IuteCredit Europe

ANNUAL REPORT 2022

Contents

1 Key Figures

Total Customer Pool
~928,000+
+14.4% vs. YE21

Total Income
89.2 EURm
+45.7% vs. 12M21

Net Loan Portfolio
193.9 EURm
+84.0% vs. YE21

Customer Performance Index (CPI)
90.4%*
vs. 86.7% 12M21

EBITDA
45.1 EURm
+81.4% vs. 12M21

NLPs in Net Portfolio
7.7%
vs. 11.3% YE21

**Excluding NGB*

2 General information and contacts

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Main activity:	Holding company
Auditor:	KPMG Baltics OÜ
Reporting period:	1 January 2022 – 31 December 2022

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)

We had the best growth year in IuteGroup's history, in terms of the balance sheet, customer number, revenue, and net profit.

4 Management report for 2022

Comments by CEO

Tarmo Sild
Chief Executive Officer

2022 was a truly memorable year for IuteGroup. The successful completion of many of the initiatives we launched in previous years to a great deal coincided with the external factors they were designed to address, such as new regulations, rising inflation, and highly selective customer demand. Just as an orchestra's musicians make a symphony sound by stringing together notes harmoniously through constant practice, our relentless pursuit of progress materialized in the planned implementation of our business strategy. Mastering the musical score of business operations also allowed entrepreneurial creativity to flourish, creating innovation through improvisation and solos. The bottom line is that we had the best growth year in IuteGroup's history, in terms of the balance sheet, customer number, revenue, and net profit. In strategic retrospect, we have played well, even if some of the notes were off the mark, either because we may have misjudged opportunities or underestimated costs. Examples are the legal challenge in Kosovo or the expected ramp-up of operations in Bosnia. More important than recognizing mistakes and not repeating them, is identifying our strengths and building on them. As such, we are pursuing targeted initiatives that should contribute to sustainable growth in the years to come.

In 2022, we exceeded our target of achieving consolidated revenues of at least 75 million EUR, with an increase of almost 20% a total of 89 million EUR. Also, we managed to increase net profit by almost 20% to a total of 19 million EUR, compared with a target of at least 16 million EUR. The consolidated balance sheet grew to 322 million EUR by the end of the 2022, the number of performing loan customers to 178 thousand, and the number of payment services customers, i.e., wallet services, to over 90 thousand. At that we gained traction in our four main markets – Moldova, Albania, North Macedonia, and Bulgaria.

The quantitative numbers reflect the qualitative dimensions of our business, which we took to a new level in 2022. IuteGroup has developed and rolled out a unified technology platform that drives the instant lending business in all Group countries and will enable cross-border payment business in the future. The fully digital journey within the MyIute app is already on the rise. The cumulative number of MyIute app downloads has increased to 468 thousand. Thanks to the capabilities of our business, organization, processes, and technology, Iute can integrate in a scalable and systematic manner into the online lives of our customers. At the same time, in our people business the selection of individuals for our team is crucial and has so far been mostly successful.

In this respect, the seamless integration of Energbank into IuteGroup continues to make progress. Our objective of leveraging the bank's untapped potential and contributing to the Group's growth is within reach. In 2022, the bank's business operations contributed almost 5 million EUR to Group's net profit while at the same time we were optimizing management principles and management team, as well as customer-, technology- and data-centric aspects.

IuteGroup continues to invest a great deal of capital and team effort into the four pivots of the Group's development:

- Data Science, essentially an advanced level of linking data points to improve customer experience and sales, while reducing risk and costs. Here, both advanced data management and highly qualified people are needed
- Development and launch full range of wallet services, where customers can easily receive any kind of payment to their current account with Iute and conveniently spend it through different digital channels without obligation to walk or talk. Albania will be the first country to go live in H2 2023
- Seamless integration of Iute's credit and payment services into e-commerce
- Full digitalization of the customer journey in the first bank within IuteGroup

Preparations for the refinancing of the outstanding Eurobond in the volume of 50 million EUR are on track. Depending on capital markets' demand, we evaluate the most advantageous opportunities both for IuteGroup and our bondholders, be it refinancing or redemption. In this context, we are also considering the financing requirements for the Group's planned growth. Our strategic objective is to reach 1 million performing, i.e., paying, customers within the next three years, which would correspond to a Group balance sheet of 1 billion EUR by the end of 2026. In view of the expected decline in APRs but improved repayment discipline of our customers and increasing use of wallet services, we have set ourselves the ambitious target of generating annual revenue that equals 20% of the balance sheet. Accordingly, our balance sheet must only contain necessary and highly utilized items in order to achieve 20% net profit margin. For all the above, raising additional debt and equity must be considered. A change in the capital structure in the context of the Group's development is dependent on the financing conditions so that in the best interest of the Company and the investors, the question also arises as to whether the covenants agreed at the time of issuing the Eurobond will not slow down our growth in the future.

By the end of 2023, we expect have more than 230,000 performing loan customers and 130,000 performing wallet customers. Consolidated balance sheet is estimated to moderately exceed 350 million EUR. We expect revenues from our services of at least 100 million EUR for interest, fees, and charges, and a consolidated net profit of more than 12 million EUR.

Group overview

AS IuteCredit Europe (**ICE**) is a holding company which issues consumer and corporate credits and offers personal finance services via its owned operating subsidiaries in local markets (**Subsidiaries**). As of 31 December 2022, ICE had nine 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,
9. BC Energbank S.A (**NGB**) in Moldova.

Subsidiaries IutePay Bulgaria EOOD and Velox Pay S.H.P.K were inactive during financial year 2022.

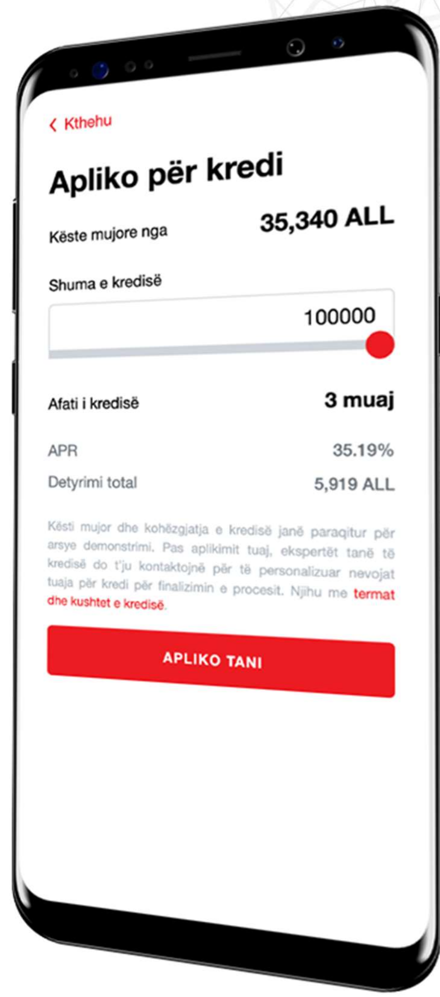
Subsidiary BC Energbank S.A was acquired by ICE through step acquisition in 2022. The control over the subsidiary was obtained on 14th of February 2022.

The subsidiaries and ICE together form the IuteCredit Group (**ICG**). As of 31 December 2022, ICG consisted of ten entities.

The Group's Headquarter (**HQ**) is located in Tallin, Estonia. HQ's responsibilities include:

- Strategic targeting
- Scalability of business
- Business capabilities design, including organizations design, process design, and technology design
- Technology development and integration
- Composition of management teams at subsidiaries
- Human resource and customer experience framework rules and targeting guidance
- Financial management framework rules and targeting guidance
- Marketing and sales framework rules and targeting guidance
- Enterprise 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. ICBH got the license dated at the end of February 2019 and started business in May 2019. IutePay Bulgaria performs as technology operations cost centre and cards service centre. ICBG obtained license dated at the end of April 2019 but full-scale business activities were launched only in the second half of year 2021. NGB was established in the Republic of Moldova on 16 January 1997 as a closed joint stock company. NGB is principally engaged in retail banking operations in the Republic of

Moldova. NGB operates through its head office located in Chisinau, 22 branches and 22 agencies located throughout Moldova.

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	**2022**	**2021**
EBITDA (profit/loss before taxes, depreciation, amortization, and interest expense)	45 107	24 868
ROA (profit/assets)	6,08%	3,64%
ROE (profit/equity)	34,94%	23,72%
Assets/equity ratio	5,75	6,52
Equity per share (equity/number of outstanding shares)	5,61	2,56
Earnings per share (profit/number of outstanding shares)	1,96	0,61
Dividends paid per share (dividends paid/number of outstanding shares)	0,00	0,31

IuteGroup's policy is to distribute dividends to its shareholders up to 25% of the distributable profit. In 2022 the Group paid dividends 0 thousand EUR (2021: 3 150 thousand EUR).

Loan products

The Group's core loan products are unsecured installment loans and buy-now-pay-later loans with maturities between 3 months and 48 months and pledge 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 50% and effective interest rate (EIR) 75% 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 provided over the webshops, Iute's website, Mylute app, network of branches, merchants and partners. By the end of 2022, IuteCredit had 50 IuteCredit branches and 2127 shops and subsidiary NGB branches 39.

Payment services

The Group`s payment services vary from country to country between full-range solutions provided as a bank, and partial solutions subject to the license issued in any given country. The Group operates its own ATM network that is accessible with the Mylute app.

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, processing payments from customers, transactions with debit cards and interbank transactions)

(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 2022, Group had over 928 thousand individuals in its database (2021: over 811 thousand). Approximately 40 % of customers are returning customers with at least one successfully repaid loan agreement.

The net loan portfolio (i.e., the balance of all due receivables from customers, adjusted with allowances for loan impairment) has increased by 84% in 2022 up to 193 897 thousand EUR.

As at the end of 2022, approximately 57.2% of the loan portfolio was occupied by loan products with a longer maturity than 12 months (2021: 36%) and 42.8% of the loan portfolio was occupied by loan products with maturity of up to 12 months (2021: 64%).

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 80,7% of our customers are happy customers and promote our services, 6% of customers are neutral and 6% of our customers have complaints.

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, MyIute 7/24. MyIute has been widely used and liked by our customers. Standalone satisfaction from MyIute NPS is 79%. 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 3M inquiries from our customers in 2022 and we answered 79% of our calls under 20 seconds and served our customers with pleasure.

Team

In 2022, the Group employed on average 974 employees (2021: 437). 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 17 481 thousand EUR in 2022 (2021: 8 959 thousand EUR).

The Group is committed to attracting and retaining the best talent and supporting continuous professional development to maximize their potential.

Management in the Group means leadership: leading a group of people to the desired results. It requires strong and unified management practices, and to build a winning team, the Group needs top leaders. To support the onboarding of leaders and provide guidance throughout their careers in the company.

The Group has an employment policy in place that is a guide for HR managers on how to select, hire, motivate team members, or fairly terminate employment contracts to help them succeed in building a winning team. The policy complements the Group's mission and values.

Investing in employee development is part of Group's HR strategy to create a motivated, winning team. The Group offers employees self-improvement opportunities in the form of individual and team training.

To motivate employees, the Group organizes regular team events, selects and awards the best employees of the month, organizes competitions with prizes, celebrates birthdays and holidays, and offers financial support for important family events.

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. NGB was established in the Republic of Moldova on 16 January 1997 as a closed joint stock company. NGB is principally engaged in licenced retail banking operations in the Republic of Moldova.

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 11,3% per annum (2021: 12%). The amount of interest paid to investors in 2022 was 18 425thousand EUR (2021: 8 942 thousand EUR). All obligations by the Group were fulfilled without problems.

