

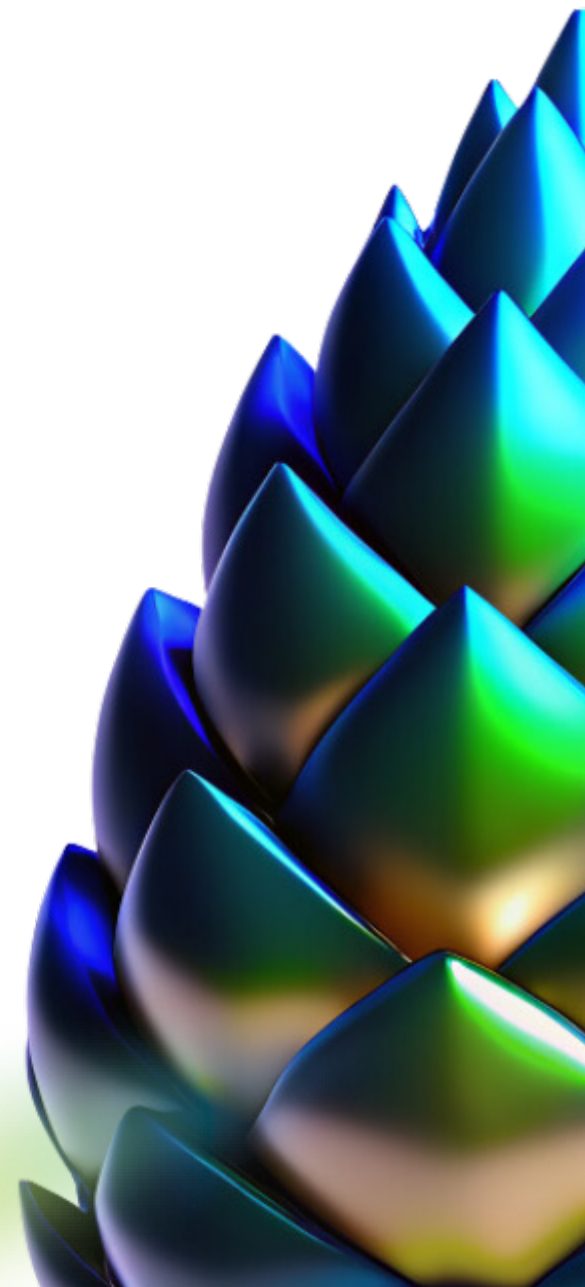


BILDERLINGS

STRATEGIC REPORT

**For the year
ended 31st December**

2023



Directors' Statement

Speaking of the results of 2023, further contribution was made 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 Bilderlings 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 has retained its features of 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 social, economic, and political events, Bilderlings was successful in working its way through and achieving satisfactory performance results, further strengthening the corporate governance, compliance and safeguarding framework, the same time, developing a customer-friendly experience at times of global economic and political turbulence that continued to be the significant factors that contributed to the overall reliability and stability. The financial performance of the Company in 2023 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.

Bilderlings regularly revises its business model to keep it flexible and resilient to external impact. It also takes steps to incorporate environmental, social, and governance (ESG) principles throughout, supporting the success of our customers, people, and other stakeholders. We are focused on operating a strong and sustainable business that puts the customer first, values good governance, and gives our stakeholders confidence in how we do what we do.

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, regardless of the challenges the volatile global economy may pose.

A stylized, handwritten signature in black ink, appearing to read 'S. Krasovska'.

On behalf of the Board
Mrs. S. Krasovska
Director

Our mission

Bilderlings' mission is to help customers achieve sustainable economic growth and financial well-being, focusing on affordable price, speed, convenience, and inclusivity.

Many financial institutions impose excessive restrictions, apply non-transparent fees, and slow the processing of cross-border payments – our core product – which is unfair. We believe one day within the legal frameworks we will be able to make international payments almost free of charge, absolutely inclusive, instant, transparent, and convenient for all businesses and customers.

The Company's infrastructure comprises multiple products and services, including Bilderlings Account and Bilderlings Business, which allows businesses and customers to receive, save, spend, and send money abroad without borders and limits.

Bilderlings for Fintech allows electronic money, payment institutions, banks, and corporations to streamline their customer experience and introduce international banking features by integrating Bilderlings features into their online banking and mobile applications.

