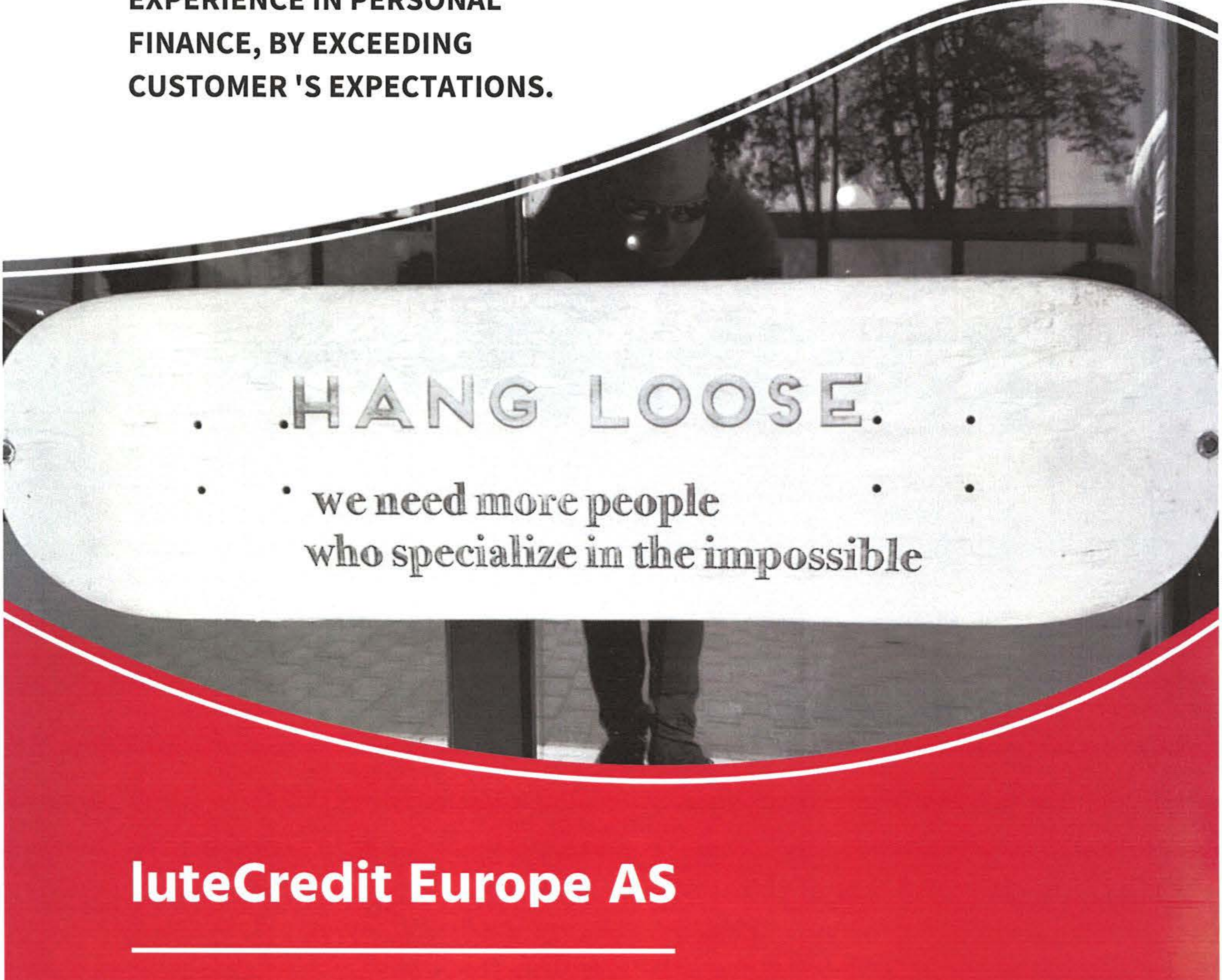
WE CREATE THE
EXTRAORDINARY
EXPERIENCE IN PERSONAL
FINANCE, BY EXCEEDING
CUSTOMER 'S EXPECTATIONS.



IuteCredit Europe AS

ANNUAL REPORT 2021

1 Contents

2 General information and contacts

Address:	Maakri 19/1, corpus A, 13th floor 10145 Tallinn Republic of Estonia
Registry code:	11551447
Telephone:	+372 622 9177
Main activity:	Holding company
Auditor:	KPMG Baltics OÜ
Reporting period:	1 January 2021 – 31 December 2021

3 Abbreviations and keys

The following abbreviations are used in current Annual Report:

GAAP	Generally Accepted Accounting Principles
IASB	International Accounting Standards Board
Interpretations Committee	IFRS Interpretations Committee (formerly International Financial Reporting Interpretations Committee (IFRIC))
YOY	Year-on-year
APR	Annual percentage rate
EIR	Effective interest rate
OCI	Other comprehensive income
CGU	Cash generating unit
FVOCI	Fair value through other comprehensive income
FVTPL	Fair value through profit or loss
SPPI	Solely payments of principal and interest
ECL	Expected credit loss
12mECL	12 month expected credit loss
LTECL	Lifetime expected credit loss
PD	Probability of default
LGD	Loss given default
EAD	Exposure at default
POCI	Purchased or originated credit impaired (financial assets)
GLP	Gross loan portfolio
NLP	Net loan portfolio
NPL	Non-performing loans (defaulted)

4 Management report for 2021

Comments by CEO

2021 was the year of growth that also reflects IuteGroup's evolution into fully digitalized customer solutions, diversified revenue streams including now payment services, and even more sustainable credit practices, that entail larger loan amounts for longer periods, but at lower interest for our customers. During 2021 we saw the average annual percentage rate (APR) of loans issued to decrease below 50%, the trend toward 40% APR is expected to continue during 2022.

After slower than expected first quarter and lowering the annual expectations, IuteGroup achieved its adjusted annual goals. The Group earned 61 million EUR as revenue (+10% YOY) from its 200,000 loan and wallet service customers. The Group made 6 million EUR net profit (+16% YOY) as expected. The balance sheet reached 167million EUR as at 31 December 2021 (+43% YOY), which is short of targeted 170 million EUR.

Digitalization and new service value streams helped a lot with the growth. They are even more important for the future as precondition to seamless integration of Iute with e-commerce solutions. IuteGroup had more than 180,000 MyIute app users by end of 2021 as well as more than 30 own-operated ATM's and other fintech solutions. Digitalization is irreversible and the investments made during 2020 and 2021 are already paying off.

The balance sheet also indicates the major challenge in Group's performance, because there is too much cash. 46 million EUR represents almost 28% of the Group's assets by end of 2021. Iute team is focusing hard to turn that cash into a productive asset during 2022 and avoid excessive interest costs, that eat away the profit for shareholders.

Having said that, the management is optimistic about the outlook. For one, IuteGroup is becoming a combined lending (instalment loans, buy-now-pay-later loans) and wallet (mobile payments, account to account payments, card payments, ATM operations, FX, and remittances) services company for Balkan people. Whenever a service value stream is too time-consuming to be built by our own, it must be acquired and turned around as a bank or payment services provider in a particular country. During 2022 IuteGroup aims to acquire full control over at least one bank and one payment institution. It must be also said that we aim to acquire profitable business units that require know-how but are not short of capital.

For two, management sees big potential in integration of Iute's loan and payment services with online shopping solutions. A new market is developing in the Balkans that does not yet have established market leaders.

For three, we intend to continue geographic expansion with focus on EU countries.

All in all, the management aims to increase the IuteGroup's performing customer pool to more than 300,000 people during 2022 and reach consolidated balance sheet of at least 300 million EUR. Revenue from loan and wallet services should exceed 75 million EUR and net profit should exceed 8 million EUR. The bond covenants will be met while the Group dividend policy will be executed

Tarmo Sild

Tarmo Sild
Chief Executive Officer

Group overview

AS IuteCredit Europe (**ICE**) is a holding company which issues consumer credits and offers personal finance services via its100% owned operating subsidiaries in local markets (**Subsidiaries**). As of 31 December 2021, ICE had eight operating subsidiaries:

1. ICS OMF IuteCredit SRL (**ICM**) in Moldova,
2. IuteCredit Albania SHA (**ICA**) in Albania,
3. IuteCredit Macedonia DOOEL-Skopje (**ICMK**) in North Macedonia,
4. IutePay Bulgaria EOOD (**IutePay Bulgaria**) in Bulgaria,
5. IuteCredit Bulgaria EOOD (**ICBG**) in Bulgaria,
6. MKD IuteCredit BH d.o.o. Sarajevo (**ICBH**) in Bosnia and Herzegovina,
7. IuteCredit Finance S.a.r.l. (**ICF**) in Luxembourg,
8. VeloxPay SH.P.K (**Velox**) in Albania.

Subsidiary Velox Pay S.H.P.K was established in October 2020 and was inactive during financial year 2021.

The subsidiaries and ICE together form the IuteCredit Group (**ICG**). As of 31 December 2021, ICG consisted of nine entities.

ICE is responsible for strategic management that includes:

- strategic targeting
- organizational structure and manning of management teams
- human resource and customer experience framework rules and targeting guidance
- financial management framework rules and targeting guidance
- sales and marketing framework rules and targeting guidance
- service process design and technological development
- risk management, including loan products approval and general compliance framework
- data harvesting
- the Group's financing and investor relations

Subsidiaries implement the processes designed by ICE and offer customers the services. Furthermore, the individual subsidiaries develop the business in the local competition field according to strategic guidance and targets, financing, and technology provided by ICE. Finally, subsidiaries consist of local teams, local customers, local loan portfolios, and develop local investor relations and relations with regulatory authorities and partners.

ICM is in operation since August 2008 and is authorized by the National Commission for the Financial Market. ICA started its activity in 2015, licensed from Central Bank of Albania, dated 31.03.2015 as Non-Bank Financial Institution of Microcredit. ICMK obtained the license from the local Ministry of Finance on 24.07.2017 and on 18.09.2017 approval of loans, issuing and administration of credit cards. ICKO has been licensed since October 2017, unfortunately and unexpectedly lost it in December 2019.

ICBH got the license dated at the end of February 2019 and started business in May 2019. IutePay Bulgaria EOOD performs as technology operations cost centre and cards service centre. IuteCredit Bulgaria obtained license dated at the end of April 2019 and is already officially operational but full-scale business activities were launched only in the second half of year 2021.

We aim to achieve speed and comfort in the operations, including instant response to any submitted loan application. As we depend on our partners (banks, shops, mail, telecom, and other associates), we constantly strive to find new and innovative ways to achieve speed and to be the fastest credit provider in the markets.

We are the first financial company in Macedonian market that offers MasterCard card and with accelerated dynamics and offered services, we created benefits for our customers and their families, we became a real competition on Macedonian microfinance market. In the period when the Macedonian monetary policy facilitated the lending conditions, we exceeded the expectations for fast and comfortable loan disbursements.

Consolidated key financial parameters

Key parameters of the Group

in thousands EUR	2021	2020
EBITDA (profit/loss before taxes, depreciation, amortization, and interest expense)	22 843	20 873
ROA (profit/assets)	3,64%	4,50%
ROE (profit/equity)	23,72%	24,40%
Assets/equity ratio	6,52	5,43
Equity per share (equity/number of outstanding shares)	2,56	2,15
Earnings per share (profit/number of outstanding shares)	0,61	0,52
Dividends paid per share (dividends paid/number of outstanding shares)	0,31	0,05

Key parameters based on the parent company's financials

in thousands EUR	2021	2020
ROA (profit/assets)	3,18%	7,29%
ROE (profit/equity)	20,15%	25,02%
Assets/equity ratio	6,33	3,43
Equity per share (equity/number of outstanding shares)	2,26	2,14
Earnings per share (profit/number of outstanding shares)	0,46	0,54
Dividends paid per share (dividends paid/number of outstanding shares)	0,31	0,05

IuteGroup's policy is to distribute dividens to its shareholdres up to 25% of the distributable profit.

Consumer loan products

Group's loan products are unsecured consumer loans with maturities between 1 month and 48 months and pledge (usually pledge on the car) secured loans with maturities of up to 72 months. Median loan amount is above 500 EUR, whereas loan amounts range between 25 EUR and 10 thousand EUR. Weighted average annual percentage rate (APR) is 58% and effective interest rate (EIR) 80% depending on the loan amount, maturity, and status of customer (new or recurring customer with good payment history).

The Group aims to serve only customers with a permanent workplace and stable income. Loans are based on personal identification and personal credit assessment. For a new applicant, the credit rating depends on comparison of the applicant's relevant parameters with respective statistical parameters of performing and poorly performing customer groups and certain databases. For returning customers, we apply personal credit assessment which is based on individual performance data. By average, 60% of loan applications across the Group have been approved.

Loans are handled via established partners network (such as shops, money transfer companies, postal agencies), web portals and other online channels, as well as IuteCredit branches (retail offices). By the end of 2021, IuteCredit had 43 IuteCredit branches and 1.185 shops. Traditionally, ICG handles money only via bank accounts or over the counter through its agents. With the introduction of IuteCredit ATMs, the operating country subsidiaries are increasingly carrying out cash transactions.

Revenue base

The Group's revenue consists of:

(i) fees and interest charged from customers under the terms of loan agreements;

(ii) fees charged from customers for various payment services (such as MasterCard issuance and transaction fees, Group's own ATM fees)

(iii) revenue from sale of assets, such as sale of defaulted loan portfolios.

The Group's revenue from loan agreements consists of :

(i) loan agreement commission fees which are charged for receiving, processing the loan application, and issuing the loan, or modifying the valid loan conditions,

(ii) interest, which is charged on the outstanding principal amount, and

(iii) various fees applied in case of different breaches or later modifications of loan agreement ("Secondary fees").

ICG loan business is built on the concept that we need performing customers and we want to avoid situations with poorly performing or defaulting loans. Therefore, the majority of the Group's interest and commission fee income is coming from normally performing customers. The secondary fees applied in cases of different breaches are targeted, as a whole, to compensate the lost money that we should have otherwise received duly according to the original loan agreements.

Customer base and portfolio

As at the end of 2021, Group had over 811 thousand individuals in its database (2020: over 660 thousand). The proportion between women and men account for 40% and 60%, respectively. Approximately 68% of customers are returning customers with at least one successfully repaid loan agreement. The age of customers is representative of the demographic age tree of the respective countries. The age of the customers is representative of the demographic age tree of the respective countries.