Iute Group specializes in consumer finance, payment services, banking, and insurance products.

Iute co-founder and Chief Commercial Director Allar Niinepuu and Group Chief Risk Officer Tarvo Rahumägi

Environmental, Social and Corporate Governance

Our mission is to create an extraordinary experience in personal finance by exceeding customers' expectations. While working towards our mission and goals, sustainability is becoming increasingly important. Iute is disrupting the finance sector with digital solutions that will enable money to move freely and smoothly. Thus, our main contribution to reducing environmental impacts lies in digitalization and the increasing use of digital channels that reduce the paper print, but also the unnecessary footprint of our 1 000 000+ customer pool. We want to take care of the communities where we operate and be active citizens. We are initiating changes in these countries, bringing digital innovations, changing how people communicate with companies and state institutions and accelerating local development.

Quality education

Every active member of society should know about the effective cost of borrowing, and also the basic principles of investing, and sustainable personal finance. General public educational programs often do not cover these vital topics and people without the necessary know-how may get lessons from real life that are too late and too expensive. This is why educating customers and also supporting programs that enhance financial literacy are key areas for Iute.

The Group has a call center to make sure that all our potential and existing customers can talk to an actual human being and get advice about products and services, customers can also come to the branches for counseling. In 2022, the Group had over 4 million interactions with customers via the call center. In addition to customer call centers, Iute has made available for customers a variety of digital channels. Customers can reach the Group by Viber or Whatsapp, Facebook Chat, or MyIute chat.

Improving the financial literacy of young people

In 2019, a subsidiary ICM became a partner of the campaign "Generation of Financial Intelligence". In 2021, a high-school course, "My Finances" was launched within the campaign, aiming to strengthen children's knowledge and habits on money management. The campaign provides a series of tools designed to train children aged 7-18 in the financial field. A digitized program called "My Finance" about personal money management is currently taught as an optional course in several high schools in Moldova. About 4,500 students from more than 30 high schools across the country have benefitted from the "My Finances" economic and entrepreneurship educational course, whereas 74% of these youngsters are from rural areas. The campaign has reached 460,000 people, and currently, 123 teachers have been trained to teach the digitized course „My Finances". To make the campaign "Generation of Financial Intelligence" accessible to a broader audience, in 2022, the translation of all educational materials into sign language was started, which makes it possible to reach people with special needs and ensure them a proper financial education.

In the summer of 2022, the CEO of a subsidiary ICM shared his knowledge about managing finances in a summer camp for youngsters, the FinEdu' Camp 2022.

The Group joined the project partnering with the local regulator (CNPF), the American Chamber in Moldova, the Ministry of Education, and the Ministry of Finances. 70 kids between 15 and 19 years old joined the camp for five days, where they had a chance to meet people from the financial sector. CEO of susbdiary ICM as a speaker at the camp shared his experience and answered the children's questions.

In North Macedonia, a subsidiary ICMK mentored 12 young people in the "Young Leaders and Business Managers" program. The mentees worked in two project teams for the new services IutePay and e-shop payment solution. Each of the project teams completed the program by doing a final project. The "Young Leaders and Business Managers" program was organized by the Council of Foreign Investors and supported by the Cabinet of the President of the Republic of North Macedonia.

In Estonia, the Group has a dedicated blog at rikas.geenius.ee, where articles aimed to increase financial literacy among readers are published. In 2022, Iute published 16 articles, that offer advice on saving, investing, and how to teach children financial literacy. The articles reached over 35,000 people.

Other ancillary activities in the field of quality education

In North Macedonia, susbdiary ICMK joined the European Union initiative "Be IN, be INClusive, be INCLUDED", which promotes the inclusion of students with disabilities into mainstream schools. ICMK donated two sensory rooms for children with studying difficulties in two primary schools in Skopje. The sensory room is rich in stimulating and assistive contents that will stimulate the visual, physical, and tactile development of school children with and without disabilities or educational difficulties in this school.

In North Macedonia, subsidiary ICMK offered a full scholarship to cover the tuition fee of an undergraduate student at the University of American College in Skopje.

The scholarship of 2,850 euros was given to a student at the Faculty of Business Economics and Organizational Sciences for the 2022/2023 academic year.

In Bosnia and Herzegovina, at the Sarajevo School of Business and Science, a subsidiary ICBH engaged students to analyze the MyIute app and make suggestions for future marketing activities. Three students suggesting the best ideas were offered an internship in ICBH, and one of them joined ICBH as an employee. According to the feedback from students and professors, fintech was a new topic for them, and they appreciated Iute's help in introducing these topics

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Good health and well-being

The health and safety of employees are a priority for the Group. The Group provides private health insurance, and also benefits for family members in some of the subsidiaries. Due to the local healthcare systems falling short of meeting expectations in some of our operating countries, Iute invests in private health insurance to keep employees and their families healthy.

Part of Group`s healthcare benefits for employees is providing free sports training. In Moldova, ICM holds weekly volleyball training and in North Macedonia, ICMK holds weekly football and monthly bowling training.

Employees of the Group are active blood donors. In 2022, more than 40 employees donated blood, helping save 120 lives. Blood donations take place either on World Blood Donor Day in June or during activities organized by the Red Cross.

As not all the local hospitals are well-equipped, then an important part of Group`s contribution to local societies is supporting hospitals with funds and equipment. In 2022, a susbidiary ICBG participated in a campaign "Caps for Future" in Bulgaria, where employees collected bottle caps, plastic bottles, and aluminum cans. The "Caps for Future" initiative is aimed at supporting children and was set up in 2017 to collect and recycle as many bottle caps as possible to buy new baby incubators and donate them to hospitals throughout Bulgaria. During five years, over 50 incubators have been donated, which cover the need of all the hospitals in Bulgaria, and the organization is now collecting caps for child ambulances.

Various ancillary activities in the field of good health and well-being: sports

- Subsidiary ICM was the main partner of the European Junior Triathlon Cup, a large-scale competition Moldova hosted for the first time. Dozens of young athletes gathered in Moldova to test their abilities in a race, where they competed for the fastest overall completion time combining three disciplines: swimming, cycling, and running. Sportsmen from 10 European countries, including Estonia, Bulgaria, Bosnia, and Moldova, participated in the Moldovan competition, and the largest representation of triathletes came from Romania.
- In North Macedonia, susbidiary ICMK supported the traditional Skopje Marathon with 24 Iute employees joining the 5 km race.
- Susbdiary ICBH supported the „Jump into the pot" extreme sports event in Bosnia and Herzegovina, where divers jumped from 18 meters high cliff into the narrow river „pot". The organizers were able to restart the traditional event with Iute's support, which had been stopped for the previous two years. Cliff diving has a long tradition, and it is part of the identity of people in that area, supporting this activity helps preserve the heritage of the people in the Herzegovina region.
- Subsidiary ICMK sponsors the women's handball team Macedonia Gjorce Petrov, who use the funds to improve the training conditions.
- In Macedonia,subsidiary ICMK is a partner of the initiative "Handball for Every Child", which incorporates elementary schools and involves their students in handball training, tournaments, and summer camps. The main goal of the project is to make handball as a sport available to every child, regardless of the place and conditions in which they live, giving them equal chances to train.

Various ancillary activities in the field of good health and well-being: local societies

- In Macedonia, subsidiary ICMK supports the SOS Children's Village. In addition to financial support, Iute's employees also volunteer and devote their time to fun activities with the children, from joint cooking events to visiting the Planetarium. The total annual financial contribution to organized activities is approximately 5,000 euros.
- Subsidiary ICBG in Bulgaria donated food and sanitary products for orphans in different house cares in Bulgaria. The employees themselves selected the project and bought and distributed goods to the children.
- In Bosnia, subsidiary ICBH supported increasing awareness of issues that people with Down Syndrome face by wearing mismatched socks on International Down syndrome day on March 21. All customers who visited Iute branches on that day got socks as a present with informative material about Down Syndrome.

Supporting freedom

Although the Group does currently not have business operations in Ukraine, the border of freedom is in Ukraine and the values of the Group and its international team are fought within Ukraine by Ukrainians. To support the fight for freedom, the Group donated 100,000 EUR to Ukraine. The employees of subsidiary ICM in Moldova supported refugees with food and accommodation. The local team donated 60 food packages to the local social mission center "Diaconia" to help Ukrainian refugees and encouraged their employees to volunteer to help the refugees by giving paid days off for voluntary work. Moldovan employees hosted 35 Ukrainian refugees in their homes, and the Group covered the hosting costs for the employees.

Industry, innovation, and infrastructure

The financial sector needs change. People's personal finance habits need to change, and the way transactions are conducted needs to change. There should be fewer intermediaries, transactions should be more instant and simpler to conduct using only a smartphone. Money should flow freely like human speech.

The Group`s innovative digital solutions create equal and universal access to financial services. The Group offers its customers in underbanked markets financing for their daily basic needs as well as for the improvement of their lifestyle.

To live up to its mission of creating an extraordinary experience in personal finance and fully digitalized customer solutions, the Group developed a tailor-made backend solution so that features and products run automatically or with only the customer's input, yet in a personalized manner.

The Groups new loan engine platform (LES) integrates individual customer profiles and product capabilities into one seamless experience. The Group has successfully rolled out the new technology in subsidiaries ICBG, ICMK, ICA and ICM. In 2023, customer-centric, digitalized, instant services functions will be introduced in subsidiary NGB.

The Group`s Mylute app offers self-service features for loan products, such as loan applications, loan information, monthly repayments, and personalized offers. Iute was the first to introduce online identity verification and digital signatures in the Balkan countries. The Mylute app enables the customer to complete the loan agreement using biometric technology, e.g., fingerprint and facial recognition. To use biometric identification, the smart device must have a fingerprint or facial recognition sensor and enable the use of biometric data. The customers are identified using artificial intelligence, machine learning, and money laundering prevention procedures.

The Group operates its own ATM network that is accessible with the Mylute app, without using a plastic card, the withdrawal can be made with a one-time mobile code. Group`s cardless ATMs are in Moldova, Albania, and North Macedonia, and the plan is to expand the network of ATMs to all countries where the company operates.

Various ancillary activities

- In October 2022, subsidiary ICA organized a seminar "Digital Societies" in Tirana, Albania, where Siim Sikkut, former Chief Information Officer of the Estonian government and a co-founder of the Estonian e-Residency program shared the experience of building a digital society in Estonia. Tarmo Sild, CEO of the Group joined Siim Sikkut in discussions with representatives of the Albanian parliament, the Central Bank, and state offices about the possibilities of advancing digital solutions in Albania. The event was attended by over 100 participants from state and municipal institutions and universities.

Kill the paper

We provide our customers the option to use our services fully digitally, reducing unnecessary paperwork and the amount of paper we print out. With digital channels, we significantly reduce paper consumption. Shifting to digital signatures reduces the need for unnecessary paperwork and the amount of paper that is printed out.

The Group launched the Mylute App in 2020, and since then, nearly half a million users (468,756 as of December 31, 2022) have downloaded it. This enables customers to sign their agreements digitally via the app in all our countries.

In 2022, 43,296 contracts were signed with the Mylute application, which has saved the printing of loan agreements and supporting documentation. That translates into about:

- 400,000 A4 sheets of paper that equals to ca 2 tons of paper;
- saving 2 tons of paper saved approximately 1 ton of CO2e.

Our digital solutions saved

2000 kg

OF PAPER

3000 kg

OF CO^2 -eq

Kill the plastic

The Group operates its own ATM network of 71 ATMs that are accessible with the Mylute app, and do not require a plastic card. The Group's business practice diminishes the need for plastic cards issued by global card platforms and reduces possible plastic waste.

