



BILDERLINGS

2020

BILDERINGS PAY
**ANNUAL
STRATEGIC
REPORT**

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PRINCIPAL RISKS AND UNCERTANTIES

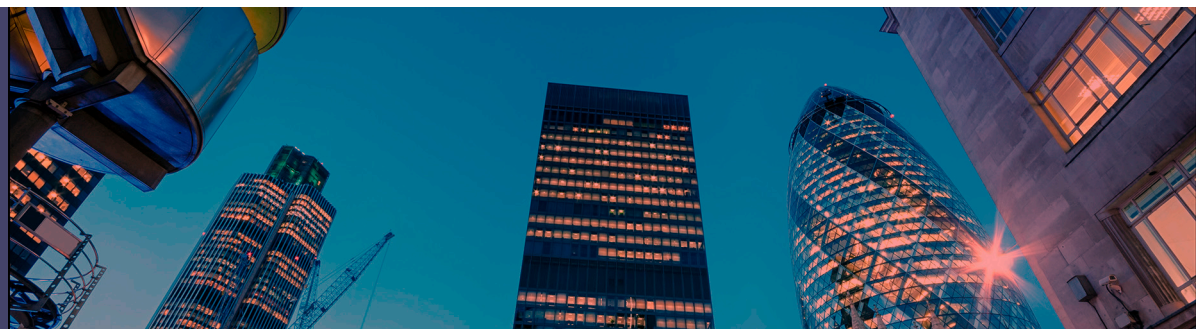
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STATEMENT



The Bilderlings' directors present the strategic report for the year ended 31 December 2020. The directors have provided information regarding the Company's decisions and strategies during the financial year in the fair review of the business section.



Bilderlings provides e-money, payment processing and digital payment services offering international and domestic bank transfers, debit cards, merchant accounts, 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 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 greater more streamlined user's experience, client relationship curation and an empowering environment.

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 products, services and channels, used by the ecosystem partners, and the partner client journey.

Bilderlings products and services

To corporate and individual clients

- > E-money
- > Payment processing
- > Digital payment services
- > International and domestic bank transfers
- > Debit cards
- > Merchant accounts
- > Currency exchange
- > Third-party financial services



STATEMENT

Goals



- To help clients achieve sustainable economic growth;
- To help clients improve their financial well-being.



- To promote accessibility of financial services globally.

To achieve these goals:



Emphasis on
real customer
needs



Streamlined
user's
experience



Client
relationship
curation



Empowering
environment

FAIR REVIEW OF THE BUSINESS

Mission

Bilderlings' mission is to help business and customers achieve sustainable economic growth and improve their financial well-being through a global fintech platform focusing on greater convenience, more choice and affordable prices.

“ The Company believes its tech-enabled solutions will democratise finance and enhance trust, efficiency, speed and inclusivity of financial services globally.

Aims

Bilderlings aims to design an orchestrated digital ecosystem spanning multiple industries, providing a mix of financial and non-financial products that the users need.

Bilderlings aims to design:





DEVELOPMENT IN 2020

What did we do in 2020?

In 2020, Bilderlings made significant advancements in developing in-house a full-scale digital payment platform architecture including multi-currency accounts, debit cards, SEPA and SWIFT channels, Open API, back-office functions, legacy and regulatory integration, an automated AML system, and access to the banking products and services of third-party through integration with ecosystem partners.



**Multi-currency
accounts**



Debit cards



**SEPA and SWIFT
channels**



Open API

**Developing
in-house a full-scale
digital platform
architecture**



**Back-office
functions**



**Legacy and regulatory
integration**



**Automated AML
system**






**Integration with
ecosystem partners**

DEVELOPMENT IN 2020

Main areas of improvements in 2020:

In particular, the Company worked on automated monitoring of transactions, anti-fraud solutions, automated online onboarding & customer scoring, internal and external 24/7 payments, deposits and investments, and offering further features to our customers. Additionally, Bilderlings also progressed with plans in respect of customer support, compliance and risk infrastructure, and expanding into new markets with existing products and services.

- 
- 
- ✓ Automated monitoring of transactions
 - ✓ Anti-fraud solutions
 - ✓ Automated online onboarding & customer scoring
 - ✓ Internal and external 24/7 payments
 - ✓ Deposits and investments
 - ✓ Customer support
 - ✓ Compliance and risk infrastructure
 - ✓ Expansion into new markets
- 



DEVELOPMENT IN 2020

Top-7 Most Important Developments in 2020



New office in Vilnius

A new office in Vilnius, Lithuania was established, which together with the main support office in Riga (Latvia), will become fully operational and engaged in the core business 24/7 support in early 2021.