The net loan portfolio (i.e., the balance of all due receivables from customers, adjusted with allowances for loan impairment) has increased by 33% in 2021 up to 105 372 thousand EUR.

As at the end of 2021, approximately 36% of the loan portfolio was occupied by loan products with a longer maturity than 12 months (2020: 23%) and 64% of the performing loan portfolio was occupied by loan products with maturity of up to 12 months (2020: 77%).

Customer performance index (CPI) is an index we use to measure customers' actual repayments against expected repayments according to the original repayment schedules of loan agreements. During 2021 (and until the date of the annual report), by average 87,8% of expected loan repayments were performed according to the loan agreements, or with a maximum 30 days delay.

Customer satisfaction

We measure customer satisfaction based on Net Promoter Score - the likelihood of customers recommending our services and products to their friends, family, colleagues, and acquaintances. Based on the feedback received 88% of our customers are happy customers and promote our services, 6% of customers are neutral and 6% of our customers have complaints. Compared to 2020, we managed to improve our promoter base by 6% and neutral base by 2% and detractors by 4%.

We listen to our customers, learn from them, and continuously improve our processes based on the feedback received.

We are open with our offices every day, including weekends. Customers can also reach us through our mobile app, Mylute 7/24. Mylute has been widely used and liked by our customers. Standalone satisfaction from Mylute NPS is 89%. Customers can login and comfortably apply for loan and have overview of their existing loan details, without leaving their homes.

We also advise and support customers in many other channels of communication: phone, email, Facebook, WhatsApp, Viber, web chat where we offer seamless customer experience. Our contact centre has successfully answered 2.6M inquiries from our customers in 2021 and we answered 74% of our calls under 20 seconds and served our customers with pleasure.

Team

In 2021, the Group employed on average 437 employees (2020: 369). The salary levels (including bonuses) are above local market average and above finance industry benchmarks that the Group is aware of. The personnel expenses for the team amounted to 8 959 thousand EUR in 2021 (2020: 8 089 thousand EUR). We are happy that our team makes more money when the company and its profit grow.

In 2021, the Group has not made any changes in the investment and financing strategy, financing structure ,credit risk policy and liquidity policy . See also Note 8.

Legal risks

The Group must make sure that its activities and its loan agreements are recognized by the state authorities. In all the countries we operate in, lending is subject to state licencing or recognition and strict regulations. Recognition by the state and the law enforcement is the only security for the Group and its investors of otherwise unsecured loans.

ICM is registered by Moldavian Government for micro financing activities in August 2008. ICA obtained its license from the Central Bank of Albania in April 2015 as Non-Bank Financial Institution of Microcredit. ICMK was licensed in July 2017. ICBG and ICBH obtained the licenses in spring 2019.

ICE as the parent company is not involved in activities subject to a license. ICE keeps its transparency by disclosing its quarterly reports to investors, and maintaining its accounts according to IFRS, as adopted in the EU.

Terms of loan agreements and their updates or amendments are scrutinized by external lawyer. The enforcement of these terms is observed and any difficulties in national court of enforcement system are reported.

Investor relations

As from the listing of Eurobond on Frankfurt Stock Exchange in 2019, the Group publishes quarterly reports, as well as ad hoc releases according to the stock market regulations. The Group organized a cross-Europe roadshow to meet individual investor prior to listing the Eurobond and continues the policy of open communication, according to best market practices. Subsidiaries of ICE also develop relations with local investors and crowdfunding platforms and obtain loans where interest rates are favourable, also considering the exchange rate risks.

The weighted average interest rate of liabilities to investors is close to 12% per annum (2020: 13%). The amount of interest paid to investors in 2021 was 8 942 thousand EUR (2020: 7 937 thousand EUR). All obligations by the Group were fulfilled without problems.

Environmental, Social and Corporate Governance

Growth in business can be achieved with excellent services that are also sustainable. Our contribution to sustainability is multifaceted. We reduce the ecological footprint by digitalization. Digitalization reduces the paper print and even more importantly, unnecessary footprint by our 800,000 customer pool and about 10,000 workers of our partners. No need to commute as business is done via smartphone. We are also a solid taxpayer in all countries and a strong supporter of local life. IuteCredit supports financial literacy, a healthy lifestyle, and improvement of the social environment.

We improve the social environment

- ICG is a responsible lender with full transparency, transparent pricing, and no hidden costs. We offer to customers in underbanked markets financing for their daily basic needs and the improvement of their lifestyle.

- During 2021 at least 75,000 modern consumer goods (white goods and smartphones) are taken into usage in households improving the living quality of the customers and the ecological footprint. Balkan countries are not in the over-consumption phase like some advanced economies.

- Credits issued at merchants who sell VAT taxable goods generated at least 15 million EUR fully transparent value-added tax revenue for national budgets. One has to take account of the big share of the grey economy in the markets IuteCredit operates.

- ICG paid ca of 4.9 million EUR employment and income taxes in Moldova, Albania, Macedonia, Bosnia and Herzegovina, Bulgaria, and Estonia and 1.4 million EUR corporate income tax.

- ICG continued supporting the nationwide financial education campaign "A Financially Smart Generation" in Moldova, which educates children and adolescents financially. The campaign is supported by the Ministry of Education and Research, in partnership with Junior Achievement Moldova, the Agency for Consumer Protection and Market Surveillance, and the American Chamber of Commerce of Moldova.

- ICG offered support to the people who need help the most. During the Easter holidays, ICM prepared and delivered packages of food and supplies to 60 families in need in Cahul. ICM team delivered packages during the Christmas holidays and spent time with children and older people, who suffer from different diseases. ICBG employees delivered food supplies for the elderly in need.

- ICMK organized joint projects with the SOS Children's village, and ICMK employees are actively contributing.

- ICG supported local hospitals and medical workers. ICA supported various medical activities, from donating blood to sick children to raising awareness about breast cancer. ICE was one of the key sponsors of the PAI campaign with a 50,000-euro donation in Estonia. The campaign supported the healthcare workers, and the donations were converted into vouchers, which nurses and carers could use for entertainment and leisure.

- ICG has donated protective gear and other medical equipment to several health institutions fighting the Covid-19 pandemic. In Macedonia, we donated disinfectants and special holders for the Union of Pensioners' Associations to provide a safe environment where elder people can socialize during the Covid crisis. We also sponsored the Pensioners' Sports Games.

- ICA supports various sports clubs and national sports events, such as the Tirana Marathon in Albania.

- ICG supports cultural events and organizations. In Bosnia and Herzegovina, we endorsed a student art competition in Sarajevo and the Centre of Culture and Youth of Sarajevo. In Macedonia, we endorsed the Ohrid Beach Film Festival.

- ICG sponsored the e-commerce Conference in Macedonia and Fintech Conference in Moldova to help share the best experiences in our field.

We reduce our environmental impact

- We provide our customers the option to use our services fully digitally, reducing unnecessary paperwork and the amount of paper we print out.

- Usage of 180,000 downloaded MyIute apps during 2021 has saved printing of at least 93,043 loan agreements and supporting documentation. That translates into about:
    - 900,000 A4 sheets of paper that we saved or 90 trees;
    - approximately 900,000 A4 sheet prints and scans that saved approximately 1,800 kilograms of CO_2 from being emitted to produce electricity for printers/scanners (assuming 2g of CO_2 for a printed & scanned A4);
    - avoiding approximately 40 square meters of heated and ventilated document archive space for 5 years with a total carbon footprint of 2000kg of CO_2 from NOT being emitted (assuming 10kg of CO_2 per one square meter per annum to maintain heating and ventilation).

- More importantly, 90,000 digitally concluded loan agreements have saved our customers at least 150,000 commutes (at loan approval rate 60%) to apply for the loan and sign the loan agreement. Assuming that average commute to a nearest Iute partner or Iute branch and back is at least 3 kilometres or 30 minutes, Iute digitalization has saved at least 450,000 kilometres of human travel and 9,375 man-workdays of time on unnecessary commuting.

- The digital revolution by piloting cardless ATMs diminishes the need for plastic cards and reduces plastic waste.

- Used paper is recycled and paper use is further decreased with using air hand-dryers in the bathrooms

- To save electricity, the offices have switched to LED lights and during electricity shortages have switched off outdoor lights to reduce the use of energy.

Motivated employees

- Non-discrimination policy and inclusion policy is fully implemented on all of the Group companies.

- Well-balanced gender diversity has been established within the Group.

- We offer our employees work and self-improvement opportunities as further education, team training, and attractive bonuses. With our unique "Visit the World" program we award our best employees with trips to witness other successful companies in other countries.

- Health and safety of employees as a priority. In Albania, IuteCredit was one of the first companies to offer employees the opportunity to vaccinate against Covid-19 in the workplace. This initiative became an example to other companies, thus increasing the number of vaccinations nationwide.

- We offer private health insurance for all Iute employees, and financial support for various occasions.

- During the Covid-19 pandemic, we took the necessary measures to protect our employees - face masks, transparent desk separators, covered taxi costs for employees etc. We offered opportunities to work from home and equipped our employees with laptops.

Targets for 2022

The Group has set the following targets for 2022:

- More than 300 000 performing customers who provide the revenue
- Over 210 000 thousand EUR of loans issued
- Performing principal portfolio 130 000 thousand EUR by 31.12.2022
- Revenue over 75 000 thousand EUR
- Net income margin at least 10%

The Group intends to increase its performing principal portfolio by the end of 2022 to at least 80% with improved customer performance index (CPI > 88%) and without a significant increase in the share of operational costs in relation to interest income.

During the year, the Group may adjust its targets in accordance with the ongoing volatility of local currency exchange rates. Currency exchange risk may become an inhibiting factor for business growth in several countries.

The Group may also accelerate the expansion through acquisitions of operating finance sector companies.

5 Consolidated financial statements

5. 1 Consolidated statement of comprehensive income

	Notes	2021 in thousands EUR	2020 in thousands EUR
Interest and similar income	9	48 349	44 477
Interest and similar expense	10	-14 371	-10 997
Interest and commission fee income, net		**33 978**	**33 481**
Other fees and penalties	11	8 194	7 890
Total other fee income		**8 194**	**7 890**
Other income		4 670	3 723
Allowances for loan impairment	12	-16 322	-18 756
Net operating income		**30 520**	**26 338**
Personnel expenses	13	-8 957	-8 159
Depreciation/amortization charge	20,21,22	-2 613	-1 742
Other operating expenses	14	-13 092	-8 302
Total operating expenses		**-24 662**	**-18 203**
Net gains/losses from financial assets measured at fair value, net	27	842	0
Foreign exchange gains/losses, net		1 183	-1 958
Total finance income, net		**2 025**	**-1 958**
Profit before tax		**7 884**	**6 176**
Income tax expense	15	-1 816	-933
Net profit for the reporting period		**6 068**	**5 243**
Other comprehensive income			
Other comprehensive income to be classified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		1 179	-1 761
Total comprehensive income		**7 247**	**3 482**
Profit attributable to:			
Equity holders of the parent		7 247	3 482
Total comprehensive income attributable to:			
Equity holders of the parent		7 247	3 482

Notes on pages 16 to 60 are an integral part of the consolidated financial statements.

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KPMG, Tallinn

5.2 Consolidated statement of financial position

	Notes	31.12.2021 in thousands EUR	31.12.2020 in thousands EUR
Assets			
Cash and cash equivalents	16	46 324	19 453
Loans to customers	12,17	105 372	79 187
Deferred tax assets		179	104
Other assets and prepayments	18	3 553	3 870
Assets held for sale		17	25
Other financial investments	19	2 739	7 196
Property, plant, and equipment	20	1 076	978
Right-of-use assets	21	1 587	2 113
Intangible assets	22	5 939	3 693
Total assets		**166 786**	**116 619**
Liabilities and equity			
Liabilities			
Loans and bonds from investors	23	133 944	89 313
Lease liabilities	23	1 765	2 121
Trade and other payables	24	1 387	1 051
Current income tax liabilities	24	638	238
Deferred tax liabilities	24	882	655
Other liabilities	24	2 586	1 753
Total liabilities		**141 202**	**95 131**
Equity			
Share capital	25	10 000	10 000
Legal reserve		799	537
Unrealized foreign exchange differences		-510	-1 689
Retained earnings		15 295	12 640
Total equity		**25 585**	**21 488**
Total liabilities and equity		**166 786**	**116 619**

Notes on pages 16 to 60 are an integral part of the consolidated financial statements.

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5.3 Consolidated statement of changes in equity

in thousands EUR		Share capital	Legal reserve	Other reserves	Retained earnings	Total
	01.01.2020	10 000	398	72	8 035	18 506
Profit for the year		**0**	**0**	**0**	**5 243**	**5 243**
Other comprehensive income						
Foreign currency translation		0	0	-1 761	0	-1 761
Total comprehensive income		**0**	**0**	**-1 761**	**5 243**	**3 482**
Allocation to reserves		0	138	0	-138	0
Dividends		0	0	0	-500	-500
	31.12.2020	**10 000**	**138**	**-1 689**	**12 640**	**21 488**
	01.01.2021	**10 000**	**138**	**-1 689**	**12 640**	**21 488**
Profit for the year		**0**	**0**	**0**	**6 068**	**6 068**
Other comprehensive income						
Foreign currency translation		0	0	1 179	0	1 179
Total comprehensive income		**0**	**0**	**1 179**	**6 068**	**7 247**
Allocation to reserves		0	262	0	-262	0
Dividends		0	0	0	-3 150	-3 150
	31.12.2021	**10 000**	**401**	**-510**	**15 296**	**25 585**

Additional information about share capital is disclosed in Notes 15 and 25.

Notes on pages 16 to 60 are an integral part of the consolidated financial statements.