Kill unnecessary traffic and CO2

In 2022, 43,296 loan agreements were signed over the Mylute app, which means that the Group's lending practice has saved customers at least 43,296 physical journeys that would otherwise be necessary to collect and submit identification, residence, employment, income, liabilities, and other documentation as well as journeys necessary to sign loan agreements physically or collect the loan amount. We estimate the average customer journey associated with the average paper loan agreement to be not less than 5 km, and that digital solutions have saved at least 200,000 km of journeys and significant customer time, which equals saving ca 2 tons of CO2 emissions.

Various ancillary activities

- In Macedonia, Iute celebrated Environmental Month in April 2022 with a social media contest encouraging participants to craft making using recycled materials. The target was to increase awareness of the need to recycle.
- In Macedonia, Iute celebrated Earth Day on April 22 by organizing an informational media event to showcase how much paper Iute's digital solutions have saved and thus encourage other companies to adopt digital solutions for preserving the environment.
- In Albania, Iute donated 100 trees to the Municipality of Elbasan, the most polluted region in Albania.
- In Bosnia Bosnia and Herzegovina, eight members of the IuteCredit team cleaned a river bank where the locals like to do cliff diving. Cliff diving is one of the oldest extreme sports in the world, and it has been done in Bosnia and Herzegovina for centuries.

Corporate Governance

The Group is committed to the highest standard of business ethics with a strong management board, clear management principles, and governance practices. Employees are encouraged to report misconduct. Effective internal communication across the group is established. Corporate responsibility is steered through various policies, guidelines, and evaluation and feedback processes, such as the Management Book, whistleblowing channel, customer satisfaction surveys, annual team surveys, NPS, etc.

In the Group, there is a universal Code of Conduct stated in the Mission and Values document and Management Book, which embodies the mission and core values - the aim is to create an extraordinary experience in personal finance by being the fastest, most comfortable, and human, and other different policies and legal templates.

All organizations, especially financial institutions, face the risk of breach of legal or regulatory requirements or unethical conduct. A culture of openness is essential to prevent such situations and to address them appropriately when they occur. Iute has set in place a group Whistleblowing Procedure and trained our employees to know what and how they should be reporting.

The Group has an Anti-Bribery and Anti-Corruption Policy in place. All entities in the Group are committed to conducting business following all applicable laws, rules, and regulations and the highest ethical standards. The purpose of the Policy is to reiterate Group`s commitment to full compliance by all its subsidiaries and officers, directors, and employees with any anti-bribery or anti-corruption laws that may be applicable in the country where the Group is engaged in business activity.

The Group also has in place Insider Information Rules for the retention and disclosure of inside information and for making transactions on the basis of the inside information. This protects the interests of the investors and ensures the fair and honest trading of bonds. The rules are intended for all Management Board and Supervisory Board members and employees of group companies as well as for any other physical and legal persons who might be exposed to inside information.

The Group communicates with shareholders through the Annual, Interim, and Half-Year Reports, press releases, the Group's website, and social media channels. In addition, the Group engages with shareholders through earnings calls, and investor meetings.

The Group conducts NPS (Net Promoter Score) surveys with the aim to measure relationships with the customers, their satisfaction, and what they think about our service and products. The Group measures customer experience in each interaction point that Group has with the customer in the whole experience. Group NPS in 2022 was 80.7.

Targets for 2023

The Group has set the following targets for 2023:

- More than 350 000 performing customers who provide the revenue
- Over 265 000 thousand EUR of loans issued
- Performing principal portfolio 200 000 thousand EUR by 31.12.2023
- Revenue over 100 000 thousand EUR
- Net income margin at least 10%

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.

Our goals are based on our mission, to create an extraordinary experience in personal finance, and our values - being the fastest, most convenient, and human.

lute HQ summer days

5 Consolidated financial statements

5.1 Consolidated statement of comprehensive income

in thousands EUR	Notes	2022	2021
Interest and similar income	9	78 589	48 349
Interest and similar expense	10	-20 207	-14 371
Net interest and similar income		**58 382**	**33 978**
Other fees and penalties	11	7 271	8 194
Total other fee income		**7 271**	**8 194**
Other income		4 914	4 670
Other expenses		-1 597	0
Net other income		**3 317**	**4 670**
Net gains/losses from financial assets measured at fair value	29	0	842
Net gains/losses from financial investments	28	10 007	0
Foreign exchange gains/losses		1 652	1 183
Total operating income		**11 660**	**2 025**
Net income		**80 629**	**48 868**
Personnel expenses	12	-17 481	-8 957
Depreciation/amortization charge	20,21,22	-4 115	-2 613
Other operating expenses	13	-18 920	-13 092
Total operating expenses		**-40 516**	**-24 662**
Profit before impairment losses		**40 113**	**24 206**
Net allowances for loan impairment	14	-19 327	-16 322
Profit before tax		**20 785**	**7 884**
Income tax expense	15	-1 183	-1 816
Net profit for the reporting period		**19 602**	**6 068**
Parent company share from net profit for the reporting period		*19 126*	*6 068*
Non-controlling interest from net profit for the reporting period		*476*	*0*
Other comprehensive income			
Other comprehensive income to be classified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		151	1 179
Total other comprehensive income		**151**	**1 179**
Parent company share from net profit for the reporting period		*136*	*1 179*
Non-controlling interest from net profit for the reporting period		*15*	*0*
Total comprehensive income attributable to:		**19 753**	**7 247**
Parent company share from net profit for the reporting period		19 262	7 247
Non-controlling interest from net profit for the reporting period		491	0

*The presentation of financial information has been changed compared to reported information in prior year. For more information, please refer to Note 31.

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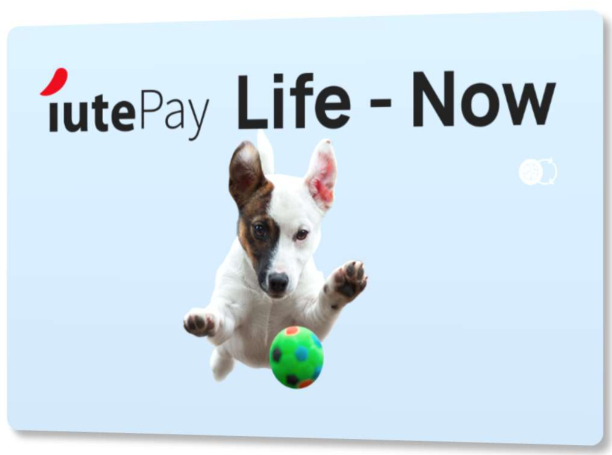
Notes on pages 19 to 76 are an integral part of the consolidated financial statements.

5.2 Consolidated statement of financial position

in thousands EUR	Notes	31.12.2022	31.12.2021*
Assets			
Cash and cash equivalents	16	65 647	46 324
Loans to customers	17	193 897	105 372
Prepayments	18	1 896	620
Other assets	18	4 114	3 112
Assets held for sale		159	17
Other financial investments	19	38 650	2 739
Property, plant, and equipment	20	6 985	1 076
Right-of-use assets	21	2 075	1 587
Intangible assets	22	8 912	5 939
Total assets		**322 335**	**166 786**
Liabilities and equity			
Liabilities			
Deposits from customers	23	86 101	0
Loans and bonds from investors	23	165 103	133 944
Lease liabilities	23	2 177	1 765
Current income tax liabilities	24	172	638
Other tax liabilities	24	902	882
Other liabilities	24	11 783	3 973
Total liabilities		**266 239**	**141 202**
Equity			
Share capital	25	10 000	10 000
Legal reserve		1 000	799
Reserves		410	-510
Retained earnings		40 218	15 295
Parent company share in equity		51 628	0
Non-controlling interest in equity		4 468	0
Total equity		**56 096**	**25 585**
Total liabilities and equity		**322 335**	**166 786**

*The presentation of financial information has been changed compared to reported information in prior year. For more information, please refer to Note 31.

Notes on pages 19 to 76 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	Unrealized foreign exchange differences	Financial assets revaluation reserve	Retained earnings	Non-controlling interest	Total
01.01.2021	**10 000**	**537**	**-1 689**	**0**	**12 640**	**0**	**21 488**
Profit for the year	**0**	**0**	**0**	**0**	**6 068**	**0**	**6 068**
Other comprehensive income							
Foreign currency translation	0	0	1 179	0	0	0	1 179
Total comprehensive income	**0**	**0**	**1 179**	**0**	**6 068**	**0**	**7 247**
Allocation to reserves	0	262	0	0	-262	0	0
Dividends	0	0	0	0	-3 150	0	-3 150
31.12.2021	**10 000**	**799**	**-510**	**0**	**15 295**	**0**	**25 585**
01.01.2022	**10 000**	**799**	**-510**	**0**	**15 295**	**0**	**25 585**
Profit for the year	**0**	**0**	**0**	**0**	**19 126**	**476**	**19 602**
Other comprehensive income							
Foreign currency translation	0	0	136	0	0	15	151
Total comprehensive income	**0**	**0**	**136**	**0**	**19 126**	**491**	**19 753**
Acquisition of subsidiary	**0**	**0**	0	783	**0**	**13 570**	**14 053**
Acquisition of non-controlling interest	**0**	**0**	0	**0**	**5 998**	**-9 593**	**-3 595**
Allocation to reserves	0	201	0	0	-201	0	0
31.12.2022	**10 000**	**1 000**	**-374**	**783**	**40 218**	**4 468**	**56 096**

Additional information about share capital is disclosed in Notes 15 and 26. Additional information about financial assets revaluation reserve is disclosed in Note 20. Additional information about acquisition of subsidiary and acquisition of non - controlling interest is disclosed in Note 28.

Notes on pages 19 to 76 are an integral part of the consolidated financial statements.

IuteCredit Moldova was the main partner of the European Junior Triathlon Cup, a large-scale competition Moldova hosted for the first time.

5.4 Consolidated statement of cash flows

in thousands EUR	Notes	2022	2021
Prepayments to partners for issuance of loans		-27 696	-25 956
Received from partners		46 852	33 424
Paid trade payables		-18 500	-18 203
Received debts from buyers and received other claims		2 328	2 374
Received from collection companies		31 291	27 758
Paid net salaries		-11 914	-6 704
Paid tax liabilties, exc. CIT		-6 201	-4 877
Corporate income tax paid (CIT)		-2 948	-1 437
Paid out to customers		-193 631	-67 578
Change in MasterCard (MC) settlement account		-14 795	-17 312
Principal repayments from customers		97 918	41 649
Loan principal repayments from customers related to MC		21 548	12 556
Interest, commission and other fees		44 936	21 104
Net cash flows from operating activities		**-30 815**	**-3 202**
Purchase of fixed assets		-7 360	-1 931
Received from the sale of assets		1	3
Net cash flow from aquisition of subsidiaries	28	32 547	0
Payments for other financial investments		-17 749	-2
Receipts from other financial investments		26 112	5 907
Net cash flows from investing activities		**33 551**	**3 979**
Loans received from investors		33 592	111 536
Repaid loans to investors		-10 529	-74 332
Overdraft received	23	1 272	3 282
Overdraft repaid	23	-754	-1 606
Principal payments of lease contracts	21	-1 154	-977
Paid interests		-18 425	-8 942
Paid dividends		0	-3 150
Receipts from other financing activities		6	2
Net cash flows from financing activities		**4 007**	**25 813**
Change in cash and cash equivalents		**6 743**	**26 724**
Cash and cash equivalents at the beginning of the year		**46 324**	**19 453**
Change in cash and cash equivalents		6 743	26 724
Net foreign exchange difference		-501	148
Cash and cash equivalents at the end of the year	16	**52 566**	**46 324**

	31.12.2022	31.12.2021
Cash and cash equivalents comprise		
Cash on hand	8 762	420
Non-restricted current account	43 804	45 904

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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6 General information and summary of significant accounting policies

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 2022 were authorized for issue in accordance with a resolution of the Management Board on 03 March 2023. 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.