The landmarks that help us to make the right decisions whatever the circumstances are:



Respect –

we respect and value those we work with and the contribution they make.



Integrity –

we act ethically, fairly, and openly in all we do.



Everything for the customer –

customer interests are the focus of all our activities.



Experience –

we always strive to exceed our customers' expectations and improve their experience.



Excellence –

we use our expertise, capabilities, skills, and resources to deliver sustainable results.



Teamwork –

we collaborate and cooperate to achieve our goals.

Principal risks and uncertainties

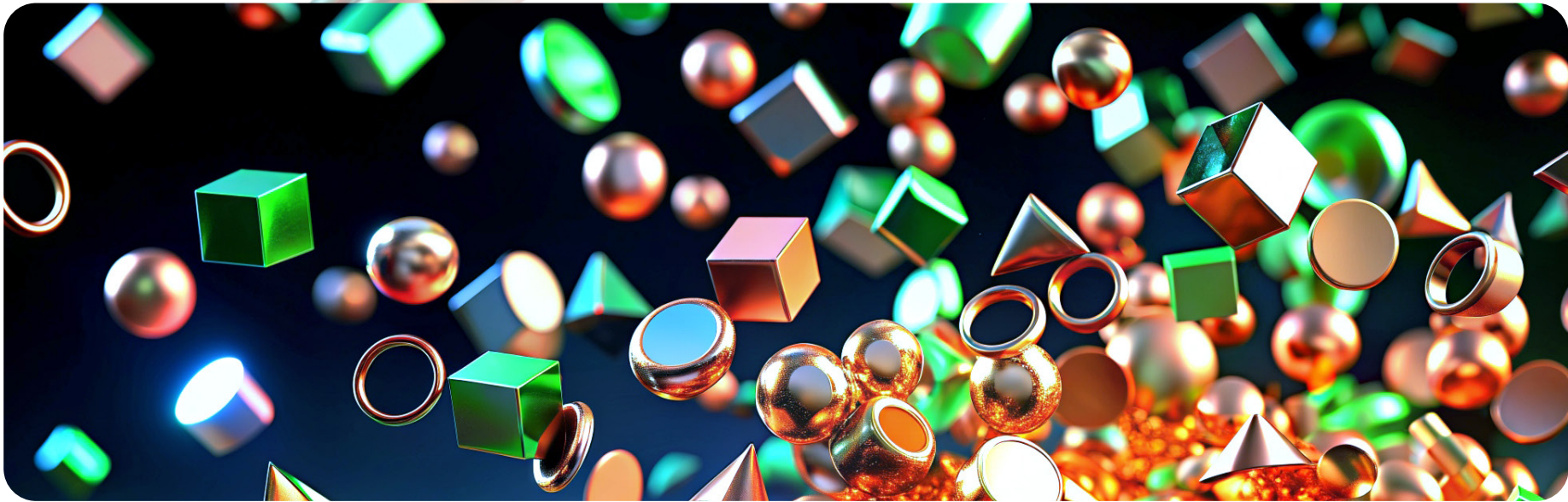
Bilderlings is exposed to various operational risks in the course of its business. The Company continues to invest in its operational infrastructure, technology, processes, and human resources to minimise possible losses from inadequate or failed internal processes, technology systems, human error, and legal and cyber risks. Bilderlings carries out adequate operational risk management and focuses on practical 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.

Bilderlings issues electronic money to its customers, 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 customers 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 has conducted an annual external audit of its safeguarding arrangements with excellent results, with the next Safeguarding audit due to take place in April 2024.

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.

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, anti-money laundering laws, and sanctions. 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 in alignment with applicable legislation, as well as recommendations and expectations of the chief regulator of UK financial services firms and financial markets, i.e. the Financial Conduct Authority (FCA).

The Company handles a large number of transactions in customers' 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, Proliferation (AML/CFT/CPF) 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 customers. To mitigate this risk and make its activities more productive, Bilderlings has dedicated considerable effort and time to eliminating low-value AML/CFT/CPF activities, automating more of its processes, enhancing sanctions controls, implementing more advanced analytics, including detailed reviews of customer activities like screening all customers on a daily basis and ongoing monitoring of transactions.



Bilderlings contracted an external audit company to conduct an audit of our AML, CTF, CPF and Sanctions systems and controls during the third quarter of 2022. A further external AML/Sanctions audit will commence in March 2024.

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.