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5.4 Consolidated statement of cash flows

	Notes	2021 in thousands EUR	2020 in thousands EUR
Prepayments to partners for issuance of loans		-25 956	-11 444
Received from partners		33 424	36 164
Paid trade payables		-18 203	-12 384
Received debts from buyers and received other claims		2 374	862
Received from collection companies		27 758	22 561
Paid net salaries		-6 704	-5 308
Paid tax liabilities, exc. CIT		-4 877	-2 977
Corporate income tax paid (CIT)		-1 437	-1 861
Paid out to customers		-67 578	-47 401
Change in MasterCard (MC) settlement account		-17 312	-8 206
Principal repayments from customers		41 649	29 435
Loan principal repayments from customers related to MC		12 556	4 484
Interest, commission, and other fees		21 104	15 001
Net cash flows from operating activities		**-3 202**	**18 926**
Purchase of fixed assets		-1 931	540
Received from the sale of assets		3	0
Payments for other financial investments		-2	-7 280
Receipts from other financial investments		5 907	6 457
Net cash flows from investing activities		**3 979**	**-284**
Loans received from investors		111 536	51 413
Repaid loans to investors		-74 332	-42 341
Overdraft received	23	3 282	0
Overdraft repaid	23	- 1 606	-5 162
Principal payments of lease contracts	21	-977	-873
Paid interests		-8 942	-7 937
Paid dividends	15	-3 150	-500
Payments for other financing activities		0	-38
Receipts from other financing activities		2	4
Net cash flows from financing activities		**25 813**	**-5 434**
Change in cash and cash equivalents		**26 724**	**13 208**
Cash and cash equivalents at the beginning of the year		**19 453**	**6 733**
Change in cash and cash equivalents		26 724	13 208
Net foreign exchange difference		148	-488
Cash and cash equivalents at the end of the year	16	**46 324**	**19 453**

	31.12.2021	31.12.2020
Cash and cash equivalents comprise		
Cash on hand	420	223
Non-restricted current account	45 904	19 230

The Group has classified: cash payments for the principal portion of lease payments as financing activities; cash payments for the interest portion as operating activities consistent with the presentation of interest payments chosen by the Group and short-term lease payments and payments for low-value assets as operating activities.

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Notes on pages 16 to 60 are an integral part of the consolidated financial statements.

6 Notes to the consolidated financial statements

6.1 Corporate information

The accompanying consolidated financial statements of AS IuteCredit Europe (the Company) and its subsidiaries (collectively the Group) for the year ended 31 December 2021 were authorized for issue in accordance with a resolution of the Management Board on 18 February 2022. According to the Estonian Commercial Code, the annual report including the consolidated financial statements prepared by the Management Board must first be approved by the Supervisory Board and ultimately by the shareholders' general meeting. Shareholders have the power not to approve the annual report prepared and presented by the Management Board and the right to request that a new annual report is prepared.

AS IuteCredit Europe (the Company or the Parent) is a limited liability company incorporated and domiciled in Estonia. The registered office is located Maakri 19/1, Tallinn, Republic of Estonia.

IuteCredit SRL, IuteCredit Albania SHA, IuteCredit Macedonia DOOEL-Skopje, MKD IuteCredit BH d.o.o. Sarajevo, Iutepay Bulgaria EOOD and IuteCredit Bulgaria EOOD are consumer credit providers whose sole shareholder is AS IuteCredit Europe. IuteCredit Finance S.a.r.l. in Luxembourg is acting as a financing intermediary for the Group as a whole.

Subsidiary Velox Pay S.H.P.K, established in 2020, was inactive in 2021.

The annual report includes the consolidated financial statements of AS IuteCredit Europe and its subsidiaries. Information on the Group's structure is provided in Note 26. Information on other related party relationships of the Group is provided in Note 28.

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) as adopted in the European Union (IFRS EU). The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements except where indicated otherwise.

6.2 Adoption and interpretation of new revised standards and new accounting policies

The accounting policies adopted are consistent with those of the previous financial year except for the following amended IFRSs which have been adopted by the Group as of 1 January 2021. In the reporting period the Group has not adopted early any other standard, interpretation or amendment that has been issued but is not yet effective.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Interest Rate Benchmark Reform (IBOR) (Phase two)
(Effective for annual periods beginning on or after 1 January 2021; to be applied prospectively. Early application is permitted).

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients:

• A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest

• Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued

• Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

The amendments did not have a material impact on the Group.

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6.3 Standards issued but not yet effective and not early adopted

The following new standards, interpretations and amendments are not yet effective for the annual reporting period ended 31 December 2021 and have not been applied in preparing these consolidated financial statements. The Group plans to adopt these pronouncements when they become effective.

Amendments to IAS 37 Onerous contracts – Cost of Fulfilling a Contract

(Effective for annual periods beginning on or after 1 January 2022. Early application is permitted)

The amendments specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous. At the date of initial application, the cumulative effect of applying the amendments is recognised as an opening balance adjustment to retained earnings or other components of equity, as appropriate. The comparatives are not restated.

The Group does not expect the amendments to have a material impact on its financial statements when initially applied.

Annual improvements to IFRS standards 2018-2020

(Effective for annual periods beginning on or after 1 January 2022. Early application is permitted)

Improvements to IFRS (2018-2020) include three amendments to the standards:
• the amendments to IFRS 9 Financial instruments clarify that, when assessing whether an exchange of debt instruments between an existing borrower and lender is on terms that are substantially different, the fees to include together with the discounted present value of the cash flows under the new terms include only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.
• the amendments IFRS 16 Leases remove illustrative example 13 accompanying IFRS 16, which in practice creates confusion in accounting for leasehold improvements for both lessee and lessor. The purpose of the amendment is to remove the illustrative example that creates confusion.
• the amendments to IAS 41 Agriculture remove the requirement to use pre-tax cash flows to measure fair value of agriculture assets. Previously, IAS 41 had required an entity to use pre-tax cash flows when measuring fair value but did not require the use of a pre-tax discount rate to discount those cash flows.

The Group does not expect the amendments to have a material impact on its financial statements when initially applied.

Amendments to IAS 16 Property, Plant and Equipment

(Effective for annual periods beginning on or after 1 January 2022; to be applied retrospectively. Early application is permitted)

The amendments to IAS 16 require that the proceeds from selling items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended must be recognised, together with the cost of those items, in profit or loss and that the entity must measure the cost of those items applying the measurement requirements of IAS 2.

The amendments must be applied retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The cumulative effect of initially applying the amendments will be recognised as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented (if necessary). These amendments have not yet endorsed by the EU.

The Group does not expect the amendments to have a material impact on its financial statements when initially applied.

Amendments to IFRS 3 Business Combinations

(Effective for annual periods beginning on or after 1 January 2022. Early application is permitted)

The amendments to IFRS 3 update a reference in IFRS 3 to the 2018 Conceptual Framework for Financial Reporting instead of the 1989 Framework. At the same time, the amendments add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date. These amendments have not yet endorsed by the EU.

The Group does not expect the amendments to have a material impact on its financial statements when initially applied.

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Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

(Effective for annual periods beginning on or after 1 January 2022. Early application is permitted)

The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences – e.g., leases and decommissioning liabilities. For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented.

The Group does not expect the amendments to have a material impact on its financial statements when initially applied.

Amendments to IAS 1 Presentation of Financial Statements

(Effective for annual periods beginning on or after 1 January 2023; to be applied retrospectively. Early application is permitted)

The amendments clarify that the classification of liabilities as current or non-current is based solely on the entity's right to defer settlement at the end of the reporting period. The company's right to defer settlement for at least 12 months from the reporting date need not be unconditional but must have substance. The classification is not affected by management's intentions or expectations about whether and when the entity will exercise its right. The amendments also clarify the situations that are considered settlement of a liability. These amendments have not yet endorsed by the EU.

The Group does not expect the amendments to have a material impact on its financial statements when initially applied.

Amendments to IAS 8 Definition of Accounting Estimates

(Effective for annual periods beginning on or after 1 January 2023; to be applied prospectively. Early application is permitted.)

The amendments introduce a new definition for accounting estimates: clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy.

Developing an accounting estimate includes both:

- selecting a measurement technique (estimation or valuation technique) – e.g., an estimation technique used to measure a loss allowance for expected credit losses when applying IFRS 9 Financial Instruments; and
- choosing the inputs to be used when applying the chosen measurement technique – e.g., the expected cash outflows for determining a provision for warranty obligations when applying IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

The effects of changes in such inputs or measurement techniques are changes in accounting estimates. The definition of accounting policies remains unchanged.

The Group does not expect the amendments to have a material impact on its financial statements when initially applied.

Amendments to IAS 1 and IFRS Practice Statement 2 Disclosure of Accounting Policies

(Effective for annual periods beginning on or after 1 January 2023. Early application is permitted.)

The amendments include guidance for applying the concept of materiality to disclose of accounting policies.

The key amendments to IAS 1 include:

- requiring companies to disclose their material accounting policies rather than their significant accounting policies;
- clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
- clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

Group does not expect the amendments to have a material impact on its financial statements when initially applied.

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6.4 Summary of significant accounting policies

Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) and as adopted in the EU. The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

In accordance with the Estonian Accounting Act, the parent company's unconsolidated financial statements (statement of financial position, statement of comprehensive income, statement of cash flows and statement of changes in equity) are disclosed in the notes to the consolidated financial statements. The unconsolidated financial statements of AS IuteCredit Europe are presented in note 29. Unconsolidated financial statements of parent company are presented as a separate entity. The parent company's unconsolidated financial statements are prepared using the same accounting policies and measurement bases as those applied on the preparation of the consolidated financial statements except that in the unconsolidated financial statements investments in subsidiaries are measured at equity method.

These financial statements have been prepared under historical cost basis, unless otherwise stated. The Group classifies its expenses by their nature.

The consolidated financial statements provide comparative information in respect of the previous period.

When the presentation or classification of items in the consolidated financial statements is amended, comparative amounts for the previous period are also reclassified, if not specified differently under the relevant accounting principle.

Reporting currency

The consolidated financial statements are presented in euros and all values are rounded to the nearest euro (EUR), except when otherwise indicated. The functional currencies of group companies are as follows: IuteCredit SRL – the Moldovan leu (MDL), IuteCredit Albania SHA and Velox Pay S.H.P. K – the Albanian lek (ALL), IuteCredit Macedonia DOOEL-Skopje – the Macedonian denar (MKD), IuteCredit Kosovo JSC – the euro (EUR), IutePay Bulgaria EOOD and IuteCredit Bulgaria EOOD – the Bulgarian lev (BGN), MKD IuteCredit BH d.o.o. Sarajevo – the Bosnian mark (BAM), IuteCredit Europe AS and IuteCredit Finance S.a.r.l. – the euro (EUR).

Foreign currencies

The Group's consolidated financial statements are presented in euros, which is also the parent company's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates and translated into the presentation currency using the average exchange rate for the period. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot exchange rates at the reporting date.
Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

On consolidation, the assets and liabilities of foreign operations are translated into euros at the rate of exchange prevailing at the reporting date and their income statements are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognized in statement of financial position in equity part as other reserves and change in the exchange differences is recognized as foreign currency translation in other comprehensive income.

Transactions denominated in foreign currencies are recorded in euros at actual rates of exchange of the European Central Bank at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into euros at the rate of exchange prevailing at the end of the period. Any gain or loss resulting from a change in rates of exchange after the date of the transaction is included in the income statement as a profit or loss from revaluation of foreign currency positions.

The principal rates of exchange (EUR to 1 foreign currency unit) set by the European Central Bank, the National Bank of Moldova, the Bank of Albania, and the National Bank of the Republic of Macedonia, used in the preparation of the Group's annual report were as follows:

Reporting date	MDL	USD	ALL	MKD	BGN	BAM
31 December 2020	21.1266	1.2271	123.70	61.694	1.9558	1.9558
31 December 2021	20.0938	1.1326	120.76	61.627	1.9558	1.9558

Average period	MDL	USD	ALL	MKD	BGN	BAM
2020	19.7414	1.1422	123.7659	61.6768	1.9558	1.9558
2021	20.9273	1.1827	122.4602	61.6282	1.9558	1.9558

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes in value. For the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above.

Corporate income tax and deferred income tax

Deferred income tax is recognised on all temporary differences arising between the carrying amounts and tax bases of the Group's assets and liabilities (the tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes).

The Group's deferred income tax liability arises in relation to the companies in the countries where the profit for the financial year is taxable. The Group's deferred income tax liability also arises on investments in Estonian subsidiaries except where the timing of the reversal of taxable temporary differences can be controlled by the Group and it is probable that the temporary differences will not reverse in the foreseeable future. The examples of the reversal of taxable temporary differences are payment of dividends, sale or liquidation of an investment, and other transactions.

Due to the nature of the taxation system, neither deferred income assets nor liabilities arise for the companies registered in Estonia, other than the contingent income tax liability on their investments in subsidiaries. Since the Group controls the dividend policy of its subsidiaries, it is also able to control the timing of the reversal of temporary differences related to this investment. When the parent company has made a decision not to distribute the subsidiary's profit in the foreseeable future, it shall not recognise the deferred income tax liability. If the parent company expects to pay out dividends in the foreseeable future, the deferred income tax liability shall be measured to the extent of the planned dividend payment under the assumption that as of the reporting date there will be sufficient funds and equity available for the payment of dividends from which to distribute profits in the foreseeable future.

Tax variances

In Estonia, the corporate income tax arising from the payment of dividends is recognised as income tax expense in the income statement of the period in which dividens are declared, regardless of the period for which the dividends are declared or the actual payment date.

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In the following table are given the tax rates on corporate income by countries considering also individual decisions made by local Tax Authorities where appropriate:

Corporate Income Tax rate	2021		2020	
Subject to taxation	annual profits earned	distribution of retained earnings	annual profits earned	distribution of retained earnings
Moldova	12%	6%	12%	6%
Albania	15%	5%	15%	5%
Macedonia	10%	10%	10%	10%
Bosnia	10%	5%	10%	5%
Bulgaria	10%	0%	10%	0%
Luxembourg	0%	10%	0%	10%
Estonia*	0%	20/80	0%	20/80

* Estonian Income Tax Act gives the opportunity to reduce the income tax rate according to the average distributed profit of the previous three calendar years to 14/86. This is subject to taxation pursuant to Estonian Income Tax Act § 50[1].

The maximum income tax liability which would accompany the distribution of Company's retained earnings is disclosed in Note 15 to the consolidated financial statements.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries (IuteCredit SRL-i, IuteCredit Albania SHA, Velox Pay S.H.P.K, IuteCredit Macedonia DOOEL–Skopje, MKD IuteCredit BH d.o.o. Sarajevo, IutePay Bulgaria EOOD, IuteCredit Bulgaria EOOD and IuteCredit Finance S.a.r.l. See also Note 26.