Subsidiaries IutePay Bulgaria EOOD and Velox Pay S.H.P.K were inactive during financial year 2022.

Subsidiary BC Energbank S.A was acquired by ICE through step acquisition in 2022. The control over the subsidiary was obtained on 14th of February 2022.

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 27. Information on other related party relationships of the Group is provided in Note 30.

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 2022. 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 IAS 37 Onerous contracts – Cost of Fulfilling a Contract

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 amendments did not have a material impact on the Group.

Amendments to IFRS 3 Business Combinations

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 amendments did not have a material impact on the Group.

Amendments to IAS 16 Property, Plant and Equipment

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.

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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).

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

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

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 amendments did not have a material impact on the Group.

Annual improvements to IFRS standards 2018-2020

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 amendments did not have a material impact on the Group.

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 2022 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 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.

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 and IFRS Practice Statement 2 Making Materiality Judgements

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

The amendments to IAS 1 aim to help entities provide accounting policy disclosures that are more useful by:

- 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;

- clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

The Board also amended IFRS Practice Statement 2 to include guidance and two additional examples on the application of materiality to accounting policy disclosures. The amendments are consistent with the refined definition of material: "Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements".

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

Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors

(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.

Group does not expect the amendments to have a material impact on its financial statements when initially applied as these amendments provide guidance in determining whether changes are to be treated as changes in estimates, changes in policies, or errors.

Amendments to IAS 12 Income Taxes

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

The amendments clarify the accounting for deferred tax on transactions that involve recognising both an asset and a liability with a single tax treatment related to both. The amendments narrow the scope of the initial recognition exemption (IRE) so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, companies will need to recognise a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a decommissioning provision.

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

Classification of liabilities as current or non-current, deferral of effective date – Amendments to IAS 1

(Effective for annual periods beginning on or after 1 January 2023)

The amendments to IAS 1 on classification of liabilities as current or non-current was issued in January 2020 with an original effective date 1 January 2022. However, in response to the Covid-19 pandemic, the effective date was deferred by one year to provide companies with more time to implement the classification changes resulting from the amended guidance. This pronouncement is not yet endorsed by EU.

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

Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback

(Effective for annual periods beginning on or after 1 January 2024; to be applied retrospectively to the date when the entity initially applied IFRS 16. Early application is permitted)

Amendments to IFRS 16 Leases impact how a seller-lessee accounts for variable lease payments that arise in a sale-and-leaseback transaction. The amendments introduce a new accounting model for variable payments.

The amendments confirm the following:

- on initial recognition, the seller-lessee includes variable lease payments when it measures a lease liability arising from a sale-and-leaseback transaction;
- after initial recognition, the seller-lessee applies the general requirements for subsequent accounting of the lease liability such that it recognises no gain or loss relating to the right of use it retains.

A seller-lessee may adopt different approaches that satisfy the new requirements on subsequent measurement. This pronouncement is 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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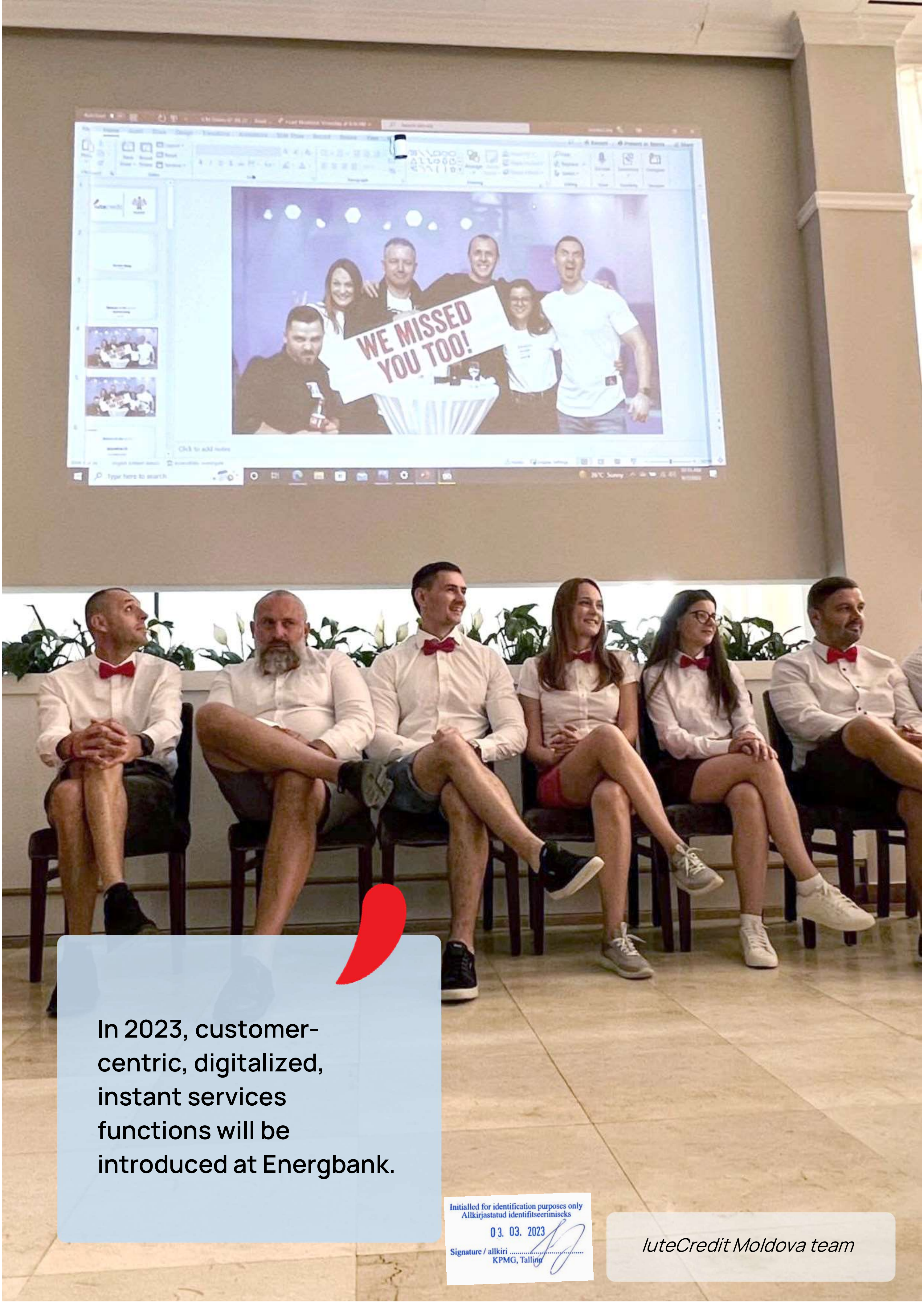

In 2023, customer-centric, digitalized, instant services functions will be introduced at Energbank.

IuteCredit Moldova team

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 32. 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 and BC Energbank S.A– 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 2022	20.3792	1.0666	114.23	61.493	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**
2022	19.8982	1.0903	118.9808	61.6230	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 consolidated statement of financial position comprise balances with less than three months' maturity of the assets at acquisition dates including: cash, non-restricted balances with National Bank of Moldova (NBM), amounts due from other banks, current accounts and deposits with banks and amounts due from quick payment systems.

Corporate income tax and deferred income tax

Deferred income tax is fully calculated, using the liability method, based on temporary differences that arise between the tax base of assets and liabilities, and their book value presented in the financial statements. Deferred income tax is determined using tax rates (and laws) which have been in force or partially in force at the balance sheet date and are expected to be applied when the deferred income tax asset is realized or when the deferred income tax liability is paid off.

The main temporary differences arise from depreciation of fixed assets, provisions for loans and advances to customers and other assets and liabilities. The rates in force or partially in force at the balance sheet date are used to determine deferred income tax. However, deferred income tax is not recognized if it arises from the initial recognition of an asset or liability in a transaction other than a business order, which at the time of the transaction affects neither the accounting profit nor the tax gain or loss.

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.

Deferred tax assets are recognized where it is probable that future taxable profit will be available, against which the temporary differences can be utilised.

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 dividends 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	2022		2021	
Subject to taxation	Corporate income tax rate paid on annual profits earned	Corporate income tax paid additionally on retained earnings distributed	Corporate income tax rate paid on annual profits earned	Corporate income tax paid additionally on retained earnings distributed
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 clause 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, 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, IuteCredit Finance S.a.r.l. and BC Energbank S.A. See also Note 28.

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.

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If the Group loses 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. The non-controlling interests in the acquiree is measured 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 27) 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.

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.

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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 29.

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.

Sale and repurchase agreements

Securities sold subject to repurchase agreements ('repos') are classified in the financial statements as financial assets at fair value through other comprehensive income (treasury bills) and the counter party liability is included in amounts due to banks or customers, as appropriate. Securities purchased under agreements to resell ('reverse repos') are recorded as loans and advances to other banks or customers, as appropriate. The difference between sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest method.

Securities held by the Group as collateral for lending activities with financial institutions are not recognized in the financial statements unless these are sold to or purchased from third parties. In this case they are recorded as gain or loss of financial activity. The obligation to return them is recorded at fair value as a trading liability.

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By the end of 2023, we expect to have more than 230,000 performing loan customers and 130,000 performing wallet customers.

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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 29), except in the case of financial assets and financial liabilities recorded at FVTPL, 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 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

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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 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 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.

According to IFRS 9, the expected credit loss can be determined based on individual or collective analysis. In the individually impaired loans category, the Group include loans, which are included in Stage 3 and are pledged/has collateral. On a regular basis, at least once

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every six months, the Group evaluates pledged items that secure individually amortized loans, including:

- the updated market value of the pledged/mortgaged items;
- the estimated period of time for the sale of the pledged items at the market value, taking into account the previous practice of sale.The estimated period of time (number of years) for the sale of the pledged items is determined depending on the customer status.

All other loans are impaired on the basis of the collective assessment.

Forward looking information

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

- 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.

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.

Impairment of other financial assets

For investment accounts with foreign banks, the impairment is calculated according to the rating of the bank's counterparties and the likelihood of default of corporate clients, according to the information provided by the rating agency. The Group uses ratings assessed by rating agencies Standard & Poor's, Moody's and Fitch (the weakest rating takes precedence). Counterparties not individually assessed by any of the rating agencies mentioned above, shall be assigned with a PD corresponding to the rating of the country of residence of the counterparty.

Placements in government securities with a maturity of up to 90 days are considered liquid instruments, as they are cash equivalents. The Group does not make any deductions for impairment losses related to them.

The Group uses a simplified approach to measure the deduction for losses equal to the lifetime expected credit losses for trade receivables or contractual assets arising from transactions that are subject to IFRS 15.

Depreciation of financial assets at fair value through other comprehensive income

The Bank assesses at each balance sheet date whether there is evidence that a financial asset or a group of financial assets is impaired. In the case of investments in daughter companies, a significant or prolonged decrease in the fair value of participations below their cost is considered in order to determine whether the assets are impaired.