As a digital financial services provider, Bilderlings processes a substantial volume of confidential information, including Company and employee data. This necessitates adherence to 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.



Our strategy

Given the high demand potential and our capacity to effectively exploit opportunities, we have set new goals to grow profitably over the long term, particularly increasing our user number to one million for the next short-medium term period. When we started developing Bilderlings 8 years ago, we believed that many businesses and people inherently strive for entrepreneurial freedom and justice and would support us in our efforts to build international money without borders and restrictions. And it looks like we were right.

Bilderlings continues to follow its strategy of sustainable growth by scaling in its core market – international payments, and broadening its scope into adjacent products and services. To support the growth we'll invest in the business model culture, operating processes, human resources, and organisational design, providing compelling value proposition and customer outcome, and delivering greater operational and cost-efficient service.

To capitalise on the input made into strategy development, we implemented AI in the customer signing-up process in addition to the automated control of transactions.

At the beginning of 2024, we plan to launch an enhanced Customer Help Centre on our website. This will become a self-learning tool that will use all the information available on our site. This is another step towards open and transparent communication with our customers.

The extensive use of AI has already allowed us to scale our business and make our services more accessible to the mass market. We have eliminated account opening and maintenance fees for customers, as well as the opening fee for local businesses.

Plans for 2024

2024 will be an important year for creating our system to grow consistently:



Developing an AI-based Fintech platform.



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.



Launching Bilderlings in the US and EU markets.



Continue investing in organisational design, culture, compliance, risk infrastructure, and customer support.



Introducing more affordable, inclusive, value-added, and rewarding basic and premium pricing plans.



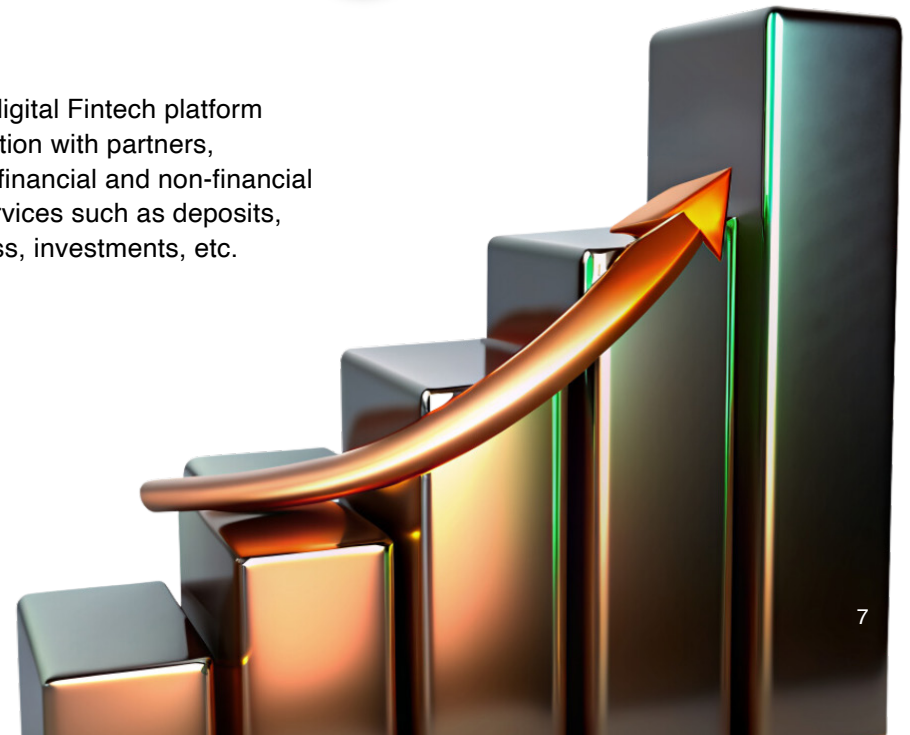
Increasing social responsibility and participation in charity projects (supporting the environment and vulnerable sections of society)



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.



Improving personalised experiences (personalised product recommendations, customised campaigns, and personalised service interactions for customers or customer groups).



Our progress and performance



Payment Platform

In 2023, 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:

- introduced an open banking,
- integration platform,
- automated currency conversion service,
- extended embedded payments platform,
- offered payment cards in different currencies,
- introduced regular payments,
- payments via QR codes,
- and offered other features to our customers.



Mobile 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, particularly offering customers the best benefits and up-to-date technological solutions.