The subsidiaries are consolidated from the date when control commences until the date when control ceases. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to impact its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Assets, liabilities, income, and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses, and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Grouploses control over a subsidiary and do not remain any investment in that subsidiary, the Group derecognizes the related assets (including goodwill), liabilities, non-controlling interest, and other components of equity, while any resultant gain or loss is recognized in profit or loss.

If the Group loses control of a subsidiary but remains investment in that subsidiary, the Group derecognizes the assets and liabilities of the former subsidiary from the consolidated statement of financial position, recognizes any investment retained in the former subsidiary at its fair value when control is lost and subsequently accounts for it and for any amounts owed by or to the former subsidiary in accordance with relevant IFRSs. That fair value shall be regarded as the fair value on initial recognition of a financial asset in accordance with IFRS 9 or the cost on initial recognition of an investment in an associate or joint venture.

The accounting principles are applied consistently when consolidating ownership interests in subsidiaries and are based on the same reporting periods as those used for the parent company. When preparing the consolidated financial statements, intra-group transactions and balances, along with unrealized gains and losses on transactions between group entities, are eliminated.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses all assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances, and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in the statement of profit or loss in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is more than the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all the assets acquired, and all the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

Goodwill acquired in a business combination is not subject to amortisation. Instead, for the purpose of impairment testing, goodwill is allocated to cash-generating units and impairment test is performed at the end of each reporting period. The allocation is made to those cash-generating units that are expected to benefit from the synergies of the business combination in which the goodwill arose.

Investment in subsidiaries

Investments in subsidiaries in the parent's unconsolidated primary financial statements (Note 26) have been accounted by using the equity method. Under the equity method, the investment is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the investor's share of net assets of the subsidiary since acquisition date.

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Fair value measurement

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Fair values of financial assets or liabilities, including derivative financial instruments, in active markets are based on quoted market prices.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:
• Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
• Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
• Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.
Fair value hierarchy for financial instruments is disclosed in Note 27.

Recognition of interest income

Interest and similar income

The Group calculates interest income by applying the effective interest rate to the gross carrying amount of financial assets other than credit-impaired assets and purchased or originated credit impaired (POCI) financial assets. Financial asset becomes credit-impaired and is, therefore, regarded as 'Stage 3' (NPL), the Group calculates interest income by applying the effective interest rate to the net amortized cost of the financial asset. If the financial assets cures and is no longer credit-impaired, the Group reverts to calculating interest income on a gross basis. For POCI financial assets, the Group calculates interest income by calculating the credit adjusted EIR and applying that rate to the amortized cost of the financial asset. The credit adjusted EIR is the interest rate that, at initial recognition, discounts the estimated future cash flows (including credit losses) to the amortized cost of the POCI financial asset.

The effective interest rate (EIR) method

Under IFRS 9 interest income is recorded using the effective interest rate (EIR) method for all financial instruments measured at amortized cost. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset.
The EIR (and therefore, the amortised cost of the asset) is calculated by taking into account any discount or premium on acquisition, fees and costs that are an integral part of the EIR. The Group recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the loan. Hence, it recognises the effect of potentially different interest rates charged at various stages, and other characteristics of the product life cycle.

Recognition of other fees

Other fee income

The core principle of IFRS 15 is that an entity will recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This core principle is delivered in a five-step model framework:

(i) Identify the contract(s) with a customer
(ii) Identify the performance obligations in the contract
(iii) Determine the transaction price
(iv) Allocate the transaction price to the performance obligations in the contract
(v) Recognize revenue when (or as) the entity satisfies a performance obligation.

Terms and conditions related to the loan contracts set each party's rights and obligations in the credit relation and are approved by both parties; this includes also after-sales services provided by the Group.

Financial instruments

Initial recognition

Financial assets and liabilities, with the exception of loans and advances to customers and balances due to customers, are initially recognized on the trade date, i.e., the date that the Group becomes a party to the contractual provisions of the instrument. Loans and advances to customers are recognized when funds are transferred to the customers' accounts. The Group recognizes balances due to investors when funds are transferred to the Group.

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their fair value (as defined in Note 27), except in the case of financial assets and financial liabilities recorded at FVPL, transaction costs are added to, or subtracted from, this amount.

Group classifies all its financial assets based on the asset's contractual terms, the Group's business model and SPPI assessments - measured at either:

- Amortized cost
- FVOCI
- FVTPL

Financial liabilities, other than loan commitments and financial guarantees, are measured at amortized cost or at FVTPL when they are held for trading and derivative instruments or the fair value designation is applied.

Financial instruments

Financial assets

The Group only measures *Loans to customers* and other financial investments at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

The Group does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Group acquires, disposes of, or terminates a business line.

A financial asset is derecognised when the rights to receive cash flows from the financial asset have expired. The Group also derecognises the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition.

The Group has transferred the financial asset if, and only if, either:

- The Group has transferred its contractual rights to receive cash flows from the financial asset or

- It retains the rights to the cash flows, but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement

Financial liabilities

Financial liabilities are initially recognized on the balance sheet at their acquisition cost. After initial measurement, debt issued, and other borrowed funds are subsequently measured at amortized cost. Amortized cost is calculated by taking into account any discount or premium on issued funds, and costs that are an integral part of EIR.

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or repaid. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognized in profit or loss.

Impairment of financial assets

Overview of the ECL principles

The Group has been recording the allowance for expected credit losses for all loans and other debt instruments not held at FVTPL, in this section all referred to as 'financial instruments'.

The Expected Credit Loss (ECL) is measured on either a 12-month (12M) or Lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. The Group's policies for determining if there has been a significant increase in credit risk are set out in Note 8.

The 12mECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.
Both LTECLs and 12mECLs are calculated on collective basis.

The Group has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.
Based on the above process, the Group groups its loans into Stage 1, Stage 2, Stage 3 and POCI, as described below:

- Stage 1: When loans are first recognized, the Group recognizes an allowance based on 12mECLs. Stage 1 loans also include facilities where the credit risk has improved, and the loan has been reclassified from Stage 2.

- Stage 2: When a loan has shown a significant increase in credit risk since origination, the Group records an allowance for the LTECLs. Stage 2 loans also include facilities, where the credit risk has improved, and the loan has been reclassified from Stage 3.

- Stage 3: Loans considered credit impaired. The Group records an allowance for the LTECLs.

- POCI: Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognised based on a credit adjusted EIR. The ECL allowance is only recognised or released to the extent that there is a subsequent change in the expected credit losses.

For financial assets for which the Group has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the financial asset.

Impairment losses and releases are accounted for as an adjustment of the financial asset's gross carrying value.

The main parameters the Group uses in assessing credit risk are the probability of default (PD), loss given default (LGD) and exposure at default (EAD). The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

• PD	The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period if the facility has not been previously derecognised and is still in the portfolio. The probability of default reflects how high is the probability that the loan customer will experience a settlement default of more than 50 days during the 12th month after the assessment.
• EAD	The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.
• LGD	The Loss given default reflects the economic loss that may occur in the event of default of more than 50 days based on country specific loss rates identified using historical loss statistics. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realization of any collateral or credit enhancements that are integral to the loan and not required to be recognised separately. It is usually expressed as a percentage of the EAD.

Under IFRS 9, LGD rates are estimated for the Stage 1, Stage 2, Stage 3 and POCI receivables. The inputs for these LGD rates are estimated and repeated for each economic scenario as appropriate.

The mechanics of the ECL method are summarized below:

• Stage 1:	The 12mECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. These expected 12-month default probabilities are applied to a forecast EAD (Note 7) and multiplied by the expected LGD and discounted by an approximation to the original EIR.
• Stage 2:	When a loan has shown a significant increase in credit risk since origination, the Group records an allowance for the LTECLs. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.
• Stage 3:	For loans considered credit-impaired, the Group recognizes the lifetime expected credit l losses for these loans. The method is similar to that for Stage 2 assets, with the PD set at 100%.
• POCI:	Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition.

Forward looking information

In its ECL models, the Group relies on the following forward-looking information as economic input (Note 7):

- GDP growth
- Unemployment rate

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

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Time horizon

Generally, time horizon used to analyse the information from the past is considered at least 12 months. 12-month-horizon is also used the other way for forward-looking estimates.

Write-offs

Financial assets are derecognized after 365 days past due (DPD), when collection is no longer considered probable. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense.

Fixed assets

Property, plant, and equipment

Property, plant, and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Depreciation is calculated using the straight-line method to expense the cost of each asset to their residual value over the estimated useful life of the asset. The following depreciation rates are applied:

Category	Annual rate
Network and computer equipment	20%–50%
Furniture	15%–33%

Depreciation rates are reassessed at each reporting date and whenever circumstances arise, which may have a significant impact on the useful life of an asset or asset class. The effect of changes in estimates is recognised in the current and subsequent periods.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses.

Internally generated intangibles, excluding capitalized development costs, are not capitalized and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Research costs are expensed as incurred. Development expenditures on an individual project are recognized as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- Its intention to complete and its ability and intention to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete, and the asset is available for use. It is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment annually.

Acquired computer software licenses are recognized as intangible assets based on the costs incurred to acquire and implement the software. Amortization of software is calculated based on straight-line method, considering their useful life according to their description/benefits. Amortization is calculated on a straight-line basis over 3–10 years.

Impairment and derecognition of non-financial assets

Fixed assets are derecognized upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss.

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on most recent budgets and forecast calculations, which are prepared separately for each of the Group's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

An item of property, plant and equipment and intangible assets are written down to their recoverable amount if the recoverable amount of the asset is less than its carrying amount. An asset impairment test is performed to determine whether an asset may be impaired, and the recoverable amount of the asset is determined. Test is performed at least once a year at balance sheet date when signs of a possible changes in value occur. Impairment of assets is recognized as an expense in the reporting period.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of profit or loss on the same line item where the impairment loss was previously recognized.

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Leases

Group as a lessee

IFRS 16 sets out the principles for the recognition, measurement, presentation, and disclosure of leases for both parties to a contract, i.e., the customer ('lessee') and the supplier ('lessor').

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, the depreciation rates ranging from 14%-50% per annum.

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. At the end of each reporting period, an entity is required to assess whether there is any indication that an asset may be impaired (i.e., its carrying amount may be higher than its recoverable amount). If there is an indication that an asset may be impaired, then the asset's recoverable amount must be calculated. If fair value less costs of disposal or value in use is more than carrying amount, it is not necessary to calculate the other amount. If fair value less costs of disposal cannot be determined, then recoverable amount is value in use. For assets to be disposed of, recoverable amount is fair value less costs of disposal. The impairment loss is recognized as an expense (unless it relates to a revalued asset where the impairment loss is treated as a revaluation decrease).

Lease liabilities

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Group's lease liabilities are disclosed as part of the *Right-of-use assets and lease liabilities* (see Note 21), but also included in *Financial liabilities* (see Note 23).

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Group as a lessor

As a lessor, the Group determines at lease inception whether the lease is a finance lease or an operating lease. If the Group determines that the lease transfers substantially all the risks and rewards of ownership of the underlying asset, the lease is a finance lease. Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Legal reserve

In case of a public limited company, the size of the statutory legal reserve shall not be less than 1/10 of the share capital in Estonia. Legal reserve is formed from annual net profit allocations, as well as from other provisions, which are transferred to the legal reserve based on law or the articles of association. At least 1/20 of net profit must be transferred to the reserve capital each year till the moment of the reserve capital will be 1/10 of the share capital.

Related parties

For the purposes of the Group's annual report, related parties include:

- Owners (parent company and owners of the parent company)
- Executive and senior management
- Close family members of the aforementioned persons and companies connected with them

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7 Significant accounting judgements, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures, as well as the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. In the process of applying the Group's accounting policies, management has made the following judgements and assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Existing circumstances and assumptions about future developments may change due to circumstances beyond the Group's control and are reflected in the assumptions if and when they occur. Items with the most significant effect on the amounts recognized in the consolidated financial statements with substantial management judgement and/or estimates are collated below with respect to judgements/estimates involved.

Fair value of financial instruments

The fair value of financial instruments is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e., an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimation is required in establishing fair values.

If there is no market price for a given financial asset or liability, its fair value is estimated based on the price established in recent transactions involving similar instruments or, in the absence thereof, by using mathematical measurement models that are sufficiently tried and trusted by the international financial community. The estimates used in such models take into consideration the specific features of the asset or liability to be measured and, in particular, the various types of risk associated with the asset or liability. However, the limitations inherent in the measurement models and possible inaccuracies in the assumptions and parameters required by these models may mean that the estimated fair value of an asset or liability does not exactly match the price for which the asset or liability could be exchanged or settled on the date of its measurement.

The Group has an investment in a former subsidiary in Kosovo which is classified as a financial instrument as of 31 December 2021 and is measured at fair value through profit or loss from thereon. No observable quoted prices are available for the measurement of such an investment. Instead, management has used unobservable (level 3) inputs in the measurement. The inputs used in the valuation of subsidiary in Kosovo are described in Note 27.

Sensitivity of fair value measurements to changes in unobservable market data

Sensitivity analysis based on exchange rate and interest rate risks and other forward-looking input in ECL calculation are given hereinafter by showing the effect of changing the significant unobservable inputs to reasonable possible alternatives. All changes except for debt instruments classified as available-for-sale would be reflected in the Statement of Comprehensive Income. Sensitivity data are calculated using a number of techniques, including analysing price dispersion of different price sources, adjusting model inputs to reasonable changes within the fair value methodology.

The ranges are not comparable or symmetrical as the model inputs are usually not in the middle of the favourable/unfavourable range.

Impairment losses on financial assets

The expected credit loss model follows a "three-stage" approach based on changes in the credit quality of the financial instruments since their initial recognition.

The Group continuously monitors all assets subject to ECL. In order to determine whether an instrument or a portfolio of instruments is subject to 12mECL or LTECL, the Group assesses whether there has been a significant increase in credit risk since initial recognition. The Group considers an exposure to have significantly increased in credit risk when the IFRS 9 lifetime PD has doubled since initial recognition.