If such evidence exists, the accumulated loss, calculated as the difference between the acquisition cost and the present fair value less any impairment loss for that financial asset previously recognized in profit or loss, is removed from equity and recognized in the comprehensive income. Impairment losses recognized in the income statement and the statement of other items of comprehensive income related to participations in entities are not settled through the income statement and the statement of other comprehensive income. If in a subsequent period the fair value of the debt instrument classified financial assets at fair value through other comprehensive income increases and the increase can be attributed objectively to an event occurring after the impairment loss was recognized in the income statement, the impairment loss is settled in the profit and loss account and the statement of other items of comprehensive income.

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Fixed assets

Property, plant, and equipment

Buildings are stated at revalued amounts, being its fair value at the date of revaluation, less accumulated depreciation and less accumulated impairment losses, where required. Land is not depreciated.

Other property 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
Buildings	1,3%-4%
Network and computer equipment	20%–50%
Furniture	15%–33%
Other	5%-50%

The appropriateness of the assets´ residual values, depreciation methods used, and useful lives are reviewed, and adjusted if that has become appropriate, at each balance sheet date. 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. Amortization is calculated on a straight-line basis over 3-5 years.

The Group's loan management system and other IT systems internal development includes capitalized salary expenses of IT personnel which are based on employee time sheets and personnel involved in development dedicate up to 100% of their time on developing new functionality.

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.

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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.

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 (present value of all lease payments) 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

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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. Low value assets are assets which contract value does not exceed 5 thousand EUR. 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

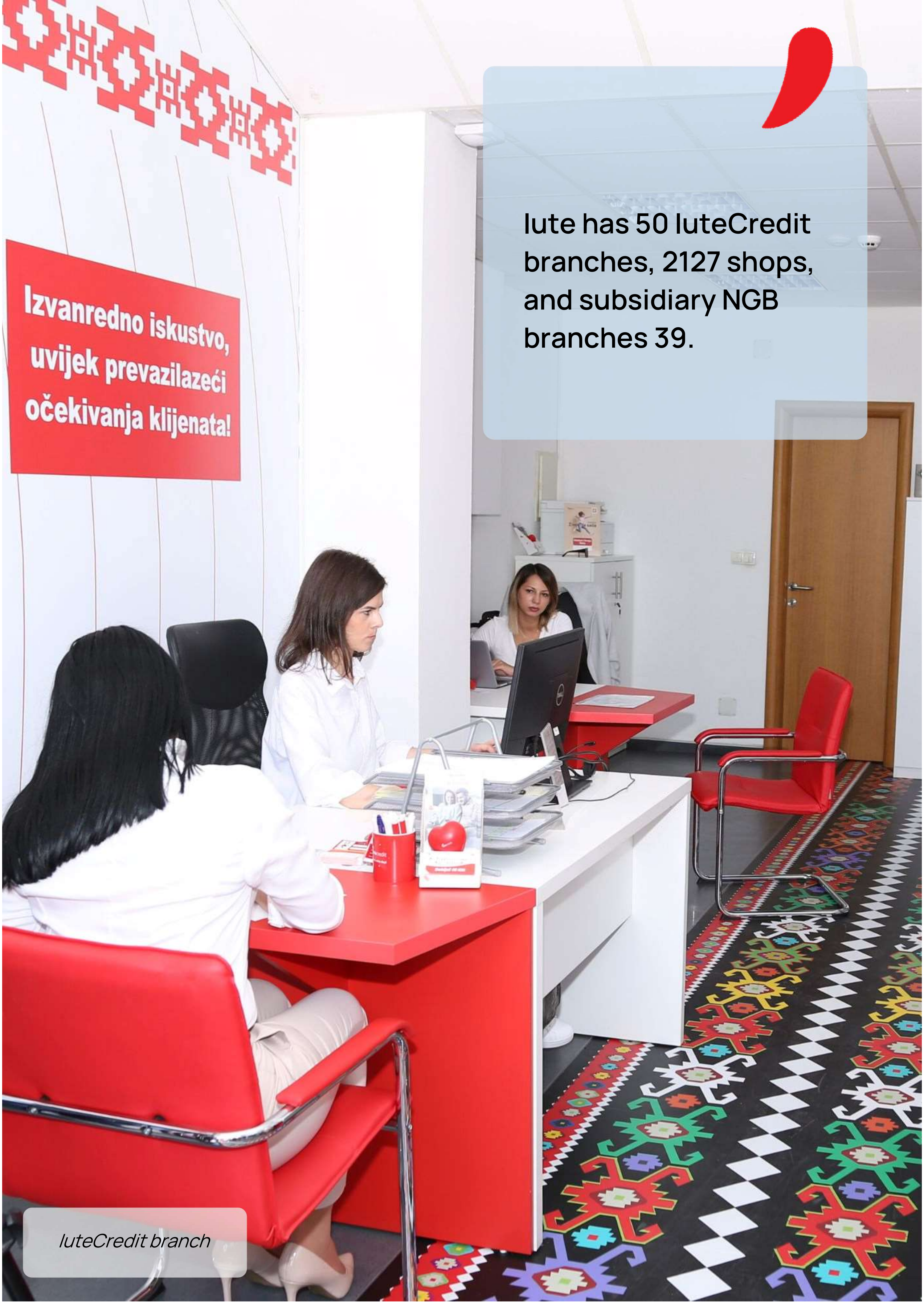
In case of a public limited company, the size of the statutory legal reserve shall not be less than 1/10 of the share capital in Estonia. Legal reserve is formed from annual net profit allocations, as well as from other provisions, which are transferred to the legal reserve based on law or the articles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

lute has 50 luteCredit branches, 2127 shops, and subsidiary NGB branches 39.



luteCredit branch

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 2022 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 29.

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

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 unemployment change for one year from reporting date, with the information available. The sensitivity of the forward-looking adjustments is presented in Note 14.

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.

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 Group does 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).

The refinancing of the outstanding Eurobond in the volume of 50 million EUR is on track.

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 where the licence of ICKO was revoked by the regulator in 2019. Fortunately, our retained earnings were at this time and are strong 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 2022. See also Note 23.
- Secure investors' claims in accordance with agreed terms. This objective was met in 2022.
- To be compliant with the capital requirements set by regulators as applicable, including the banking market in which subsidiary NGB operates. According to requirements of National Bank of Moldova, each bank must hold the minimum level of regulatory capital of at least 15,5% which consists of total capital adequacy requirement of 10%, the capital conservation buffer of 2,5% and countercyclical buffer of 3%. The information about regulatory capital is filed on regular basis.

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

Currency risk

Currency risk is defined as a risk arising from the differences in the currency structure of the Group's assets and liabilities. Changes in currency exchange rates cause changes in the value of assets and liabilities, as well as the amount of income and expenses measured in the functional currency.

Open currency exposures

The following tables present the risks arising from open currency exposures. Assets and liabilities denominated in foreign currencies have been presented in euro equivalent in respective columns, according to the exchange rate prevailing at the end of the reporting period. Open currency exposure and the volume of financial assets and liabilities of the Group at the end of the reporting period do not significantly differ from the average exposure during the year. The table does not include the assets (tangible and intangible assets) and liabilities (provisions) not bearing currency risk, or equity.

Beautiful caves in Bulgaria

Our strategic objective is to reach 1 million performing customers within the next three years, which would correspond to a Group balance sheet of 1 billion EUR by the end of 2026.

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31.12.2022 in thousands EUR	Notes	EUR	MDL	ALL	MKD	BGN	BAM	USD	Other	Total
Assets bearing currency risk										
Cash and cash equivalents	16	21 818	29 385	3 747	719	683	178	8 722	396	65 647
Loans to customers	12,17	7 502	91 271	56 552	27 552	4 668	4 317	2 036	0	193 897
Prepayments	18	369	517	476	0	520	13	0	0	1 896
Other assets	18	865	1 130	1 311	919	1	0	46	0	4 273
Other financial investments	19	2 622	34 762	919	0	0	128	219	0	38 650
Total assets bearing currency risk		**33 176**	**157 066**	**63 005**	**29 190**	**5 872**	**4 636**	**11 023**	**396**	**304 363**
Liabilities bearing currency risk										
Loans and bonds from investors	23	140 772	9 742	11 735	108	0	0	2 746	0	165 103
Deposits from customers	23	17 842	58 556	0	0	0	0	9 381	322	86 101
Lease liabilities	23	2 177	0	0	0	0	0	0	0	2 177
Current income tax liabilities	24	0	172	0	0	0	0	0	0	172
Other tax liabilities	24	184	394	249	0	24	51	0	0	902
Other liabilities	24	1 113	4 123	3 096	1 229	185	1 345	684	8	11 783
Total liabilities bearing currney risk		**162 089**	**72 987**	**15 080**	**1 336**	**209**	**1 395**	**12 812**	**330**	**266 239**
Open foreign currency position		-128 913	84 078	47 925	27 853	5 663	3 241	-1 789	65	38 124

31.12.2021 in thousands EUR	Notes	EUR	MDL	ALL	MKD	BGN	BAM	USD	Other	Total
Assets bearing currency risk										
Cash and cash equivalents	16	35 482	5 440	3 206	1 277	492	427	0	0	46 324
Loans to customers	12,17	0	40 353	41 090	19 967	1 118	2 844	0	0	105 372
Prepayments	18	31	128	74	179	198	10	0	0	620
Other assets	18	1 304	372	755	698	0	0	0	0	3 129
Other financial investments	19	2 529	0	0	0	0	210	0	0	2 739
Total assets bearing currency risk		**39 346**	**46 294**	**45 125**	**22 121**	**1 808**	**3 490**	**0**	**0**	**158 184**
Liabilities bearing currency risk										
Loans and bonds from investors	23	126 297	5 844	1 630	173	0	0	0	0	133 944
Deposits from customers	23	0	0	0	0	0	0	0	0	0
Lease liabilities	23	1 765	0	0	0	0	0	0	0	1 765
Current income tax liabilities	24	0	38	80	520	0	0	0	0	638
Other tax liabilities	24	371	229	208	1	18	56	0	0	882
Other liabilities	24	877	751	1 263	841	100	141	0	0	3 973
Total liabilities bearing currency risk		**129 310**	**6 862**	**3 181**	**1 534**	**118**	**198**	**0**	**0**	**141 202**
Open foreign currency position		-89 964	39 432	41 945	20 587	1 690	3 293	0	0	16 982

*Other foreign currencies include balances in GBP, RUB, RON .

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. The effect on equity is reflecting the change in equity considering exchange rate changes during reporting period. From the calculation is excluded the effect on Group's internal loans and other accruals.

Currency	in thousands EUR 31.12.2022	in thousands EUR 31.12.2021	Average fluctuation
MDL	20,3792	20,0938	20,2365
Change in exchange (MDL)	-1,42%	4,89%	1,73%
Effect on profit before tax (MDL)	-1 521	1 904	192
Effect on equity (MDL)	-1 296	1 065	-116
USD	1,0666	1,1326	1,0996
Change in exchange (USD)	5,83%	7,70%	6,76%
Effect on profit before tax (USD)	-104	0	-52
Effect on equity (USD)	-104	0	-52
ALL	114,23	120,76	117,4950
Change in exchange (ALL)	5,41%	2,38%	3,89%
Effect on profit before tax (ALL)	4 320	991	2 655
Effect on equity(ALL)	2 685	347	1 516
MKD	61,4932	61,6270	61,5601
Change in exchange (MKD)	0,22%	0,11%	0,16%
Effect on profit before tax(MKD)	112	22	67
Effect on equity(MKD)	61	3	32
BGN	1,9558	1,9558	1,9558
Change in exchange (BGN)	0,00%	0,00%	0,00%
BAM	1,9558	1,9558	1,9558
Change in exchange (BAM)	0,00%	0,00%	0,00%

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 2022 were 266 238 thousand EUR (2021: 141 202 thousand EUR), weakening of all exchange rates by investment maturity date by 10% would bring a loss of ca 26 624 thousand EUR (2021: 14 120 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 20 207 thousand EUR (2021: 14 371 thousand EUR). A 10% decrease of exchange values would therefore cause the financial expenses to increase by 2 021 thousand EUR (2021: 1 437 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 61%), MDL (ca 27%), ALL (ca 6%), MKD (ca 1%) and USD (ca 5%).
- 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 3% 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.

