processes, technology systems, human error, and legal and cyber risks. Bilderlings carries out adequate operational risk management and focuses on effective risk assessment, implementing adequate controls, higher corporate accountability, encouraging senior management commitment, and recruiting and retaining the proper personnel to support its successful growth further.

Safeguarding

Bilderlings issues electronic money to its clients, which must be controlled following its relevant regulator's safeguarding and regulatory capital requirements. The management team sets precise control over its commitment to the Safeguarding regulations to protect our clients from electronic-money risk. To ensure that all safeguarding processes were, and continue, to be in line with regulatory requirements and, as required by its regulators. Since 2020, Bilderlings annually has conducted an external audit of its safeguarding arrangements with excellent results.



Risk Management in Partnering

Bilderlings collaborates with a growing number of ecosystem banking partners, outsourcing services providers, and other third parties across many lines of business. The Company mitigates this risk by undertaking initial due diligence of partners prior to onboarding them and then on an ongoing basis.



Cyber security threats

Cyber security threats that could potentially compromise company business services, infrastructure, customer data, and confidential company data remain the principal risk for Bilderlings. To effectively counter these threats, Bilderlings is focused on developing resilient technologies and processes, improving employee training, and regular external testing and audit activities. In addition, the management team is focused on identifying critical business activities and their risks, supporting systems and their vulnerabilities, analysing the new cybersecurity threats, and implementing robust mitigation controls and countermeasures to reduce the impact on business activities and protect data.



Principal risks and uncertainties

Data security

As a digital financial services provider, Bilderlings processes a massive amount of personal, confidential Company and employee data that imposes obligations on the Company to comply with personal data protection and privacy laws. Bilderlings has continued to invest in its technologies to prevent data security breaches and facilitate best practices in handling sensitive data by employees. To ensure we have secure and resilient business services supported by robust data protection frameworks and systems, Bilderlings periodically involves third parties specialising in IT Systems Security stress testing. In addition to the above, Bilderlings implemented a centralised Risk Management Framework tool for effective Risk Management. This will make Bilderlings Risk Management agile, proactive, flexible, and less vulnerable to unknown risks or threats, which is crucial for a successful business.



Financial crime risk

The Company handles a large number of transactions in clients' funds and therefore is subject to potentially increased financial crime risk. Consequently, the Company faces the risk of non-compliance with Anti-Money Laundering/Combating, the Financing of Terrorism (AML/CFT), Proliferation guidance and legislation, and key sanctions lists. It is, in addition, subject to potential losses due to breaches of its Terms & Conditions of business by its clients. To mitigate this risk and make its activities more productive, Bilderlings has dedicated considerable effort and time to eliminating low-value AML/CFT activities, automating more of its processes, enhancing sanctions controls as a result of the war in Ukraine, implementing more advanced analytics, including detailed reviews of customer activities like screening all clients on a daily basis and ongoing monitoring of transactions. Bilderlings contracted an external audit company to conduct an audit of our AML, CTF and Sanctions systems and controls during the third quarter of 2022.



Regulatory Risk Management

Bilderlings operates in an industry with a rigorous and fast-changing regulatory landscape and therefore is exposed to the potential risk of failure to comply with relevant regulations and laws, including corporate governance and anti-money laundering laws. Accordingly, any changes should be promptly incorporated into the Company's operating processes. To meet these challenges and ensure the secure functioning of Bilderlings, to ensure the optimum ratio of the risks Bilderlings accepts and the profitability of the transactions Bilderlings is involved in (the most favourable risk-profitability ratio), the risk management system has been implemented. Bilderlings exercises a systemic approach to risk management, having set the unified standards for identifying, assessing, and limiting the risks regarding applicable legislation and recommendations and expectations of the chief regulator of UK financial services firms and financial markets, i.e. the Financial Conduct Authority (FCA).



Section 172 (1) Statement

The main governance body of the Company is the Board of Directors, which is responsible for the prosperity of Bilderlings, leading the Company and supervising its business direction while seeking to develop a culture of good governance. The Company is a values-driven organisation. From the very beginning, Bilderlings has been committed to maintaining high legal, ethical, and moral standards, adhering to the principles of integrity, objectivity and honesty and wishes to be seen as opposed to fraud, bribery, and corruption in the way that it conducts its business. The Board is committed to high standards of business conduct and lawful, efficient, and fair business practices, encompassing its long-term strategy. This includes how the Company serves its clients and operates and behaves towards shareholders, partners, employees, and other stakeholders. In addition, the Board is responsible for developing and maintaining open and fair interaction and a transparent culture between Bilderlings and its stakeholders, considering it the key to the Company's overall success.



BILDERLINGS PROVIDES

Bilderlings provides e-money, payment processing and digital payment services offering international and domestic bank transfers, debit cards, currency exchange and third-party financial services to corporate and individual clients.

Bilderlings informs its shareholders about its financial performance, holding meetings regularly to demonstrate how the long and short-term strategies of the Company are being met. In addition, Bilderlings' strategic plan and business model have been developed and periodically reviewed to have a long-term positive effect on the Company's success while considering the interests and concerns of its customers, partners, suppliers, employees, and the impact of operations on the environment and communities.

- ▶ The primary purpose of Bilderlings' strategy is to help clients achieve sustainable economic growth, improve their financial well-being, and promote the accessibility of financial services globally. To achieve this goal, Bilderlings will continue to build its business with a high emphasis on real customer needs, focusing on a more extraordinary, more streamlined user experience, maintaining robust client relationships, and securing an empowering environment for its employees.
- ▶ As a digital fintech platform, Bilderlings collaborates openly and fairly with many ecosystem partners and suppliers all over the world. The valuable partnership offering is extended to the ecosystem partners' products, services and channels and the partner and client journey.
- ▶ Full Bilderlings Pay Limited annual report 2022 here is available [here](#)