The Group also applies a secondary qualitative method for triggering a significant increase in credit risk for an asset, such as moving a customer/facility to the watch list, or the account becoming forborne. In certain cases, the Group may also consider that events are a significant increase in credit risk as opposed to a default. Regardless of the change in credit grades, if contractual payments are more than 30 days past due, the credit risk is deemed to have increased significantly since initial recognition.

When estimating ECLs on a collective basis for a group of similar assets, the Group applies the same principles for assessing whether there has been a significant increase in credit risk since initial recognition.

Group has used the following classification into stages:

- Stage 1 – all non-defaulted loans with DPD<=30 (DPD - Days Past Due)
- Stage 2 – all non-defaulted loans with 30<DPD<=50
- Stage 3 – all defaulted loans (DPD>50)
- POCI: Purchased or originated credit impaired (POCI) assets

In its ECL models, the Group relies on a broad range of forward-looking information as economic inputs, such as• GDP growth and unemployment.

The inputs and models used for calculating ECL may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are material.

The forward-looking adjustment is performed in a simplified way, by comparing the forecasted GDP growth and unemployment change for one year from reporting date, with the latest GDP growth and unemployment change information available. The sensitivity of the forward-looking adjustments is presented in Note 12.

The Group reviews its models in the context of actual loss experience on a regular basis.

Going concern

The Group's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

Capitalization of intangible assets

For capitalization of expenses in process of developing Group's system (LES) and other IT systems management uses certain assumptions. Capitalization of salary expenses of IT personnel is based on employee time sheets and personnel involved in development dedicate up to 100% of their time on developing new functionality. Therefore, up to 100% of salaryexpenses of involved personnel are capitalized under intangible assets.

Provisions and other contingent liabilities

The Group operates in a regulatory and legal environment that, by nature, has a heightened element of litigation risk inherent to its operations. As a result, it is involved in various litigation, arbitration and regulatory investigations and proceedings both in Estonia and in other jurisdictions, arising in the ordinary course of the Group's business.

When the Group can reliably measure the outflow of economic benefits in relation to a specific case and considers such outflows to be probable, the Group recognises a provision. Where the probability of outflow is considered to be remote, or probable, but a reliable estimate cannot be made, a contingent liability is disclosed. However, when the Group is of the opinion that disclosing these estimates on a case-by-case basis would prejudice their outcome, then the Groupdoes not include detailed, case-specific disclosers in its financial statements.

Given the subjectivity and uncertainty of determining the probability and amount of losses, the Group takes into account a number of factors including legal advice, the stage of the matter and historical evidence from similar incidents. Significant judgement is required to conclude on these estimates.

Determination of the lease term for lease contracts with renewal and termination options (Group as a lessee)

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control that affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation of the leased asset).

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8 Financial risk management

The management constantly observes the following ratios, and if necessary, makes adjustments to operations, credit policy or finance management:

• CPI – customer performance index – is the ratio of actually duly repaid loan instalments against expected (contractually required) repayments within a tolerance period for repayment delays, which is normally 30 days; CPI is measured by whole portfolio, by different loan products, by customer groups and by periods. CPI 100 means that all repayments are duly made with 0-days delay, as expected according to the loan agreement. The Group's target is CPI30 not less than 88% but it actually varies by loan product, customer groups and different offices in different regions where we operate.

• Group's liabilities versus loan portfolio, where the target is to have the loan portfolio increase faster than the Group's liabilities
• Debt collection rates
• Number of operations performed by each employee, and time spent on various operations – to increase work efficiency
• Group's actual performance versus the budgeted performance.

The Group reviews the risk identification and management policies and procedures according to the change of Group's activities and financial situation, several times a year. The usual review period is once a month, but extraordinary events (such as sharp exchange rate fluctuations or competition situation on the market) trigger immediate responses.

External risks

Macroeconomic and legal situation in Moldova, Albania, Macedonia, Bosnia, and Bulgaria

The economic sustainability of these countries is the key to the Group's sustainability and profitability. The Group observes on a daily basis the media, exchange rates and developments related to important macroeconomic aspect in its domestic markets, such as:

(i) GDP and GDP per capita;
(ii) quarterly export volumes;
(iii) quarterly internal consumption volumes;
(iv) quarterly volume of money transfers home by Moldovans, Albanians, Macedonians, Bosnians, and Bulgarians working abroad;
(v) monthly unemployment and average salary rates;
(vi) quarterly data on banks' loan and deposits portfolios; and
(vii) changes in legislation or in the government.

But, as it turned out, regular monitoring does not save us from unexpected events like what happened in Kosovo, provoked by the regulator. Fortunately, our equity is strong, and we are able to cope with such unexpected events.

The Group is an active member of the Moldovan American Chamber of Commerce, which is one of the few private sector lobby organizations which is heard by the government in the issues of future economic policy or change in laws that govern finance sector, consumer finance, consumer protection laws or legal enforcement. Also, the Group's major competitors participate in AmCham.

Changes in macroeconomic situation affect the Group's lending policy. Due to overall macroeconomic instability in the Balkans and Southern Europe region, the Group has limited the maximum maturity of its loan products.

Capital management

The Group's objectives when managing capital are the following:

- Maximize the utilization of capital and keep available capital below 20% of the Group's total assets.
- Maintain a strong capital base by keeping it above 15%, supporting business development and to meet the Eurobond covenants. This objective was accomplished in 2021. See also Note 23.
- Secure investors' claims in accordance with agreed terms. This objective was met in 2021.

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Equity holders base any decisions regarding the distribution of dividends or increasing or decreasing the share capital on the financial position of the Group.

Exchange rate volatility

Calculation of exchange rate volatility is made based on evolution of exchange rate of foreign currency with which the Company operates, this evolution is estimated in percentage for certain reporting period and recorded in the gains and losses.

The following table demonstrates the sensitivity to a reasonably possible change in the USD and EUR, MDL, and EUR, ALL and EUR, MKD and EUR exchange rates, BGN and EUR exchange rates, BAM and EUR exchange rates with all other variables held constant. The effect on profit before tax is reflecting the proportion of untaxed profit considering exchange rate changes during reporting period. Effect on equity applies the same effect on equity. From the calculation is excluded the effect on Group's internal loans and other accruals.

Currency	in thousands EUR 31.12.2021	in thousands EUR 31.12.2020	Average fluctuation
MDL	20,0938	21,1266	20,6102
Change in exchange (MDL)	4,89%	1,34%	3,11%
Effect on profit before tax (MDL)	1 904	-2 171	-133
Effect on equity (MDL)	1 065	-1 681	-308
USD	1,1326	1,2271	1,1799
Change in exchange (USD)	7,70%	-9,23%	-0,76%
Effect on profit before tax (USD)	0	-14	-7
Effect on equity (USD)	0	-14	-7
ALL	120,76	123,70	122,2300
Change in exchange (ALL)	2,38%	-1,58%	0,40%
Effect on profit before tax (ALL)	991	-212	390
Effect on equity(ALL)	347	-188	79
MKD	61,6270	61,6940	61,6605
Change in exchange (MKD)	0,11%	-0,34%	-0,12%
Effect on profit before tax(MKD)	22	-27	-3
Effect on equity(MKD)	3	1	2
BGN	1,9558	1,9558	1,9558
Change in exchange (BGN)	0	0	0,00%
BAM	1,9558	1,9558	1,9558
Change in exchange (BAM)	0	0	0,00%

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Exchange rate volatility poses significant risks of loss, because all subsidiaries loan products are nominated, issued, and repaid according to domestic laws in the national currency (MDL, ALL, MKD), whereas the Group's major liabilities before investors are assumed in euros.

The Group is sensitive to exchange rate volatility only if the exchange rate of the value dates of

(i) lending to the Group the principal investment amount and
(ii) redemption of the Group of the principal investment amount (bullet payment) differ.

Given that the Group's liabilities as at 31 December 2021 were 141 202 thousand EUR (2020: 95 131 thousand EUR), weakening of all exchange rates by investment maturity date by 10% would bring a loss of ca 14 120 thousand EUR (2020: 9 513 thousand EUR). The Group`s equity is enough to cover that loss.

The Group is relatively insensitive to regular interest payments, because interest payments (interest expense) account for approximately 25% of the overall cost base of the Group, an amount of 14 371 thousand EUR (2020: 10 997 thousand EUR). A 10% decrease of exchange values would therefore cause the financial expenses to increase by 1 437 thousand EUR (2020: 1 099 thousand EUR). Given the Group's margin on its products, it can easily be absorbed.

To mitigate the foreign exchange volatility risks, the Group has taken the following measures:

• Diversification of liability currencies – liabilities have been assumed in EUR (ca 89%), MDL (ca 5%), ALL (ca 4%), MKD (ca 2%) and USD (ca 0%).

• Diversification of maturity dates – liabilities are assumed and become mature on different dates. Except for the senior secured bonds (see Note 23), no single liability exceeds 5% of the total liabilities and becomes mature within 3 months from the other liabilities. The short- or even mid-term fluctuations are counterbalanced with different maturity dates.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with fixed interest rates.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings. With all other variables held constant, the Group's profit before tax is affected through the impact on floating rate borrowings as follows:

		Loans to customers		Loans from creditors	
Currency	Changes in base interest rate, in bps	Effect on profit before tax in 2020	Effect on profit before tax in 2021	Effect on profit before tax in 2020	Effect on profit before tax in 2021
		in thousands EUR	in thousands EUR	in thousands EUR	in thousand EUR
EUR	+/- 100	+/-0	+/-0	+/-463	+/-1233
EUR	+/- 300	+/-0	+/-0	+/-1388	+/-3699
EUR	+/- 500	+/-0	+/-0	+/-2314	+/-6165
		+/-	+/-	+/-	+/-
USD	+/- 100	+/-0	+/-0	+/-1	+/-0
USD	+/- 300	+/-0	+/-0	+/-4	+/-1
USD	+/- 500	+/-0	+/-0	+/-6	+/-2
		+/-	+/-	+/-	+/-
MDL	+/- 100	+/-352	+/-408	+/-55	+/-58
MDL	+/- 300	+/-1056	+/-1223	+/-165	+/-174
MDL	+/- 500	+/-1759	+/-2039	+/-276	+/-291
		+/-	+/-	+/-	+/-
ALL	+/- 100	+/-291	+/-402	+/-22	+/-13
ALL	+/- 300	+/-874	+/-1206	+/-65	+/-40
ALL	+/- 500	+/-1457	+/-2011	+/-108	+/-66
		+/-0	+/-0	+/-0	+/-0
MKD	+/- 100	+/-114	+/-204	+/-1	+/-1
MKD	+/- 300	+/-343	+/-611	+/-4	+/-4
MKD	+/- 500	+/-572	+/-1018	+/-7	+/-7
		+/-	+/-	+/-	+/-
BAM	+/- 100	+/-33	+/-32	+/-0	+/-0
BAM	+/- 300	+/-98	+/-97	+/-0	+/-0
BAM	+/- 500	+/-163	+/-162	+/-0	+/-0
		+/-	+/-	+/-	+/-
BGN	+/- 100	+/-0	+/-14	+/-0	+/-0
BGN	+/- 300	+/-0	+/-41	+/-0	+/-0
BGN	+/- 500	+/-1	+/-68	+/-0	+/-0

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Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily from issued loan agreements).

To manage the Group's credit policy and portfolio risks Group has Credit Committee (CreCO). Credit Committee defines which loans are issued and to which customer groups taking into consideration also economical situation, such as unemployment rate There are two levels of CreCO:

(i) Group Credit Committee and
(ii) Subsidiary Credit Committee.

Group Credit Committee (Group CreCO) has authority over following decisions:

a) to determine the competence of Subsidiary Credit Committee (Subsidiary CreCO);
b) to determine loan parameters (Loan Parameters);
c) to determine loan application checking and approval procedure (Checking Procedure);
d) to determine overdue procedure (Overdue Procedure).

Group CreCO members are CEO - Chief Executive Officer, CCO – Chief Commercial Officer, CFO – Chief Financial Officer, COO- Chief Operations Officer and CRO – Chief Rick Officer. The main responsibility to organize, record and communicate Group CreCO's work and decisions carry Group CRO. Group CreCO makes decisions at request of local subsidiary's management or on its own if necessary. Subsidiary CreCO consists of local management team or other relevant positions.

The Group consider a financial asset in default when:

a) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held);
b) the borrower is more than 50 days past due on any material credit obligation to the Group;
c) it is becoming probable that the borrower will restructure the asset as a result of financial difficulties due to the borrower`s inability to pay its credit obligations.

Group is using the following classification into stages:

- Stage 1 – all non-defaulted loans with DPD<=30 (DPD - Days Past Due)
- Stage 2 – all non-defaulted loans with 30<DPD<=50
- Stage 3 – all defaulted loans (DPD>50)

However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Max exposure to credit risk before collateral held:

Credit risk exposures relating to on-balance sheet assets	31.12.2021 in thousands EUR	31.12.2020 in thousands EUR
Cash and cash equivalents	46 324	19 453
Loans to customers	105 372	79 187
Other assets	3 112	2 677
Financial assets	210	197
TOTAL	**155 018**	**101 514**

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See also Notes 16, 17, 18 and 19.

Concentration risk

Concentration risk, as an integral part of credit risk, arises from large exposures to individual counterparty which might result from inadequate diversification of the credit exposures. This risk is managed by actively measuring, reporting, and monitoring on a regular and ongoing basis, risk concentration levels against reasonable thresholds for counterparties and products.

In its everyday business activities, the Group avoids taking a concentration risk, focusing mainly on small and medium loans to avoid large exposure.

Liquidity risk

Group's loan products are unsecured consumer loans with maturities between 1 month and 48 months and pledge (usually pledge on the car) secured loans with maturities of up to 72 months. Median loan amount is above 500 EUR, whereas loan amounts range between 25 EUR and 10 thousand EUR. Weighted average annual percentage rate (APR) is 58% and effective interest rate (EIR) 80% depending on the loan amount, maturity, and status of customer (new or recurring customer with good payment history).

The Group aims to serve only customers with a permanent workplace and stable income. Loans are based on personal identification and personal credit rating. For a new applicant, the credit rating depends on automated comparison of the applicant's relevant parameters with respective parameters of performing and poorly performing statistic customer groups and certain databases. By average 60% of new loan applications have been approved. For returning customers, Group applies personal credit rating which is based on individual performance data (see Credit risk above).