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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. To ensure low interest rate risk, the Group limits and matches the structure and mautirities of interest-sensitive assets and liabilities. Interest income from issued loans significantly exceeds the interest expense paid for deposits and borrowings, which allows to offset the potential adverse effect of interest rate risk to the Group.

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 2021** in thousands EUR	**Effect on profit before tax in 2022** in thousands EUR	**Effect on profit before tax in 2021** in thousands EUR	**Effect on profit before tax in 2022** in thousand EUR
EUR	+/- 100	+/-0	+/-75	+/-1233	+/-1368
EUR	+/- 300	+/-0	+/-226	+/-3699	+/-4105
EUR	+/- 500	+/-0	+/-376	+/-6165	+/-6842
USD	+/- 100	+/-0	+/-21	+/-0	+/-30
USD	+/- 300	+/-0	+/-62	+/-1	+/-89
USD	+/- 500	+/-0	+/-103	+/-2	+/-148
MDL	+/- 100	+/-408	+/-958	+/-58	+/-50
MDL	+/- 300	+/-1223	+/-2873	+/-174	+/-150
MDL	+/- 500	+/-2039	+/-4788	+/-291	+/-250
ALL	+/- 100	+/-402	+/-527	+/-13	+/-49
ALL	+/- 300	+/-1206	+/-1582	+/-40	+/-146
ALL	+/- 500	+/-2011	+/-0	+/-66	+/-243
MKD	+/- 100	+/-204	+/-291	+/-1	+/-2
MKD	+/- 300	+/-611	+/-874	+/-4	+/-6
MKD	+/- 500	+/-1018	+/-1456	+/-7	+/-10
BAM	+/- 100	+/-32	+/-46	+/-0	+/-0
BAM	+/- 300	+/-97	+/-139	+/-0	+/-0
BAM	+/- 500	+/-162	+/-232	+/-0	+/-0
BGN	+/- 100	+/-14	+/-63	+/-0	+/-0
BGN	+/- 300	+/-41	+/-189	+/-0	+/-0
BGN	+/- 500	+/-68	+/-315	+/-0	+/-0
Total effect on profit before tax +/-100		**+/-1 060**	**+/-1 939**	**+/-1 305**	**+/-1 499**
Total effect on profit before tax +/-300		**+/-3 178**	**+/-5 945**	**+/-3 918**	**+/-4 496**
Total effect on profit before tax +/-500		**+/-5 298**	**+/-7 270**	**+/-6 531**	**+/-7 493**

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The tables below summarize the Group's exposure to interest rate risks. In the table are included the Group`s financial assets and liabilities at carrying amounts categorized by maturity.

31.12.2022 in thousands EUR	Notes	Total*	Maturity within 1 year	Maturity in 1-5 years	Maturity over 5 years	Interest accrued	Provisions
Assets bearing interest risk							
Cash and cash equivalents	16	38 913	38 913	0	0	0	0
Loans to customers	14,17	197 924	110 918	82 302	4 704	17 383	-21 593
Other financial investments	19	36 531	29 561	6 971	0	0	-182
Total assets bearing interest risk		**273 368**	**179 391**	**89 273**	**4 704**	**17 383**	**-21 776**
Liabilities bearing interest risk							
Loans and bonds from investors	23	160 063	62 047	96 755	1 260	5 041	0
Deposits from customers	23	85 814	64 551	20 714	550	286	0
Lease liabilities	23	2 177	908	1 269	0	0	0
Total liabilities bearing interest risk		**248 053**	**127 506**	**118 739**	**1 810**	**5 327**	**0**
Interest gap		**25 315**	51 885	-29 466	2 894		

31.12.2021 in thousands EUR	Notes	Total*	Maturity within 1 year	Maturity in 1-5 years	Maturity over 5 years	Interest accrued	Provisions
Assets bearing interest risk							
Cash and cash equivalents	16	0	0	0	0	0	0
Loans to customers	14,17	105 963	68 332	37 631	0	14 401	-14 993
Other financial investments	19	0	0	0	0	0	0
Total assets bearing interest risk		**105 963**	**68 332**	**37 631**	**0**	**14 401**	**-14 993**
Liabilities bearing interest risk							
Loans and bonds from investors	23	129 253	3 351	125 903	0	4 691	0
Deposits from customers	23	0	0	0	0	0	0
Lease liabilities	23	1 765	831	934	0	0	0
Total liabilities bearing interest risk		**131 019**	**4 182**	**126 837**	**0**	**4 691**	**0**
Interest gap		**-25 055**	64 151	-89 206	0		

*Excluding interest accrued and provisions balances

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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 through lease and advance granting activities, investment activities, issuance of bank guarantees, holdings in current accounts (correspondent) and placements in banks.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 economic 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 collateral (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

in thousands EUR	31.12.2022	31.12.2021
Cash and bank accounts	65 647	46 324
Loans to customers	193 897	105 372
Other assets	4 114	3 112
Financial assets	35 947	210
TOTAL	**299 605**	**155 018**

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`s concentrations of risk are managed by customer/counterparty and by industry sector. In 2021, the Group had only small and medium loans to individuals.

The loans granted to 20 major customers of the Group as at 31 December 2022 amounted to 11 373 thousand EUR representing 5,3% of Group's gross loan portfolio.

These are analysed by industries as follows:

in thousands EUR	31.12.2022	31.12.2021
Manufacturing and trade	5 622	0
Agriculture	1 223	0
Financial non- banking sector	2 121	0
Service field	992	0
Productive industry	1 143	0
Other	272	0
At the end of the year	**11 373**	**0**

Liquidity risk

Group`s loan products are:

- unsecured consumer loans with maturities between 3 months and 60 months and pledge secured loans with maturities of up to 300 months. Median loan amount is above 2 thousand EUR, whereas loan amounts range between 100 EUR and 10 thousand EUR. Weighted average annual percentage rate (APR) is 13,2% depending on the loan amount, maturity, and status of customer;
- unsecured corporate loans with maturities between 3 months and 48 months and pledge secured corporate loans with maturities between 3 month and 36 months. Median loan amount is above 7 thousand EUR, whereas loan amounts range between 2 thousand EUR and 500 thousand EUR. Weighted average annual percentage rate (APR) is 11,9% depending on the loan amount, maturity, and status of customer.

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.

Due to stricter regulation applicable to the Group`s subsidiary NGB, the liquidity risk management is focused on maintaining an optimal ratio between effective liquidity and profitability, while complying with prudential requirements for minimum reserves and regulated liquidity ratios. The liquidity risk management process is geared to anticipate crisis situations and managing them. NGB monitors daily the liquidity risk indicators, analyses the liquidity risk profile on a monthly basis and assesses quarterly the impact of some crisis scenarios related to its liquidity.

Analysis of financial assets and liabilities by contractual maturities undiscounted:

in thousands EUR		Up to 1 year	1 to 5 years	over 5 years	TOTAL
Loans issued, maturity	31.12.2022	110 918	82 302	4 692	**197 912**
	31.12.2021	82 733	37 631	0	**120 364**
Loans received, maturity	31.12.2022	140 245	143 171	1 880	**285 296**
	31.12.2021	21 846	162 005	0	**183 851**
Lease liabilities, maturity	31.12.2022	908	1 269	0	**2 177**
Lease liabilities, maturity	31.12.2021	831	934	0	**1 765**
Liquidity gap	31.12.2022	-30 236	-62 138	2 813	**-89 561**
	31.12.2021	60 056	-125 307	0	**-65 252**

Undiscounted long-term future cash flows from gross lease liabilities (before deducting finance charges) and gross loan commitments turn gap negative regarding the end of current reporting year. The main impact to negative liquidity is derived from maturity of bonds in the amount of total 50 million EUR in August 2023. Starting from the end of 2022, the Group has initated the planning process for refinancing the bonds in 2023. The management of the the Group evaluate refinancing to be successful and therefore the short-term liquidity of the Group will not be weak in 2023. In the worstcase scenario, the Group will be able additionally attract financing from existing or new investors.

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

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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.

Anti money laundering (AML) and countering terrorist financing (CTF)

The Group manages and supervises the activity of its subsidiaries across different locations to ensure that the Group in its entirety is committed to comply the applicable laws and regulations for prevention of criminal and terrorist activity, upholding the integrity of the financial system in all locations of its activity and internationally.

We acknowledge that money laundering and terrorist financing threats are dynamic and criminals are constantly seeking new techniques and try to exploit the easiest targets in the financial services sector. To mitigate the risk of being used for financial crime, the Group is systematically assessing and monitoring the risks its exposed to.

Our overall strategy in fighting financial crime is driven by a risk based approach, where the areas of greatest vulnerability are identified and we are able to focus on those areas the most. The risk based approach gives the Group the:

- **Flexibility**, as money laundering and terrorist financing risks vary across jurisdictions, counterparties, products and delivery channels, and over time;
- **Effectiveness**, as companies are better equipped than legislators to effectively assess and mitigate the particular money laundering and terrorist financing risks they face;
- **Proportionality**, because a risk-based approach promotes a common sense and intelligent approach to fighting money laundering and terrorist financing as opposed to "check the box" approach.

The Group has set the general rules in fighting money laundering and countering terrorist financing with its Group Financial Security Policy, which is applicable to the extent permissible under applicable laws governing the rights and obligations of the subsidiary. Each subsidiary has also their own, more specific policy, whereas should there be contradictions between the mentioned Group policy and the policy drafted based on the local regulations, the local policy and regulations prevail.

The governance of AML/CTF is built on the three lines of defense principle, where the first line of defense relies on the business operations, the second on the risk, compliance and other control functions, and the third on the advisory role, which includes both internal audit as well as the regulatory oversight.

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.

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.

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

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Geopolitical risks

The Group`s major part of operations are carried out in Moldova which is neighboring country with Ukraine against which Russia started military invasion on 24th of February 2022.

At that date, the Parliament of the Republic of Moldova declared a state of emergency on the entire territory of the Republic of Moldova pursuant to art. 66 lit. m) of the Constitution of the Republic of Moldova, of art. 12 of Law no. 212/2004 on the state of emergency, siege and war, having regard to the proposal of the Government of the Republic of Moldova, which is based on the Report of the Commission for Exceptional Situations of the Republic of Moldova on the need to declare a state of emergency, regional security and the threat to national security. On 6th of December 2022 a state of emergency was extended for another 60 days.

The invasion has not had any significant negative impact on Groups`s business operations in 2022. The Group`s management has assessed the possible negative impact on the loan portfolio outstanding as at 31 December 2022 which may occur due to the ongoing situation. The possible negative impact may occur in relation to loans granted to businesses which are related or depedant on economical situations and decisions made in countries involved in war. Based on Group`s management assessment, the impact will not be significant on Group`s operations.