The Bilderlings app

The Bilderlings app has been designed and launched in AppStore and GooglePlay, allowing users more convenience and direct access to its products and services in one interaction, anytime and anywhere.



Mastercard

Following approval from MasterCard in 2019, Bilderlings commenced, in March 2020, offering business and individual clients the contactless transparent debit cards, allowing customers increased limits, additional cards, free delivery and 24/7 support. The Company will continue to add new features to the card product range, in particular, offering virtual cards and integration with Apple Pay and Google Pay during 2021.



Real-time currency exchange

Also, during the year, integrations with a leading European bank were made, which immediately transformed the currency conversion service to a real-time automated platform, providing market exchange rates and allowing currency conversions in 19 currency pairs.



SEPA Instant payments

In 2020 the Company realised it's plans for instant payments. Upon receiving approval from the Bank of Lithuania, SEPA instant has been implemented to enable ever easier and faster pan-European payments. SEPA Instant is planned to become available for clients in February 2021.



Bilderlings for Fintechs

Further to the introduction of Bilderlings for Business in 2019, the Company expanded its product set offering further features, in 2020, to customers including multi-currency accounts, European and British accounts with individual IBANs without limitation on turnover, payments and currency exchange, MasterCard debit card and card payments, and merchant accounts. A new business segment was added to the platform in Q4 2020 - Bilderlings for Fintechs, allowing EMI and PIs to have a client account for financial institutions, offering faster, cheaper and secure SEPA payments, and advisory services for obtaining safeguarding accounts.



Bilderlings internal transfers

The new Bilderlings internal transfers product was launched in July 2020, offering free and instant transfers between Bilderlings accounts around the clock.

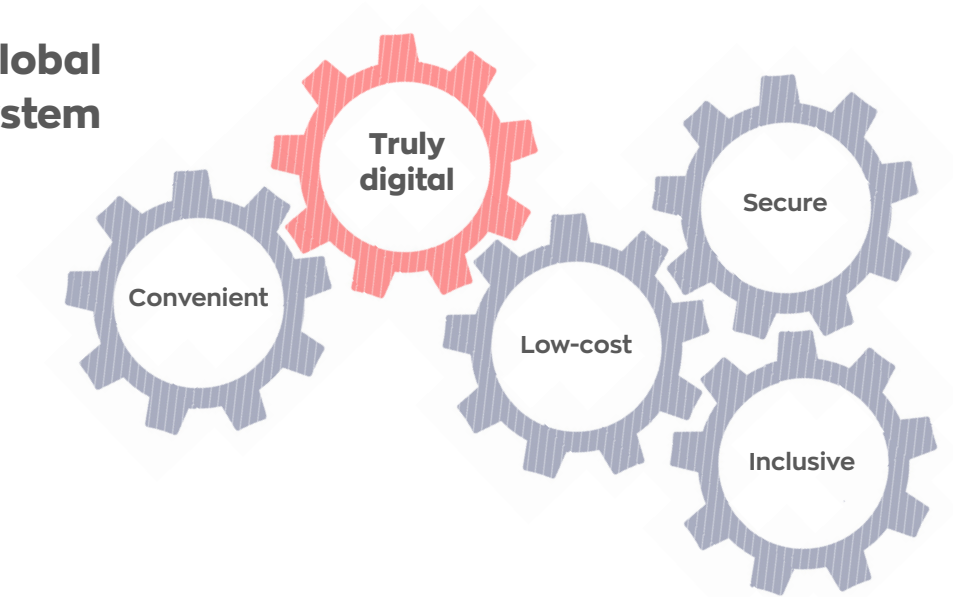
PLANS FOR 2021

Bilderlings' strategic plans for 2021

and future periods include further investment and development of a truly digital, low-cost, convenient, secure and inclusive global Fintech ecosystem, which consists of the following:

- > Further investment in developing the highly adaptive technology infrastructure in-house;
- > Developing the core product offering to Bilderlings customers;
- > Developing the digital Fintech platform and introducing new financial and non-financial products and services as orchestrators for third-parties such as: deposits, loans for business, investments, asset management, etc;
- > Obtaining regulatory authorisations required to operate in the European Economic Area (EEA) and non-EEA jurisdictions; and
- > Further investment in the compliance and risk infrastructure, and customer support.