In section "Loan receivables and allowances for loan impairment" is discussed how the impairment analysis is performed by the Group. Liquidity risk regarding loans received is managed by the Group.

Analysis of financial assets and liabilities by contractual maturities continued:

in thousands EUR		Up to 1 year	1 to 5 years	TOTAL
Loans issued, maturity	31.12.2021	82 733	37 631	**120 364**
	31.12.2020	73 787	21 259	**95 046**
Loans received, maturity	31.12.2021	21 846	162 005	**183 851**
	31.12.2020	35 507	71 433	**106 940**
Lease liabilities, maturity	31.12.2021	831	934	**1 765**
Lease liabilities, maturity	31.12.2020	860	1 261	**2 121**
Liquidity gap	31.12.2021	60 056	-125 307	**-65 252**
	31.12.2020	37 419	-51 434	**-14 015**

Undiscounted long-term future cash flows from gross lease liabilities (before deducting finance charges) and gross loan commitments turn gap negative in long-term perspective regarding the end of current reporting year.

Above given table consists of claims that have turned collectible by the end of the reporting year but does not include the future receivables from the active loan contracts, that will be collectible between the balance sheet date and contractual term or prognosis of the future receivables what will be collected from the un-activated new contracts.

On the contrary to that, the liabilities are recorded in aggregate as contractually obliged during the whole contractual period. This allows to assume that Group will not have liquidity problems in the future. According to the short-term perspective liquidity risk is considered low.

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Operational risk

Damage to physical assets or data

The Group's work process includes data processing. Loss of data or damage to physical assets that support the work process must be mitigated to the effect that the Group is able to continue its work process without significant interruption.

All the Group`s work process data (LES) is stored at a cloud server with daily backup. Backup is maintained separately and available for system restart within a day.

All the Group`s work processes are supported by LES in such a manner that a team member can perform its tasks from any computer that has basic software and internet connection, independently of physical location. Therefore, loss of a computer or even computers can be mitigated within the same day; and loss of an office can be mitigated within two workdays at the latest (relocation of workplaces to a temporary rental office).
Main physical assets are also insured at their replacement value.

Customer fraud or incapability

A customer with original fraud intention, or inability to repay is the second biggest possible source of financial loss.
Measures to mitigate that risk belong to the Group`s knowhow and are not disclosed in the notes to the annual report.

Group uses personal identification, personal contact verification, employment verification, cross-verification of public databases, social links, and statistical analysis of performing/nonperforming customers (a scorecard) to make the credit approval/rejection decision.

Approximately 1/3 of new loan applications are rejected by the Group. Customer incapability or non-performance risk is mitigated by regulating loan product parameters (maximum loan amount, maximum loan duration and maximum monthly repayment in relation to the customer's salary) that particular customer qualifies for. Majority of new customers can get loans for up to a year, with a higher APR (annualized percentage rate) to cover the increased risk of loss. Returning customers' range of parameter limits is expanded, depending on their individual performance. The APR is reduced, and the maturity can also be lengthened in comparison with new customers.

Internal risks

Internal user fraud or incapability

An internal user with authority to execute loan agreements, payments out or enter false data into system is the first possible source of financial loss.

Measures to prevent internal fraud are manifold and constantly under development:

• Selection of employees. The characteristics required include honesty and punctuality. Whereas honesty is a subjective criterion (until a fraud may be discovered), punctuality and correctness of individual performance are observed by LES.

• Individual responsibility and traceability. All important work operations at the Group (entering new loan application, application data checking, application approval, loan agreement execution, loan issue, accounting the loan repayments and debt collection process) are individually traceable by name, date, time, and content.

• System design. Several important operations are double-checked by LES and the user cannot proceed to the next operation unless the prior operation has been completed up to the parameters required by LES.

• Task diversification in loan issue process. Normally, it will take the input of at least three different employees to issue a loan. A single internal user cannot pursue fraudulent objectives.

• Task diversification in management. The Group's finances are managed by different persons, local CFO, CEO and also the Group`s CFO, under direct supervision of shareholders.

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System design errors

The Group`s loan implementation system automatically generates tasks and other outputs for its users. A mistake in the system`s source code or configuration can cause system malfunction, misreporting, slow or increased cost work process.

System design errors are discovered and corrected only by implementing any changes via testing before putting them into production.

General system design and performance is also counterchecked against randomly selected individual work processes and randomly selected system reports.

Workplace safety and efficiency

A safe workplace with enough space, controlled temperature and climate mitigates the risks related to loss of attention or concentration and deteriorating health or overall dissatisfaction thereafter.

Countermeasures have been, and will be, investments into ventilation and heating systems, functional furniture, and optimization of work processes.

Impact of COVID-19

Starting from the COVID -19 coronavirus pandemic, the Group has implemented immediately actions to mitigate as much as possible the pandemic impact to the Group operations. These actions have continued also in 2021.

The continuous actions are:

1. Shift from growth to strengthening and controlled contraction of the balance sheet. Cashflow as decisive function, to steering, for example, the volume and price of loans issued and our operating expenses.

2. Expenses strictly controlled in line with cash inflow.

3. New loan issuance significantly restricted - Credit risk requirements for customers increased while the maximum exposure per customer reduced.

Such actions taken, have enabled the Group to mitigate the significant losses from outstanding loans to customers. As new loans issuance is restricted starting from the pandemic and the Group focuses on returning customers with good credit discipline, then the pandemic impact to loan portfolio quality is minimal.

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9 Interest income

Interest and similar income	2021 in thousands EUR	2020 in thousands EUR
Interest on loans to customers and commission	48 349	44 477
TOTAL	**48 349**	**44 477**

See also Note 11.

10 Interest expenses

Interest expense	2021 in thousands EUR	2020 in thousands EUR
Interest on amounts due to creditors	-5 096	-5 369
Interest on amounts on lease liabilities	-162	-95
Interest on bonds	-9 113	-5 533
TOTAL	**-14 371**	**-10 997**

See also Notes 21 and 23.

11 Other fees and penalties

Loan and administration fees and penalties	2021 in thousands EUR	2020 in thousands EUR
Penalties under loans and delay interests	9 384	8 396
Dealer bonuses	-1 556	-1 046
Resigns under customer loans	365	540
TOTAL	**8 194**	**7 890**

See also Note 9.

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12 Allowance for impairment of loans to customers

Allowance for impairment of loans to customers	2021 in thousands EUR	2020 in thousands EUR
At the beginning of the year	**-15 859**	**-13 100**
Arising during the year	-16 322	-18 756
Write-off	16 997	15 767
Exchange differences	191	229
At the end of the year	**-14 993**	**-15 859**

The Group has taken into account historical information, but the estimates are made on forward-looking basis.

Table below demonstrates the sensitivity to a reasonably possible change in forward-looking input by +/-1% on that portion of loan portfolio and expected credit loss in response:

	in thousands EUR			Favourable changes			Unfavourable changes		
31.12.2021	Gross portfolio in total	Sum of ECL in total	Sum of NLP in total	Gross portfolio in total	Sum of ECL in total	Sum of NLP in total	Gross portfolio in total	Sum of ECL in total	Sum of NLP in total
Albania	**46 136**	**5 045**	**41 090**	**46 136**	**5 046**	**41 090**	**46 136**	**5 045**	**41 091**
stage 1	37 386	1 706	35 680	37 386	1 707	35 679	37 386	1 706	35 681
stage 2	843	132	711	843	132	711	843	131	711
stage 3	7 907	3 207	4 699	7 907	3 207	4 699	7 907	3 207	4 699
Bosnia	**3 654**	**810**	**2 844**	**3 654**	**810**	**2 844**	**3 654**	**810**	**2 844**
stage 1	2 844	331	2 513	2 844	331	2 513	2 844	331	2 513
stage 2	259	126	133	259	126	133	259	126	133
stage 3	551	354	197	551	354	197	551	354	197
Macedonia	**22 588**	**2 621**	**19 967**	**22 588**	**2 620**	**19 967**	**22 588**	**2 621**	**19 967**
stage 1	17 767	691	17 076	17 767	691	17 076	17 767	691	17 076
stage 2	657	55	601	657	55	601	657	55	601
stage 3	4 164	1 874	2 290	4 164	1 874	2 290	4 164	1 874	2 290
Moldova	**46 527**	**6 175**	**40 353**	**46 527**	**6 178**	**40 350**	**46 527**	**6 171**	**40 356**
stage 1	36 972	1 844	35 128	36 972	1 846	35 126	36 972	1 841	35 131
stage 2	797	155	642	797	156	642	797	155	643
stage 3	8 758	4 176	4 583	8 758	4 176	4 583	8 758	4 176	4 583
Bulgaria	**1 460**	**342**	**1 118**	**1 460**	**342**	**1 118**	**1 460**	**343**	**1 117**
stage 1	1 058	102	956	1 058	102	956	1 058	103	956
stage 2	48	16	32	48	16	32	48	16	32
stage 3	354	224	130	354	224	130	354	224	130
Total change (+/-)	**120 365**	**14 993**	**105 372**	**120 365**	**14 654**	**105 711**	**120 365**	**14 647**	**105 718**
				-	339	339	-	346	346

See also Note 17.

Credit loss expense 2021	stage 1	stage 2	stage 3	Net impairment charges
Loans to customers	-4 674	-483	-9 835	-14 993
Total	**-4 674**	**-483**	**-9 835**	**-14 993**

Credit loss expense 2020	stage 1	stage 2	stage 3	Net impairment charges
Loans to customers	-6 145	-601	-9 113	-15 859
Total	**-6 145**	**-601**	**-9 113**	**-15 859**

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13 Personnel expenses

Personnel expenses	2021 in thousands EUR	2020 in thousands EUR
Salaries and bonuses	-7 660	-6 927
Social security expenses	-1 078	-1 096
Medical insurance expenses	-160	-95
Other expenses	-59	-41
TOTAL	**-8 957**	**-8 159**
Annual average number of employees adjusted to full-time	437	369

On the row "Other expenses" are among other expenses recognized changes in vacation reserves.

Please see also Note 28 for remuneration paid to key management persons.

14 Other operating expenses

Other operating expenses	2021 in thousands EUR	2020 in thousands EUR
Advertising expenses	-2 368	-1 219
Office lease expenses	46	-28
Outsource services	-2 949	-1 915
Repair, maintenance of property and equipment	-64	-75
Utilities	-271	-211
Telecommunication and IT	-2 231	-1 480
Small items of equipment	-177	-170
Transportation	-500	-285
Withheld taxes	-550	-373
Other operating expenses	-4 027	-2 548
TOTAL	**-13 092**	**-8 302**

The other operating expenses includes also purchases from related parties. See also Note 28.

15 Income tax expense

Income tax expense	2021 in thousands EUR	2020 in thousands EUR
Consolidated profit before tax	7 884	6 176
Current income tax expense from foreign jurisdictions	-1 891	-1 015
Change in deferred income tax	76	82
Income tax expense reported in statement of comprehensive income	**-1 816**	**-933**

In 2021, shareholders declared and paid dividends in the amount of 3 150 thousand EUR (2020: 500 thousand EUR). As at 31 December 2021 1 thousand EUR (31.12.2020: 1 thousand EUR) remained unpaid.

As at 31 December 2021, the Group's retained earnings amounted to 15 296 thousand EUR (31.12.2020: 12 640 thousand EUR). The distribution of these retained earnings as dividends would be subject to income tax at the maximum rate of 20/80 on the net distribution. As at the reporting date, the Group does not have received pre-taxed dividends and the balance of the dividends under tax exemption (31.12.2020: 1 497 thousand EUR). When calculating the maximum income tax liability that may arise if all retained earnings were distributed, the Group considers that retained earnings must cover the net dividends distributed and arising income tax expense. Therefore, after allocation to statutory reserves (see Note 31) it is possible to distribute 11 994 thousand EUR (31.12.2020: 10 197 thousand EUR) of the retained earnings as at the balance sheet date as net dividends.

The corporate income tax on the payment of dividends would amount to 2 998 thousand EUR (31.12.2020: 2 175 thousand EUR).

16 Cash and cash equivalents

Cash and cash equivalents	31.12.2021 in thousands EUR	31.12.2020 in thousands EUR
Cash on hand	420	223
Bank accounts	45 904	19 230
TOTAL	**46 324**	**19 453**

As at 31 December 2021, the Group has short -term deposit in the amount of total 3 million EUR (31.12.2020: 0 thousand EUR).

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17 Loans to customers

Table below the credit quality and the maximum exposure to credit risk based on the Group's internal credit rating system and year end stage classification. The amounts presented are gross of impairment allowances.

31.12.2021 in thousands EUR	Stage 1	Stage 2	Stage 3	Total
According to IFRS 9				
Gross loans to customers	86 917	2 258	16 789	**105 963**
Accrued interest from loans	9 110	345	4 946	**14 401**
Allowances for loan impairment	-4 674	-483	-9 835	**-14 993**
TOTAL	**91 353**	**2 120**	**11 899**	**105 372**
Total share in	87%	2%	11%	100%
Gross NPL ratio			18%	
Impairment coverage ratio			69%	

31.12.2020 in thousands EUR	Stage 1	Stage 2	Stage 3	Total
According to IFRS 9				
Gross loans to customers	62 197	1 531	15 301	**79 029**
Accrued interest from loans	8 744	279	6 995	**16 018**
Allowances for loan impairment	-6 145	-601	-9 113	**-15 859**
TOTAL	**64 796**	**1 209**	**13 182**	**79 187**
Total share in loans to customers	82%	2%	17%	100%
Gross NPL ratio			23%	
Impairment coverage ratio			71%	

Additional information regarding provisions has been disclosed in Note 12.

Gross NPL ratio - non-performing loan portfolio (including accrued interest) with a delay of over 50 days / gross loan portfolio (including accrued interest).

Impairment coverage ratio – Total impairment (see Note 12)/ Gross NPL.