The Group`s geographical allocation of assets and liabilities is set out below:

in thousands EUR	Total assets 31.12.2022	Total liabilities 31.12.2022
Moldova	194 882	107 669
Albania	66 172	16 174
North-Macedonia	30 734	3 421
Bosnia & Herzegovina	4 926	1 601
EU member countries	23 719	136 539
USA	1 415	14
Other countries	484	817
TOTAL	**322 332**	**266 235**

in thousands EUR	Total assets 31.12.2022	Total liabilities 31.12.2021
Moldova	47 488	7 621
Albania	47 727	4 082
North-Macedonia	22 370	2 137
Bosnia & Herzegovina	3 618	347
EU member countries	45 583	127 015
TOTAL	**166 786**	**141 202**

The Group's major part of operations are carried out in Moldova.

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9 Interest income

Interest and similar income

in thousands EUR	2022	2021
Interest, commission and administration fees on loans to customers	78 589	48 349
TOTAL	**78 589**	**48 349**

10 Interest expenses

Interest expense

in thousands EUR	2022	2021
Interest on amounts due to creditors	-2 393	-5 096
Interest on amounts due to lease liabilities	-201	-162
Interest on bonds	-15 981	-9 113
Interest on amounts from deposits	-1 631	0
TOTAL	**-20 207**	**-14 371**

See also Notes 21 and 23.

11 Other fees and penalties

Other fees and penalties

in thousands EUR	2022	2021
Penalties under loans and delay interests	8 197	9 384
Dealer bonuses	-1 674	-1 556
Resigns under customer loans	747	365
TOTAL	**7 271**	**8 194**

Income from penalties under loans and delay interests are accounted on cash basis.

12 Personnel expenses

Personnel expenses

in thousands EUR	2022	2021
Salaries and bonuses	-14 437	-7 660
Social security expenses	-2 404	-1 078
Medical insurance expenses	-187	-160
Other expenses	-453	-59
TOTAL	**-17 481**	**-8 957**
Annual average number of employees adjusted to full-time	974	437

On the row "Other expenses" are among other expenses recognized changes in vacation reserves. No other binding agreements for the Group with its employees, other than employment agreements, existed as at 31 December 2022 and 31 December 2021.

Please see also Note 30 for remuneration paid to key management persons.

13 Other operating expenses

Other operating expenses

in thousands EUR	2022	2021
Advertising expenses	-3 787	-2 368
Office lease expenses	-170	46
Outsource services	-3 993	-2 949
Repair, maintenance of property and equipment	-371	-64
Utilities	-522	-271
Telecommunication and IT	-2 893	-2 231
Small items of equipment	-258	-177
Transportation	-629	-500
Withheld taxes	-486	-550
Value added tax expense	-2 524	-1 783
Other operating expenses	-3 288	-2 244
TOTAL	**-18 920**	**-13 092**

The other operating expenses includes also purchases from related parties. See also Note 30.

14 Allowance for impairment of loans to customers

Allowance for impairment of loans to customers

in thousands EUR	2022	2021
At the beginning of the year	-14 993	-15 859
Arising during the year	-19 327	-16 322
Write-off	12 726	16 997
Exchange differences	0	191
At the end of the year	-21 593	-14 993

The Group has collected from written-off loans in 2022 3 062 thousand EUR (2021: 1 889 thousand EUR) and received income from sold written – off loans in 2022 1 270 thousand EUR (2021: 1 410 thousand EUR). The respective amounts are recognized as other income in other comprehensive income statement.

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

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Table below demonstrates the sensitivity to a reasonably possible change in forward-looking input by +/-2.5% on that portion of loan portfolio and expected credit loss in response:

	in thousands EUR			Favourable changes			Unfavourable changes		
31.12.2022	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	**61 814**	**5 232**	**56 582**	**61 814**	**5 237**	**56 577**	**61 814**	**5 227**	**56 586**
stage 1	51 460	1 336	50 124	51 460	1 340	50 120	51 460	1 332	50 128
stage 2	1 133	164	969	1 133	165	969	1 133	163	970
stage 3	9 220	3 732	5 488	9 220	3 732	5 488	9 220	3 732	5 488
Bosnia	**5 164**	**847**	**4 317**	**5 164**	**847**	**4 317**	**5 164**	**848**	**4 316**
stage 1	4 223	332	3 891	4 223	332	3 891	4 223	333	3 891
stage 2	288	111	177	288	111	177	288	111	177
stage 3	653	404	249	653	404	249	653	404	249
Macedonia	**32 116**	**4 560**	**27 556**	**32 116**	**4 558**	**27 558**	**32 116**	**4 561**	**27 554**
stage 1	25 687	1 214	24 473	25 687	1 212	24 474	25 687	1 216	24 471
stage 2	603	135	468	603	135	468	603	136	468
stage 3	5 826	3 210	2 616	5 826	3 210	2 616	5 826	3 210	2 616
Moldova	**109 646**	**8 871**	**100 775**	**109 646**	**8 898**	**100 748**	**109 646**	**8 860**	**100 786**
stage 1	95 819	1 719	94 100	95 819	1 728	94 091	95 819	1 710	94 109
stage 2	887	226	661	887	227	660	887	224	664
stage 3	12 940	6 927	6 013	12 940	6 943	5 997	12 940	6 927	6 013
Bulgaria	**6 751**	**2 083**	**4 668**	**6 751**	**2 079**	**4 671**	**6 751**	**2 087**	**4 664**
stage 1	4 722	646	4 076	4 722	643	4 079	4 722	649	4 073
stage 2	222	97	125	222	97	125	222	98	124
stage 3	1 807	1 340	468	1 807	1 340	468	1 807	1 340	468
Total change (+/-)	**215 491**	**21 593**	**193 897**	**215 491**	**21 618**	**193 872**	**215 491**	**21 584**	**193 907**
					25	- 25		- 10	10

See also Note 17.

Credit loss expense 2022	stage 1	stage 2	stage 3	Net impairment charges
Loans to customers	-5 247	-732	-15 614	-21 593
Total	**-5 247**	**-732**	**-15 614**	**-21 593**

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**

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15 Income tax expense

Income tax expense *in thousands EUR*	**2022**	**2021**
Consolidated profit before tax	20 785	7 884
Current income tax expense from foreign jurisdictions	-1 488	-1 891
Change in deferred income tax	305	76
Income tax expense reported in statement of comprehensive income	**-1 183**	**-1 816**
Deferred income tax asset *in thousands EUR*	**2022**	**2021**
At the beginning of the period	**179**	**104**
including on PPE and other tax base differences	0	0
On tax loss carry-forwards	179	104
Change in deferred income tax asset	305	76
including on PPE and other tax base differences	-2	0
On tax loss carry-forwards	307	76
Addition from business combination	51	0
At the end of the period	**535**	**179**
Deferred income tax liability *In thousands EUR*	**2022**	**2021**
At the beginning of the period	**0**	**0**
Addition from business combination	185	0
Change on deferred income tax liability	-30	0
At the end of the period	**155**	**0**

The deferred income tax asset arising from PPE and other tax differences is recognized in subsidiary NGB on the temporary differences arising from depreciation of fixed assets, provisions for loans and advances to customers and other assets and liabilities. Deferred income tax is determined by using tax rate 12%.

The deferred income tax asset arising from tax loss carry-forwards is recognized in subsidiaries ICBG and IutePay Bulgaria in respect of losses that can be carried forward against future taxable income to the extent that realisation of the related tax benefit through the future profits is probable. The deferred income tax asset can be used for unlimited period in Bulgaria to cover 70% of the year tax profit. Deferred income tax is determined by using tax rate 10%.

In 2022, shareholders declared and paid dividends in the amount of 0 thousand EUR (2021: 3 150 thousand EUR). As at 31 December 2022 1 thousand EUR (31.12.2021: 1 thousand EUR) remained unpaid.

As at 31 December 2021, the Group's retained earnings amounted to 40 964 thousand EUR (31.12.2021: 15 296 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 has received pre-taxed dividends and the balance of the dividends under tax exemption in amount of 1 821 thousand EUR (31.12.2021: 0 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, it is possible to distribute 32 919 thousand EUR (31.12.2021: 11 994 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 7 774 thousand EUR (31.12.2021: 2 998 thousand EUR).

See also Note 18 and Note 24.

16 Cash and cash equivalents

in thousands EUR	**31.12.2022**	**31.12.2021**
Cash on hand*	8 762	420
Bank accounts*	39 775	45 905
Deposits*	4 029	0
Liquidity and mandatory reserve	13 081	0
TOTAL	**65 647**	**46 324**
*cash and cash equivalents in the statement of cash-flows	**52 566**	**46 324**

As at 31 December 2022, bank accounts include:

- cash in ATMs in the amount of total 2 631 thousand EUR (31 December 2021: 1 650 thousand EUR);
- in subsidiary NGB liquidity and mandatory reserve in the amount of 13 081 thousand EUR as required by The National Bank of Moldova (NBM). NBM requires commercial banks to maintain for liquidity purposes a minimum reserves calculated as a certain percentage of the average funds attracted by banks in the previous month (between the 16th of the current month and the 15th of the following), including all customer deposits.

As of 31 December 2022 the rate for calculation of the minimum compulsory reserve in MDL was 34.0% (31 December 2021: n/a) in US Dollars (USD) and EURO (EUR) was 45.0% (31 December 2021: n/a).

As at 31 December 2022 the balance reserved in the current account held with the NBM amounted to 21 802 thousand EUR. This balance included mandatory reserve on funds attracted in Moldovan Lei and non-convertible currencies. The balance reserved on USD and EUR compulsory reserve accounts amounted to 4 829 thousand USD and 8 541 thousand EUR respectively.

The interest paid by NBM on the compulsory reserves during 2022 varied between 0.01% and 0.01% annually for reserves in foreign currency and 05.73%-19.50% for reserves in MDL. The compulsory reserves on funds attracted in USD and EUR are placed in Nostro accounts of NBM at correspondent banks incorporated in OECD countries.

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The obligatory reserves held in the current account at NBM are available for use in NGB day to day operations.

As at 31 December 2022 deposits included overnight deposist balances denominated in USD with Bank of New York. During 2022 the interest rate on overnight deposits varied around 0.1%-1.3%.

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.

31.12.2022	Stage 1	Stage 2	Stage 3	Total
According to IFRS 9				
Gross loans to customers	169 019	2 728	26 361	198 108
Accrued interest from loans	12 891	406	4 086	17 383
Allowances for loan impairment	-5 247	-733	-15 613	-21 593
TOTAL	**176 663**	**2 401**	**14 834**	**193 897**
Total share in	91%	1%	8%	100%
Gross NPL ratio			14%	
Impairment coverage ratio			71%	

31.12.2021	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 loans to customers	87%	2%	11%	100%
Gross NPL ratio			18%	
Impairment coverage ratio			69%	

Additional information regarding allowances for loan impairment has been disclosed in Note 14.

Gross NPL ratio - non-performing loan portfolio (including accrued interest) with a delay of over 50 days (stage 3) / total gross loan portfolio (including accrued interest).

Impairment coverage ratio – Total impairment (see Note 14) / Gross NPL (stage 3).

18 Prepayments and other assets

in thousands EUR	31.12.2022	31.12.2021
Deferred tax assets	535	179
Prepayments of rent	99	84
Prepayment of taxes	772	251
Prepayments to suppliers and deferred expenses	489	105
Prepayments in total	1 896	620
Receivables from collection companies	1 032	771
Other receivables	215	70
Deposit receivables from partners	2 867	2 271
Other assets in total	4 114	3 112
TOTAL	**6 010**	**3 732**

Additional information about deferred tax assets movement is disclosed in Note 15.