Social Responsibility

In 2023, Bilderlings continued the cooperation with Mastercard's Priceless Planet Coalition, which started in 2021 and launched the new collaboration project "Saving Smiles" with Charity organisations - Hearts and Minds (UK) and Dr. Klauns (Latvia). The campaign was carried out to support organisations involved in healthcare clowning, helping children in hospitals, and launching an educational project about social responsibility for customers.



All these projects not only produced outstanding results but also redefined the concept of Bilderlings' corporate social responsibility. Beyond the numbers, it became a testament to unity within the Bilderlings team and an inspiring example of how a business can have a profound impact on society by fostering a spirit of community among its customers.

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.

Financial performance and KPIs

€16,945,613

Revenue in 2023

Despite the harsh global economic and market conditions, Bilderlings continued to strengthen its profitability and financial stability, generating total revenue (note 4) in 2023 €16,945,613 (2022: €11,822,090) and a net profit of €4,136,323 (2022: €2,559,330).

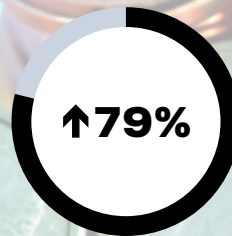
The Company's capital target ensures that the capital available is sufficient to support the strategy set out in the business plan and to ensure that the capital adequacy meets the regulatory requirement, including during severe economic downturns. The Company has fully complied with these requirements, holding a **total equity of €11,373,650 at the end of 2023** (2022: €8,521,992). In addition, to increase the Company's capital resources even more, the shareholders plan to reinvest €1,000,000 of the profit for 2023 into the new shares, increasing the share capital to €8,232,327 (2023: €7,232,327; 2022: €5,952,662).

Further to our focus on making our services more inclusive and affordable, such as the introduction of new lower pricing plans for domestic businesses and customers, automated online onboarding, virtual payment cards, Apple Pay, and Google Pay, the structure of Bilderlings' customer portfolio has shifted in favour of individuals, increasing its weight in the customer portfolio up to 71% (2022: 55%). MasterCard users grew by 1,6 times against 2022, creating a jump in card transactions by 79% and generating 9% of total revenue. At the end of the year, the customers' money balances increased by 29% YoY, creating a significant volume of €178,100,217 (2022: €137,922,313).

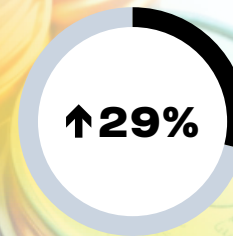
Key performance indicators (KPIs) measure the Company's performance against key business objectives and are reported to shareholders. Bilderlings periodically reviews specific analytics to have visibility of progress against its mission, focusing on whether user experience has become more streamlined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