Bilderlings - Global Fintech ecosystem



Areas of growth

1

Investment in technology infrastructure in-house, compliance and risk infrastructure, customer support

2

Development of core product offering

3

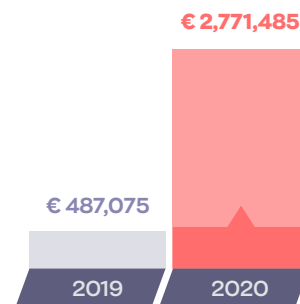
Introduction of new financial and non-financial products and services

4

Obtaining regulatory authorisations required to operate in the European Economic Area (EEA) and non-EEA jurisdictions

FINANCIAL PERFORMANCE AND KPI'S

TOTAL EQUITY



Sustainable and profitable financial growth is the core of Bilderlings' strategy. The Company's capital target ensures the capital available is of a sufficient amount to support its strategic plan initiatives, and its capital adequacy meets regulatory requirements. The Company has complied with these requirements, holding a net position of €2,771,485 at the end of 2020 (2019: €487,075).

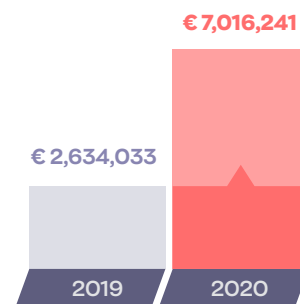
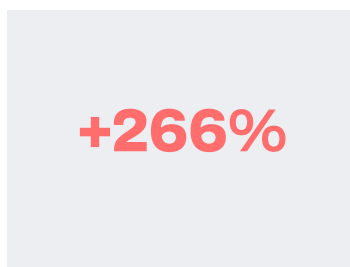
SHARE CAPITAL



Share capital is up to
€ 2,550,000

To further strengthen capital resources for the planned business growth, the shareholders plan is to make more share capital allotments during 2021, investing new capital as well as retaining profit. Following the capital increase plan, the shareholders completed the first tranche of €600,000 in February 2021, raising share capital up to €2,550,000.

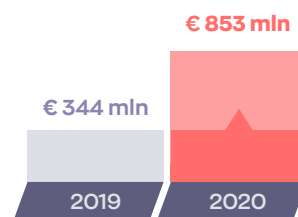
REVENUE Growth



In 2020, revenue increased by 266% year on year, to €7,016,241 (2019: €2,634,033).

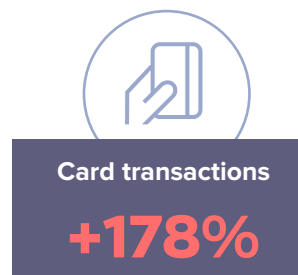
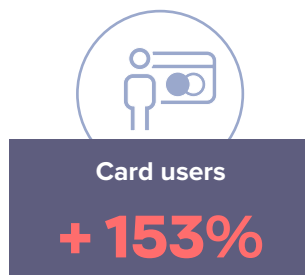
FINANCIAL PERFORMANCE AND KPI'S

Customers cross-border payments



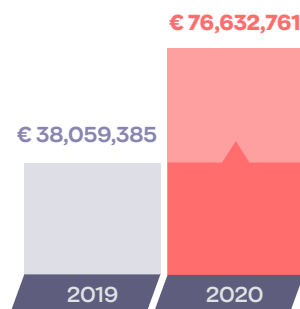
The Company has scaled up its European and cross-border payments with customers transferring €853 million in 2020 (2019: €344 million).

Mastercard

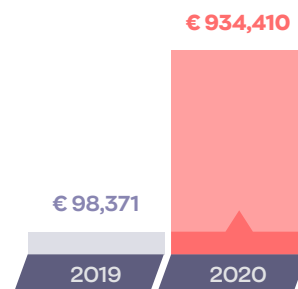


Following the release of the MasterCard product, the average growth of card users was up 153% monthly with the average monthly increase of card transactions being 178%.

Client money balances



Net profit



At the end of the year, the Company held €76,632,761 in respect of client money balances (2019: €38,059,385). The increase was due to the improvement of services, an increased offering of new products, a substantial increase in the size of the customer base and increased user activity. Total operational expenses for 2020 were €5,839,798 against €2,558,320 in 2019, mainly driven by investments in IT systems and infrastructure, and the costs of staff hiring. The 2020 financial year was the second year in a row the Company made a profit after tax, which amounted to €934,410 (2019: €98,371). This highlights the sustainable growth and considerable performance achieved by Bilderlings in 2020.