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18 Other assets and prepayments

Other assets and prepayments	31.12.2021 in thousands EUR	31.12.2020 in thousandsEUR
Prepayments of rent	84	77
Prepayment of taxes	251	1 011
Prepayments to suppliers and deferred expenses	105	105
Receivables from collection companies	771	292
Other receivables	70	47
Deposit receivables from partners	2 271	2 337
TOTAL	**3 553**	**3 870**

19 Other financial investments

Other financial investments	31.12.2021 in thousands EUR	31.12.2020 in thousands EUR
Other shares and securities	2 529	6 999
Deposit account	210	197
TOTAL	**2 739**	**7 196**

On the row of "Other shares and securities" is recognized the fair value of IuteCredit Kosovo JSC. See also Note 27. Deposit amount 210 thousand EUR (31.12.2020: 197 thousand EUR) is set on long-term purposes by the regulatory demand.

20 Property, plant, and equipment

Furniture and equipment	2021 in thousands EUR	2020 in thousands EUR
Acquisition cost		
At the beginning of the year	**1 641**	**1 341**
Additions	463	345
Prepayments	7	0
Disposals and write-offs	-91	-24
Exchange differences	0	-20
At the end of the year	**2 020**	**1 641**
Depreciation and impairment		
At the beginning of the year	**-663**	**-316**
Depreciation charge for the year	-348	-346
Disposals and write-offs	65	7
Exchange differences	1	-8
At the end of the year	**-944**	**-663**
Net book value at 31.12.	**1 076**	**978**

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21 Right-of-use-assets and lease liabilities

Right-of-use assets (offices)	2021 in thousands EUR	2020 in thousands EUR
Acquisition cost		
At the beginning of the year	**3 540**	**3 527**
Additions	957	595
Disposals and write-offs	-522	-761
Exchange rate differences	-92	179
At the end of the year	**3 883**	**3 540**
Depreciation		
At the beginning of the year	**-1 426**	**-677**
Depreciation charge for the year	-1 013	-788
Disposals and write-offs	78	165
Exchange rate differences	64	-126
At the end of the year	**-2 297**	**-1 426**
Net book value 01.01.	**2 113**	**2 850**
Net book value 31.12.	**1 587**	**2 113**

Lease liabilities (office rent)	2021 in thousands EUR	2020 in thousands EUR
Short-term		
At the beginning of the year	**860**	**863**
Additions	767	615
Accretion of interest	162	95
Repayments	-977	-873
Reclassifications and periodization	19	160
Exchange rate differences	0	0
At the end of the year	**831**	**860**
Long-term		
At the beginning of the year	**1 261**	**1 931**
Reclassifications and periodization	-326	-670
At the end of the year	**934**	**1 261**
Lease liabilities in total 01.01.	**2 121**	**2 794**
Lease liabilities in total 31.12.	**1 765**	**2 121**

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Recognised in profit or loss	2021 in thousands EUR	2020 in thousands EUR
Depreciation expense of right-of-use assets	-1 013	-924
Interest expense on lease liabilities	-162	-95
Exchange rate differences		3
Expense relating to leases of short-term leases	-58	-28
Total amount recognised in profit or loss	**-1 233**	**-1 043**

Discount rates used for to a portfolio of leases varies between 8%-13% (average 10,5%), portfolios segregated on country-basis.

The maturity analysis is provided in Note 8. Maximum lease term is estimated as 60 months.

22 Intangible assets

Computer software	2021 in thousands EUR	2020 in thousands EUR
Acquisition cost		
At the beginning of the year	**4 440**	**3 734**
Additions	0	10
Additions-internally developed	0	2 908
Other changes	0	-2 681
Work in progress	3 359	536
Disposals and write-offs	0	-138
Exchange differences	0	70
At the end of the year	**7 799**	**4 440**
Amortisation and impairment		
At the beginning of the year	**-747**	**-408**
Amortisation charge for the year	-177	-162
Amortisation charge for the year of internally developed asset	-945	-240
Disposals and write-offs	9	138
Exchange differences	0	-75
At the end of the year	**-1 860**	**-747**
Net book value at 31.12.	**5 939**	**3 693**

On the row "Other changes" in 2020 is reflected the reclassification of loan implementation system (LES) from work in progress to internally developed intangible asset. The total net book value of internally developed intangible asset is 1 722 thousand EUR as at 31 December 2021 (31.12.2020:2 667 thousand EUR).

In 2021, the Group has significantly invested to new software and software solutions which will support increasing business operations of the Group and expansion of services provided to existing and potential new customers. In 2021, the total development costs amounted to 3 359 thousand EUR (31.12.2020: 226 thousand EUR).

23 Financial liabilities

in thousands EUR	31.12.2021	Residual maturity Up to 1 year	Residual maturity 1 to 5 years	Currency	Interest
Loans from investors and banks	**8 611**	3 351	5 260	EUR, MDL, USD, ALL, MKD	1-20%
Overdraft	**1 676**	0	1 676	MDL	3-14%
Lease liabilities (IFRS 16)	**1 765**	831	934	EUR, MLD, ALL, MKD, BAM, BGN	8%-12%
Bonds in Albania	**0**	0	0	ALL	12%
Convertible bonds	**29**	0	29	EUR	5%
Eurobonds	**118 938**	0	118 938	EUR	13%
Accrued interest	**4 691**	4 691	0	EUR, MDL, USD, ALL, MKD	
TOTAL	**135 709**	**8 872**	**126 837**		

	31.12.2020	Residual maturity Up to 1 year	Residual maturity 1 to 5 years	Currency	Interest
Loans from investors and banks	**41 852**	21 566	20 286	EUR, MDL, USD, ALL, MKD	1-20%
Overdraft	**0**	0	0	n/a	n/a
Lease liabilities (IFRS 16)	**2 121**	860	1 261	EUR, MLD, ALL, MKD, BAM, BGN	8%-12%
Bonds in Albania	**542**	0	542	ALL	12%
Convertible bonds	**14**	0	14	EUR	5%
Eurobonds	**44 040**	0	44 040	EUR	13%
Accrued interest	**2 866**	2 866	0	EUR, MDL, USD, ALL, MKD	
TOTAL	**91 434**	**25 291**	**66 143**		

As at 31 December 2020 and 31 December 2021 the overdraft balance includes the credit line opened in Moldova. The overdraft is guaranteed with the liquid assets of the subsidiary.

ICF issued 40 000 thousand EUR of senior secured bonds at Frankfurt Stock Exchange with fixed coupon rate 13% as at 7th of August 2019 and with 4-year-maturity. Interest is payable semi-annually on 7th of February and 7th of August of each year, commencing on 7th of February 2020. Interest will accrue from the issue date by actual days. The obligations of the issuer are guaranteed and pledged on a senior secured basis by AS IuteCredit Europe, the holding company of the group, and its subsidiaries taking into consideration all present and future receivables and bank accounts.

On 3rd of December 2020, ICF issued additionally 10 000 thousand EUR of senior secured bonds at Frankfurt Stock Exchange under the same conditions as for issued senior secured bonds in August 2019. As a result, the total outstanding amount of senior secured bonds is 50 000 thousand EUR.

In December 2020, the bonds were also listed on the Regulated Market (general standard) of Frankfurt Stock Exchange.

In 2021, on 6th of October, ICF additionally issued 75 000 thousand EUR of senior secured bonds at Frankfurt Stock Exchange and on the Regulated Market of the Nasdaq Tallinn Stock Exchange. As well as first-time public offer to retail investors in Estonia, Latvia, Lithuania, and Germany with fixed coupon rate 11% and with 5-year-maturity. Interest is paid semi-annually on 6th of April and 6th of October each year.

As a result, the total outstanding amount of senior secured bonds as at 31 December 2021 is 125 000 thousand EUR (31.12.2020: 50 000 thousand EUR)

The obligations of the issuer are guaranteed and pledged on a senior secured basis by AS IuteCredit Europe, the holding company of the group, and its subsidiaries taking into consideration all present and future receivables and bank accounts.

Due to the bond issue the Group's activity is a subject to the financial covenants on quarterly basis upon submission of the annual audited consolidated reports and interim unaudited quarterly consolidated reports: interest coverage ratio should not be less than 1.5 and capitalization ratio should not be less than 15%.

Eurobond covenant ratios:

	31.12.2021	31.12.2020
Capitalization		
Equity/Net finance loans and advances to customers	24,3%	27,1%

	2021	2020
Profitability		
Interest coverage ratio (ICR) - EBITDA/interest expenses	1,6	1,9

The dividends and similar distributions are not allowed to be made to shareholders, unless they do not exceed 25% of the distributable profit, the interest coverage ratio for the period ending on the last day of the period covered by the most recent financial report is not less than 1.5 and the capitalization ratio of the Group on a consolidated basis is not less than 15%, determined on a pro forma-basis (including a pro forma-application of the net proceeds there from).

24 Other liabilities

Other liabilities	31.12.2021 thousands EUR	31.12.2020 thousands EUR
Trade payables	1 387	1 051
Payables to employees	466	529
Corporate Income Tax payables	638	238
Other Tax payables	882	655
Allocations and other provisions	520	438
Other liabilities	1 600	786
TOTAL	**5 493**	**3 697**

"Other liabilities" consist of deferred revenues, advanced funds, customer over-/wrong payments and liabilities related to dealer loans.

25 Share capital

Share capital	31.12.2020 EUR	31.12.2019 EUR
Share capital	10 000 000	10 000 000
Number of shares	10 000 000	10 000 000
Nominal value of share	1,00	1,00

No changes in shareholders have occurred in 2021.
All shares are fully paid. Each share carries one vote at meetings of the company, granting the holder the right to participate in the management of the company, the distribution of profits and the distribution of residual assets on the dissolution of the company.

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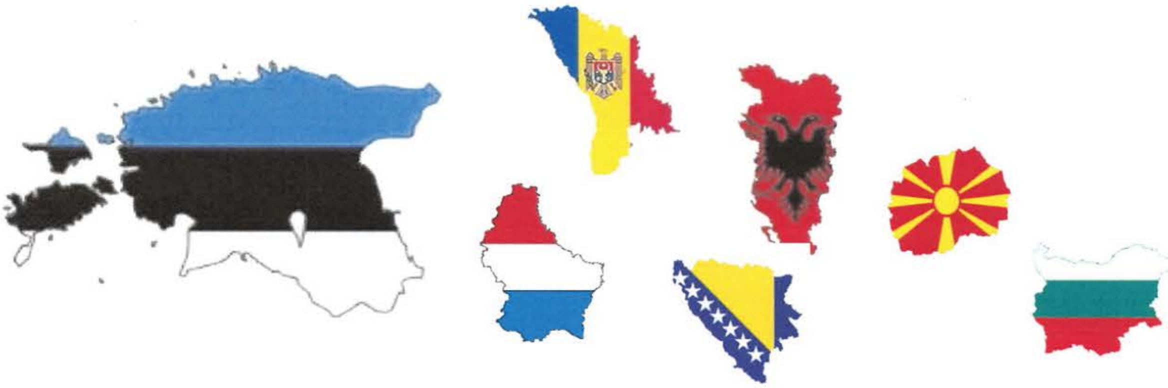
26 Investments in subsidiaries

Subsidiary	Country	Acquisition date	31.12.2021	31.12.2020
IuteCredit SRL	Moldova	28.11.2008	100%	100%
IuteCredit Albania SH.A	Albania	04.08.2014	100%	100%
IuteCredit Macedonia DOOEL	Macedonia	24.07.2017	100%	100%
IutePay Bulgaria EOOD	Bulgaria	12.12.2017	100%	100%
Velox Pay S.H.P.K	Albania	09.10.2020	100%	100%
IuteCredit Bulgaria EOOD	Bulgaria	11.03.2019	100%	100%
MKD IuteCredit BH d.o.o. Sarajevo	Bosnia and Herzegovina	29.03.2019	100%	100%
IuteCredit Finance S.a.r.l.	Luxembourg	01.07.2019	100%	100%



Investments to subsidiaries in unconsolidated statements composed using equity method:

		Investment in subsidiaries				
in thousands EUR	**31.12.2020**	**Dividends received**	**Contribution to share capital**	**Acquisition**	**Profit/loss using equity method**	**31.12.2021**
ICM	19 975	0	0	0	3 378	23 353
ICA	10 044	-1 146	0	0	3 627	12 525
Velox Pay	405	0	0	0	-27	378
ICMK	245	0	1 300	0	953	2 498
IUTEPAY	0	0	0	0	0	0
ICBG	678	0	1 023	0	-639	1 062
ICBH	513	0	3 068	0	-3 144	437
ICF	264	0	0	0	-264	0
Investments in subsidiaries	**32 124**	**-1 146**	**5 391**	**0**	**3 884**	**40 253**

See also Notes 29.1 and 29.2.

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27 Fair value measurement

The carrying amount of the major part of the Group's assets and liabilities is a reasonable approximation of their fair value. The carrying amounts of financial instruments, consisting of cash and cash equivalents, loan receivables and other accounts receivable and loans and other payables with a maturity of less than one year (less estimated credit adjustments) corresponds to their fair value.

As at 31 December 2021, the fair value of interest-bearing loans to customers and loans, bonds from investors amounted to 105 372 thousand EUR and 135 709 thousand EUR respectively, other financial assets and investments in total 5 851 thousand EUR and other financial liabilities 2 987 thousand EUR. As at 31 December 2020, these values amounted to 79 187 thousand EUR, 91 434 thousand EUR, 7 916 thousand EUR and 1 837 thousand EUR respectively. The fair values of financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

In assessing the fair value of financial instruments, the Group uses a variety of methods and makes assumptions based on market conditions existing at the reporting date. The fair values of interest-bearing loans granted, and long-term receivables are estimated by discounting the future contractual cash flows at the current market interest rate available to the Group for similar financial instruments.

Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques. The inputs to these models are derived from observable market data where possible, but where observable market data is not available, judgment is required to establish fair values. The fair values of "Loans to customers" and "Financial liabilities at amortized cost" have been estimated by discounting estimated future cash flows using the market interest rates prevailing at each year-end. There have been no transfers between levels during the period and comparing market no significant distinctions in discount rates. Loans and interest are recorded in level 3 as there are significant unobservable inputs.