MasterCard users
growth against 2022

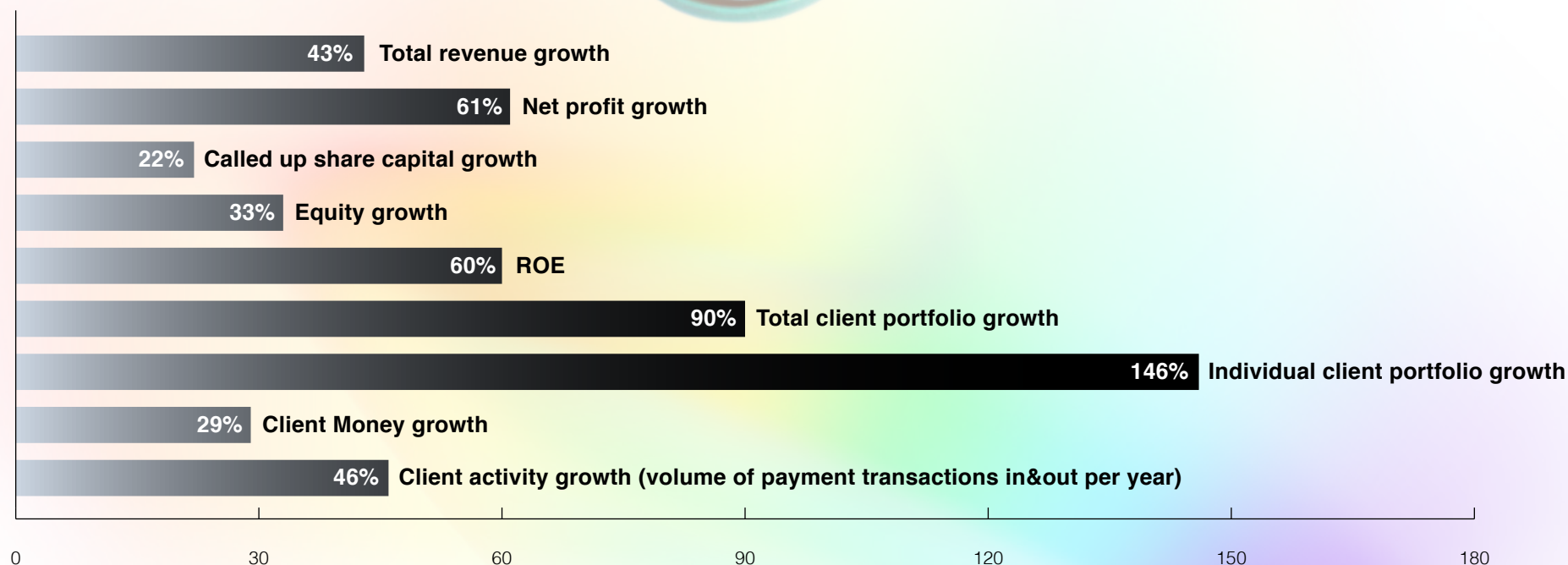


Card transactions
growth



Customers' money
balances increase

Bilderlings' key strategic and operational KPIs are presented below, showing the increase in percentage in 2023 against the previous year:



Consumer Duty Enhancement

The introduction of the new Consumer Duty signifies a pivotal shift in UK consumer regulation, mandating that firms proactively ensure good outcomes for retail customers. The new rules align seamlessly with Bilderlings' goal to excel as an organisation, providing superior service to our customers. To this end, we have embarked on comprehensive initiatives to incorporate Consumer Duty across the Company, ensuring its principles are firmly integrated into our organisational practices. By utilising and advancing our analytics and perspectives, we strive to ensure that our strategies, products, and services for retail customers meet the intended outcomes.

Our dedication to adhering to the Consumer Duty is an integral aspect of our strategic vision, reinforcing our commitment to building trust, delivering exceptional value, and maintaining our position as leaders in customer-centric service excellence.

Review of the global economic and market conditions

Changes in global economic and market conditions and geopolitical events are determining factors in the Company's business activities and financial results. This year, akin to the last, has been marked by escalating political and economic tensions globally, a weakening of globalisation, and considerable pressure on households and businesses due to inflation and rising interest rates.

The period of stable economic growth, low inflation, and predictable monetary policy was interrupted in 2022, leading central banks to raise interest rates, scale back quantitative easing, and start quantitative tightening. In 2023, global GDP growth faced significant hurdles due to inflationary pressures from tight labour markets, industrial disputes, and increased employment costs; elevated energy prices fuelled by conflicts in Ukraine and the Middle East; and robust consumer spending, especially on services, supported by household savings. These factors contributed to widespread 'cost of living' pressures, including in the UK. Central banks, facing persistent inflation, further tightened monetary policy in 2023.

The intensification of protectionist measures, notably between the US and China through trade tariffs and export bans, poses a risk to economic stability in affected regions. Concurrently, China's economic slowdown, marked by a downturn in the real estate market, declining exports, and currency depreciation, presents systemic threats. These are exacerbated by the property sector's substantial debt burden, amplifying concerns over financial stability.

Market forecasts indicate that interest rates in major economies may have reached or are close to their peak, and inflation appears to be retracting, yet it still significantly surpasses the targets set by central banks. Economies might face challenges in 2024, with the potential for slower growth due to an uncertain geopolitical landscape and fluctuating market conditions, which could temper global economic expansion.

Despite the challenges outlined, Bilderlings has demonstrated remarkable financial and operational resilience in the face of macroeconomic headwinds, including higher interest rates, slowing GDP growth, increased cost of living, elevated energy prices, and widespread inflation.

Bilderlings has sustained its stability and adaptability, ending the year with profitability and strong capital adequacy. This accomplishment highlights the superior performance and competitive advantage of Bilderlings' business services, affirming our commitment to excellence and strategic foresight.



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 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.

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. 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.

Strategic report should be read together with the [Annual report of Bilderlings Pay Limited 2023](#).