FINANCIAL PERFORMANCE AND KPI'S

The key performance indicators

Key performance indicators (KPI's) are used to measure the Company's performance against key business objectives and are reported to shareholders. Bilderlings' major strategic and operational KPI's are presented below, showing the increase in percentage in 2020 against the previous year:



+266%

Revenue growth

EBITDA

+1554%

EBITDA growth

OPEX

+228%

OPEX growth



+175%

Total clients
growth



+150%

Total business
clients growth



+201%

Client Money
growth



+276%

Client activity (count
of outgoing payment
transactions) growth

In addition to the above metrics, Bilderlings periodically reviews specific analytics in order to have visibility of progress against its mission with a focus on whether the user's experience has become more streamlined over time. In particular, compared to 2019,

the speed of client online onboarding has been improved by three fold

3x



FINANCIAL PERFORMANCE AND KPI'S

Key factors of successful financial performance



improvement
of services



new products



increase in
the size of
the customer
base



user activity

**Total operational
expenses**

2020

↑ €5,839,798

2019

€2,558,320

41%

Investments
in IT system
development

20%

Other costs

18%

Bank&MC charges

12%

Technical
support and
compliance costs

10%

Customer
acquisition cost

PRINCIPAL RISKS AND UNCERTANTIES

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 as a result of inadequate or failed internal processes, technology systems, human error and from legal and cyber risks. To further support its successful growth Bilderlings undertakes adequate operational risk management, and focuses on effective risk assessment, implementing adequate controls, higher corporate accountability, senior management commitment, as well as recruiting and retaining the right personnel.

Basic measures to prevent risks

- ➔ investments in IT systems
- ➔ investments in organisational controls
- ➔ proper planning
- ➔ testing
- ➔ implementing adequate and timely controls
- ➔ higher corporate accountability
- ➔ senior management commitment
- ➔ searching and retaining right personnel



Safeguarding and capital requirements

Bilderlings issues electronic money to its clients which must be controlled in accordance with its relevant regulators safeguarding and regulatory capital requirements. Measures to prevent the risks:

- Precise control over its commitment to legislation.
- Annual external and independent safeguarding audit.



Partners risks

Bilderlings collaborates with a growing number of ecosystem banking partners, outsourcing services providers and other third parties across many lines of business. These partners maintain the Company's accounts, enabling payment processing, holding client funds, providing regulatory compliance, AML, currency exchange and other critical services. Measures to prevent the risks:

- Initial due diligence on partners prior to onboarding and then on an ongoing basis.



Rigorous and fast-changing regulatory landscape

To meet these challenges, updates to changes in regulatory requirements are maintained in the Risk Management system and kept up to date in a timely and efficient manner.

PRINCIPAL RISKS AND UNCERTANTIES

Financial crime risk

Bilderlings is subject to potentially increased financial crime risk as it handles a large number of transactions in clients funds. As a consequence, the Company faces the risk of non-compliance with Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) and is, in addition, subject to potential losses due to breaches of its Terms & Conditions of business by its clients. Measures to prevent the risks:

- eliminating low-value AML/CFT activities
- automating more of its processes
- implementing more advanced analytics
- detailed reviews of customer activities
- screening all clients on a daily basis
- ongoing monitoring of transactions.

COVID-19

In response to COVID 19 (Coronavirus) Bilderlings has established a cross-functional response team with senior representatives from various business divisions. Despite the more to remote working, the transition has been seamless and there has been no interruption in the services Bilderlings provides. Bilderlings' business operations have performed as normal during this time and have worked hard to support its customers to enable them to manage business activity across markets efficiently. Bilderlings has experienced strong growth in all major strategic and operational KPI's, while managing risks to customers, financial stability and integrity. As a cloud-based company, Bilderlings has a strong digital presence, sufficient financial resources, and is prepared to meet the challenges coronavirus could have on customers and staff even in a long-term slow down.

Cyber security threats

Cyber security threats which could potentially compromise company business services, infrastructure, customer data and company confidential data, continue to remain the principal risk for Bilderlings. Measures to prevent the risks:

- Developing resilient technologies and processes
- Developing AI systems
- Automated continuous behavioural analysis monitoring
- Employee training improvement
- Regular external testing
- Audit activities
- Annual PCI DSS payment card security standard
- Support of systems and their vulnerabilities.
- reduce the impact on business activities and protect data.

BREXIT

Although the UK left the EU at the end of 2020, all provisions that regulate EMI activities and which have been implemented in accordance with the requirements of the relevant Directives have not undergone any changes at this time. All changes to the FCA rules and requirements are being constantly monitored by the key employees of Bilderlings to keep track and promptly react to any relevant changes in the UK legislation.

Data security

As a digital financial services provider, Bilderlings processes a huge amount of personal, confidential company and employee data that imposes obligations on the Company to comply with personal data protection and privacy laws. Measures to prevent the risks:

- investing in technologies
- facilitating best practices in handling sensitive data
- Stress testing by third parties specialised in IT Systems Security
- evaluation and implementation of a centralised Risk Management Framework tool