Fair value hierarchy for financial instruments not measured at fair value as at 31 December 2021 and 31 December 2020 (in thousands EUR):

		Fair value measurement using			
	Date of valuation	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Assets for which fair values are disclosed					
Loans and interest receivables to customers	31.12.2021	0	0	105 372	**105 372**
Other assets	31.12.2021	0	0	3 112	**3 112**
Other financial investments	31.12.2021	0	0	2 739	**2 739**
Liabilities for which fair values are disclosed					
Loans, bonds, and accrued interest payables	31.12.2021	0	0	135 709	**135 709**
Trade payables	31.12.2021	0	0	1 387	**1 387**
Other liabilities	31.12.2021	0	0	1 600	**1 600**
Assets for which fair values are disclosed					
Loans and interest receivables to customers	31.12.2020	0	0	79 187	**79 187**
Other assets	31.12.2020	0	0	2 677	**2 677**
Other financial investments	31.12.2020	0	0	7 196	**7 196**
Liabilities for which fair values are disclosed					
Loans, bonds, and accrued interest payables	31.12.2020	0	0	91 434	**91 434**
Trade payables	31.12.2020	0	0	1 051	**1 051**
Other liabilities	31.12.2020	0	0	786	**786**

Other financial investments includes among others, the investment in IuteCredit Kosovo (ICKO) at fair value in the amount of total 2 529 thousand EUR (31.12.2020: 6 999 thousand EUR).

ICKO received as of 6th of December 2019 without prior notice a notification from the Central Bank of Kosovo (CBK) that it`s microfinance license has been revoked with immediate effect and the liquidation has been started. According to the CBK decision, the reasons for the revocation of the license indicated to the background of shareholders and contradiction to the initial business plan at the time of submission in 2017. Management Board of the group is convinced that these complaints are legally ungrounded and may indicate to the malicious behaviour by competitors. Regarding the assumed non-compliance with its business plan, ICKO had submitted a revised business plan to CBK on 14th of November 2019, which reflected ICKO's adjusted business operations. Until the date of revocation no feedback or other reaction has been received from CBK on the new business plan. The assets and liabilities of ICKO were derecognized as at 31 December 2019 and the retained investment was classified as a financial instrument, measured at fair value in the amount of 4 587 thousand EUR.

As at 31 December 2020 the fair value of ICKO was measured by using prior year fair value measurement, which was calculated by using discounted cash-flow method and based on the information available to the Management Board by the moment of assessment. As a result, the ICKO fair value was assessed to be 6 999 thousand EUR. The main fair value change indicator was the payment of ICKO liabilities by AS IuteCredit Europe in the amount of total 2 412 thousand EUR.

As at 31 December 2021, the Management Board has performed new fair value measurement for investment in ICKO based on financial performance report received for ICKO and taking into account the monetary payments performed by ICKO to AS IuteCredit Europe. The fair value was estimated also based on the net cash inflow which ICKO is able to generate from remaining loan portfolio. As a result, a gain from the fair value change in the amount of 842 thousand EUR was recognized in 2021.

In 2020, ICE submitted Statement of Claim, specifying the legal argumentation of its claim against the Republic of Kosovo and the amount of damages the Company is demanding. In 2021 and as at 31 December 2021 the legal process is ongoing.

See also Notes 17, 18, 19 and 23.

28 Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. Related parties are defined as shareholders, members of the Supervisory Board and the Management Board, key management personnel, their close relatives, and companies in which they have a controlling interest as well as associated companies.

The main shareholder of IuteCredit Europe AS with 89,82% of shares is Alarmo Kapital OÜ, registered in Estonia. Other shares belong to minority shareholders owning no more than 3% of each.

The Group's management has not identified significant transfer pricing risks as the Group's main income and expenses are related to lending activities. The margin on investor loans can be declared at market price (see Note 24). The transactions made inside the Group are related to loan instalments in the ordinary course of business and are rated by market price. The effect of such transactions is eliminated from the consolidated financials. Management believes that there are no significant price and tax risks arising from transactions between the Group and related parties.

Transactions are entered into with related parties in the normal course of business. The volumes of related party transactions, outstanding balances at the year end and relating income and expense for the year are presented on next page:

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in thousand EUR		Received loans	Repaid loans	Given loans	Given loans repaid	Receivables	Liabilities
Senior management and majority shareholders with significant influence over undertakings	2021	230	1 069	8 080	8 080	0	2 226
Close family members of the management with significant shareholdings and undertakings in their dominant or significant influence	2021	63	0	0	0	0	619
Senior management and majority shareholders with significant influence over undertakings	2020	0	17	0	0	0	2 767
Close family members of the management with significant shareholdings and undertakings in their dominant or significant influence	2020	0	0	0	0	0	556

		Purchases	Provided services	Calculated interests from given loans	Interest received on given loans	Calculated interests from loans	Interest paid on loans
Senior management and majority shareholders with significant influence over undertakings	2021	302	26	272	272	652	510
Close family members of the management with significant shareholdings and undertakings in their dominant or significant influence	2021	0	0	0	0	65	69
Senior management and majority shareholders with significant influence over undertakings	2020	245	27	0	0	272	265
Close family members of the management with significant shareholdings and undertakings in their dominant or significant influence	2020	0	0	0	0	64	62

Please see also Notes 13 and 14.

Remuneration of Group's Key Management Persons	2021 in thousands EUR	2020 in thousands EUR
Remuneration according to labour agreements	467	302
TOTAL	**467**	**302**

Group's Key Management Persons are considered to be Council Members, Board Members and Chief Financial Officer.

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29 Unconsolidated financial statements of parent company as a separate company

The parent company´s unconsolidated financial statements have been prepared in accordance with the Accounting Act of the Republic of Estonia, and do not constitute parent company´s separate financial statements in the meaning of IAS 27 „Separate financial statements".

29.1 Statement of comprehensive income

	2021	2020
	in thousands EUR	**in thousands EUR**
Interest and similar income	20 261	12 691
Interest and similar expense	-10 580	-6 294
Interest income, net	**9 682**	**6 397**
Other income	1 146	0
Net operating income	**10 828**	**6 397**
Personnel expenses	-4 304	-3 410
Depreciation/amortization charge	-1 226	-442
Other operating expenses	-4 961	- 3 984
Total operating expenses	**-10 491**	**- 7 799**
Foreign exchange gains/losses	196	-154
Net gains/losses from financial assets measured at fair value, net	842	0
Net income from subsidiaries using equity method, net	3 884	6 147
Total finance income, net	**4 922**	**5 994**
Profit before tax	**5 258**	**4 591**
Income tax expense	-112	0
Net profit for the reporting period	**5 146**	**4 591**
Other comprehensive income		
Other comprehensive income (classified profit or loss in subsequent period)	0	0
Exchange differences on translation of foreign operations	0	0
Other comprehensive income total	**0**	**0**
Profit attributable to:		
Equity holders	5 146	4 591
Total comprehensive income attributable to:		
Equity holders	5 146	4 591

29.2 Statement of financial position

	31.12.2021 in thousands EUR	31.12.2020 in thousands EUR
Assets		
Cash and cash equivalents	25 763	11 704
Loans and receivables	65 499	17 450
Prepayments	210	127
Other receivables	4 288	1 223
Other financial investments	2 529	6 999
Property, plant, and equipment	157	238
Right-of-use assets	311	260
Intangible assets	4 196	3 303
Investments in subsidiaries	40 253	31 949
Total assets	**143 205**	**73 253**
Liabilities and equity		
Liabilities		
Loans and bonds	116 198	48 855
Lease liabilities	350	269
Other liabilities	4 031	3 497
Total liabilities	**120 578**	**52 621**
Equity		
Share capital	10 000	10 000
Legal reserve	799	537
Retained earnings	11 828	10 095
Total equity	**22 627**	**20 631**
Total liabilities and equity	**143 205**	**73 253**

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29.3 Statement of changes in equity

in thousands EUR	Share capital	Legal reserve	Retained earnings	Total
01.01.2020	**10 000**	**398**	**6 142**	**16 540**
Profit for the year	0	0	4 590	4 590
Other comprehensive income	0	0	0	0
Total comprehensive income	**0**	**0**	**4 590**	**4 590**
Allocation to reserves	0	0	-138	-138
Dividends	0	138	-500	-362
31.12.2020	**10 000**	**537**	**10 095**	**20 632**
01.01.2021	**10 000**	**537**	**10 095**	**20 632**
Profit for the year	0	0	5 146	5 146
Other comprehensive income	0	0	0	0
Total comprehensive income	**0**	**0**	**5 146**	**5 146**
Allocation to reserves	0	262	-262	0
Dividends	0	0	-3 150	-3 150
31.12.2021	**10 000**	**799**	**11 829**	**22 628**

As the investments in subsidiaries are included in the unconsolidated financial statements of parent company using the equity method, no adjustments are made.

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29.4 Statement of cash flows

	2021 in thousands EUR	2020 in thousands EUR
Paid prepayments	0	-14
Paid trade payables	-12 509	-7 463
Received debts from buyers and received other claims	14 044	12 159
Paid net salaries	-2 533	-1 923
Paid tax liabilities, excl. CIT	-901	-651
Corporate income tax paid	-113	0
Paid out to customers	-54 221	-5 650
Principal repayments from customers	14 812	14 244
Interest, commission, and other fees	2 532	2 065
Net cash flows from operating activities	**-38 889**	**12 767**
Purchase of fixed assets	-1 686	-787
Contributions to subsidiaries` share capital	-5 391	-2 662
Received dividends	1 146	586
Payments for other financial investments	-2	-7 280
Receipts from other financial investments	5 907	6 457
Net cash flows from investing activities	**-26**	**-3 686**
Loans received from investors	72 257	11 440
Repaid loans to investors	-12 417	-5 976
Principal payments of lease contracts	-163	-77
Paid interests	-3 555	-4 169
Paid dividends	-3 150	-500
Net cash flows from financing activities	**52 972**	**718**
Change in cash and cash equivalents	**14 058**	**9 799**
Cash and cash equivalents at the beginning of the year	**11 704**	**1 981**
Change in cash and cash equivalents	14 058	9 799
Net foreign exchange difference	0	-76
Cash and cash equivalents at the end of the year	**25 762**	**11 704**

	31.12.2021	**31.12.2020**
Cash and cash equivalents comprise		
Cash on hand	0	0
Non-restricted current account	25 762	11 704

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30 Subsequent events

On 12th of January 2022, AS IuteCredit Europe acquired 9,976% of the Moldovan Energbank`s shares through purchased 199 519 shares of the bank for 1,7 million EUR.

On 28th of January 2022, subsidiary Velox Pay SH.P.K Albania, received approval of an e-money license from the Central Bank of Albania which enables its customers in Albania to make and receive payments and transfers to IBAN accounts, withdraw money from ATMs, and perform other transactions through the MyIute mobile app.

On 14th of February 2022, AS IuteCredit Europe additionally acquired 48,732% of the Moldovan Energbank`s shares through purchased 994 645 shares of the bank for 8,5 million EUR. As a result of the acquisition, Energbank becomes a subsidiary of the Group.

There has been no such event subsequently to reporting period till signing of the annual report which would cause corrections in reported financial information or which should be separately disclosed as subsequent event.

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31 Profit allocation proposal

The Management Board of IuteCredit Europe AS makes a proposal to the shareholders to allocate profit to retained earnings as follows:

Company's retained earnings	in thousands EUR
Retained earnings as at 31.12.2021	15 295
Statutory reserves	-303
Dividend distribution	-1 515
Balance of retained earnings after allocations	**13 477**

32 Signatures of the management board to 2021 annual report

The Company's Management Board has approved the management report and financial statements for 2021.

The annual report as compiled by the Management Board consists of the management report, financial statements, profit allocation proposal and independent auditor´s report. The Company's Supervisory Board has reviewed the annual report and has approved it for submission to the general meeting of shareholders.

18th of February 2022

Tarmo Sild

Member of the Management Board

KPMG Baltics OÜ
Narva mnt 5
Tallinn 10117
Estonia

Telephone +372 6 268 700
Fax +372 6 268 777
Internet www.kpmg.ee

Independent Auditors' Report

(Translation of the Estonian original)

To the Shareholders of AS IuteCredit Europe

Qualified Opinion

We have audited the consolidated financial statements of AS IuteCredit Europe (the Group), which comprise the consolidated statement of financial position as at 31 December 2021, the consolidated statement of comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, except for the possible effect of the matter described in the Basis for Qualified Opinion section of our report, the consolidated financial statements presented on pages 12 to 60, present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted in the European Union.

Basis for Qualified Opinion

The Group's investment in IuteCredit Kosovo JSC, a former foreign subsidiary, accounted for under the fair value method, is carried at EUR 2,529 thousand on the consolidated statement of financial position as at 31 December 2021 (EUR 6,999 thousand as at 31 December 2020). As described in Note 27 to the accompanying consolidated financial statements, on 6 December 2019 IuteCredit Kosovo JSC received a notice from the Central Bank of Kosovo that its microfinance licence had been revoked with immediate effect and a liquidator was appointed to close the business in Kosovo. The event resulted in the Group losing control over the subsidiary and accordingly, the Group derecognised the assets and liabilities of the subsidiary from consolidation and recognised the retained investment as a financial asset at fair value through profit or loss.

Due to the fact that we were unable to obtain sufficient reliable audit evidence to support management's assumptions used in the estimation of the fair value of and future cash flows from the investment as well as the significant uncertainty associated with the liquidation process of IuteCredit Kosovo JSC, we are unable to express our opinion on the fair value of the investment in IuteCredit Kosovo JSC in the consolidated statement of financial position, and related adjustments in the consolidated statement of comprehensive income. We were also not able to satisfy ourselves as to the amount by which the recoverable amount of the investment is lower than its carrying amount and the amount in which an impairment loss should have been recognised by alternative means. Accordingly, we are unable to conclude whether and to what extent the Group's consolidated comprehensive income for the reporting period and the comparative period may be overstated and the Group's consolidated assets and equity as at 31 December 2021, 31 December 2020 and 31 December 2019 may be overstated for the above reason.

We conducted our audit in accordance with International Standards on Auditing (Estonia). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Estonia, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Other Information

Management is responsible for the other information. The other information comprises the management report but does not include the consolidated financial statements and our auditors' report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. In addition, our responsibility is to state whether the information presented in the management report has been prepared in accordance with the applicable legal and regulatory requirements.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard except for the possible effect of the matter described in Basis for Qualified Opinion section of our report.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted in the European Union, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (Estonia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (Estonia), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Tallinn, 18 February 2022

Eero Kaup
Certified Public Accountant, Licence No 459

KPMG Baltics OÜ
Licence No 17