19 Other financial investments

in thousands EUR	31.12.2022	31.12.2021
Other shares and securities	2 703	2 529
Deposit account	1 266	210
State securities and certificates	34 681	0
TOTAL	**38 650**	**2 739**

On the row of "Other shares and securities" is recognized the fair value of IuteCredit Kosovo JSC and unlisted equity investments in Moldovan companies. See also Note 29

Deposit amount 1 266 thousand EUR (31.12.2021: 210 thousand EUR) is set on long-term purposes by the regulatory demand.

State securities as at 31 December 2022 represent short- and medium-term securities issued by the Ministry of Finance of the Republic of Moldova with interest rate ranging from 5.65% to 22.01% annually. Certificates issued by the National Bank of Moldova as at 31 December 2022 are with an initial maturity of 14 days with an interest rate 20% annually. As of 31 December 2022 the Group did not hold any state securities as mortgage.

20 Property, plant, and equipment

Land and buildings *in thousands EUR*	**2022**	**2021**
Acquisition cost		
At the beginning of the year	**0**	**0**
Addition from business combination	5 314	0
Additions	17	0
Disposals and write-offs	-8	0
Exchange differences	84	0
At the end of the year	**5 408**	**0**
Amortisation and impairment		
At the beginning of the year	**0**	**0**
Amortisation charge for the year	-83	0
Disposals and write-offs	8	0
Exchange differences	-187	0
At the end of the year	**-263**	**0**
Net book value at 31.12.	**5 146**	**0**

Buildings are stated at revalued amounts, being its fair value at the date of revaluation, less accumulated depreciation and less accumulated impairment losses.

In 2022, additions represent property value increase in amount of 17 thousand EUR and disposals represent sale of one property.

As at 31.12.2022, the revaluation reserve amount to 783 thousand EUR. The book value of the buildings as at 31.12.2022 amount to 4 725 thousand EUR and land book value amounts to 421 thousand EUR.

Furniture and equipment *in thousands EUR*	**2022**	**2021**
Acquisition cost		
At the beginning of the year	**2 020**	**1 641**
Addition from business combination	822	0
Additions	582	463
Prepayments	0	7
Disposals and write-offs	-137	-91
Exchange differences	77	0
At the end of the year	**3 364**	**2 020**
Depreciation and impairment		
At the beginning of the year	**-945**	**-663**
Depreciation charge for the year	-709	-348
Disposals and write-offs	130	65
Exchange differences	0	1
At the end of the year	**-1 525**	**-944**
Net book value at 31.12.	**1 839**	**1 076**

An important part of Iute's contribution to local societies is supporting hospitals with funds and equipment.

21 Right-of-use-assets and lease liabilities

Right-of-use assets (offices) *in thousands EUR*	**2022**	**2021**
Acquisition cost		
At the beginning of the year	**3 883**	**3 540**
Addition from business combination	261	0
Additions	1 371	957
Disposals and write-offs	-883	-522
Exchange rate differences	125	-92
At the end of the year	**4 757**	**3 883**
Depreciation		
At the beginning of the year	**-2 297**	**-1 426**
Depreciation charge for the year	-1 007	-1 013
Disposals and write-offs	767	78
Exchange rate differences	-145	64
At the end of the year	**-2 682**	**-2 297**
Net book value 01.01.	**1 587**	**2 113**
Net book value 31.12.	**2 075**	**1 587**

Lease liabilities (office rent) *in thousands EUR*	**2022**	**2021**
Short-term		
At the beginning of the year	**831**	**860**
Addition from business combination	63	0
Additions	138	767
Accretion of interest	201	162
Repayments	-1 234	-977
Reclassifications and periodization	908	19
At the end of the year	**908**	**831**
Long-term		
At the beginning of the year	**934**	**1 261**
Addition from business combination	199	0
Addition from new agreements	1 339	0
Reclassifications and periodization	-1 204	-326
At the end of the year	**1 269**	**934**
Lease liabilities in total 01.01.	**1 765**	**2 121**
Lease liabilities in total 31.12.	**2 177**	**1 765**

Recognised in profit or loss *in thousands EUR*	**2022**	**2021**
Depreciation expense of right-of-use assets	-1 007	-1 013
Interest expense on lease liabilities	-201	-162
Expense relating to leases of short-term leases	-170	-58
Total amount recognised in profit or loss	**-1 378**	**-1 233**

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.

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22 Intangible assets

Computer software *in thousands EUR*	2022	2021
Acquisition cost		
At the beginning of the year	**7 799**	**4 440**
Addition from business combination	530	0
Additions	240	0
Additions-internally developed	7 071	0
Work in progress	4 518	3 359
Reclassification from work in progress to additions internally developed	-7 071	0
Disposals and write-offs	-2 920	0
At the end of the year	**10 168**	**7 799**
Amortisation and impairment		
At the beginning of the year	**-1 860**	**-747**
Amortisation charge for the year	-239	-177
Amortisation charge for the year of internally developed asset	-2 077	-945
Disposals and write-offs	2 920	9
At the end of the year	**-1 256**	**-1 860**
Net book value at 31.12.	**8 912**	**5 939**

The total net book value of internally developed intangible asset is 6 882 thousand EUR as at 31 December 2022 (31.12.2021: 1 722 thousand EUR).

In 2022, the Group continued with investing into 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 2022, the first stage of development works was finalized and as a result, the development costs in the amount 7 071 thousand EUR were recognized as intangible assets. Total development costs amounted to 4 518 thousand EUR (31.12.2021: 3 359 thousand EUR) out of which 3 390 thousand EUR were recognized as intangible assets.

23 Financial liabilities

in thousands EUR	31.12.2022	Up to 1 year	Maturity 1 to 5 years	over 5 years	Currency	Interest
Loans from investors and banks	**32 313**	12 739	19 574	0	EUR, MDL, USD, ALL, MKD	1-20%
Loans from government	**3 601**	130	2 211	1 260	EUR, MDL, USD	0,6%-13,6%
Deposits from customers	**85 814**	64 551	20 714	550	EUR, MDL, USD, RON, RUB,GBP, CAD	0,1%-5,5%
Overdraft	**519**	519	0	0	MDL	3-14%
Lease liabilities (IFRS 16)	**2 177**	908	1 269	0	EUR, MLD, ALL, MKD, BAM, BGN	8%-12%
Convertible bonds	**28**	28	0	0	EUR	5%
Eurobonds	**123 601**	48 631	74 970	0	EUR	13%
Accrued interest	**5 327**	5 327	0	0	EUR, MDL, USD, ALL, MKD	
TOTAL	**253 381**	**132 833**	**118 739**	**1 810**		

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

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As at 31 December 2022 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.

Deposits from customers includes current accounts of the customers and term deposits accounts from the customers.

Bonds issued by ICF in financial years 2019-2020 in the value 50 000 thousand EUR are listed at Frankfurt Stock Exchange with fixed coupon rate 13% and with redemption date 07 August 2023. Interest is payable semi-annually on 7th of February and 7th of August of each year. Interest will accrue from the issue date by actual days.

Bonds issued by ICF in 2021 in the value 75 000 thousand EUR are listed at Frankfurt Stock Exchange and on the Regulated Market of the Nasdaq Tallinn Stock Exchange with fixed coupon rate 11% and with redemption date 06 October 2026. Interest is paid semi-annually on 6th of April and 6th of October each year. Interest will accrue from the issue date by actual days.

As a result, the total outstanding amount of senior secured bonds as at 31 December 2022 is 125 000 thousand EUR (31.12.2021: 125 000 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:

	31.12.2022	31.12.2021
Capitalization		
Equity/Net finance loans and advances to customers	28,9%	24,3%
	2022	**2021**
Profitability		
Interest coverage ratio (ICR) - EBITDA/interest expenses	1,7	1,6

As at 31 december 2022 and 31 december 2021, the financial covenants related to bonds are met by the Group.

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

In thousands EUR	31.12.2022	31.12.2021
Trade payables	1 536	1 387
Payables to employees	582	466
Corporate income tax payables	172	638
Other tax payables	902	882
Allocations and other provisions	2 234	520
Deferred revenue	3 642	890
Other liabilities	3 788	710
TOTAL	**12 857**	**5 493**

"Allocations and other provisions" consist of liabilities in front of the customers and settlements with business partners.

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

"Other tax payables" includes as at 31 December 2022 also deferred tax liabilities in the amount of 155 thousand EUR (31 December 2021: 0 thosuand EUR). See also Note 15.

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25 Guarantees and other financial commitments

The aggregate amounts of outstanding guarantees, commitments, and other off-balance sheet items of the Group as at 31 December 2022 and 2021 are:

Guarantees other financial commitments *In thousands EUR*	**31.12.2022**	**31.12.2021**
Guarantees	3 152	0
Financing commitments and other	4 716	0

Group`s subsidiary NGB, in the usual course of business, issues guarantees and letters of credit on behalf of its customers. The credit risk of guarantees is identical to that from lending. In the case of a claim against the Bank because of a customer's default on a guarantee these instruments also present a certain degree of liquidity risk to NGB.

Financing commitments represent NGB commitments to grant loans and advances to customers. Financing commitments do not necessarily imply a future cash outflow since many of these commitments will expire or terminate without being funded.

As at 31 december 2022, the Group`s subsidiary NGB has ten ongoing litigations between former shareholders of NGB and NGB itself, where the former shareholders have two claims; 1) claim that the cancellation of shares of the former shareholders is illegal; and 2) claim that the evaluation of the shares that were liquidated and compensated is lower than it should have been. The likelihood of having an unfavourable result or in other words, having at least one of above-mentioned claims granted is considered less than probable. The shares have been cancelled by several decisions of the Central Bank of Moldova. The decisions of the Central Bank of Moldova have not been voided and are currently in force. Also, the shareholders, who seek payment of damages from NGB base their argument on the reports of auditors that have no authorization for evaluation of securities.

26 Share capital

In EUR	**31.12.2022**	**31.12.2021**
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 2022.

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.

27 Investments in subsidiaries

Subsidiary	**Country**	**Acquisition date**	**31.12.2022**	**31.12.2021**
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%
BC Energbank S.A	Moldova	14.02.2022	96%	0%

Investments to subsidiaries in unconsolidated statements composed using equity method:

	Investment in subsidiaries					
in thousands EUR	**31.12.2021**	**Dividends received**	**Contribution to share capital**	**Acquisition**	**Profit/loss using equity method**	**31.12.2022**
ICM	23 353	-500	0	0	4 101	26 954
NGB	0	0	0	21 402	14 433	35 835
ICA	12 525	-1 321	0	0	3 923	15 127
Velox Pay	378	0	165	0	21	564
ICMK	2 498	0	500	0	866	3 864
IUTEPAY	0	0	0	0	0	0
ICBG	1 062	0	2 148	0	-2 885	325
ICBH	437	0	3 988	0	-3 768	657
ICF	0	0	0	0	8	8
Investments in subsidiaries	**40 253**	**-1 821**	**6 801**	**21 402**	**16 699**	**83 335**

	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 28, 32.1 and 32.2.

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28 Acquisition of subsidiary

On 12th of January 2022, AS IuteCredit Europe acquired 9,976% equity interest in NGB through purchased 199 519 shares of NGB for 1,7 million EUR.

On 14th of February 2022, AS IuteCredit Europe additionally acquired 49,732% equity interest in NGB through purchased 994 645 shares of NGB for 8,4 million EUR. As a result of the acquisition, NGB became a subsidiary of the Group.

With the acquisition of NGB, the Group expects to increase its customer portfolio throught which increase the volume of the revenue, by increasing the volume of services provided and by increasing the range of services, which will endable the Group to move forward with becoming fast fintech neobank.

For accounting purposes, the Group considered acquisition date to be 31 January 2022. This is also supported with the fact that no material transactions and events occurred in the acquired subsidiary in the period 01 February 2022-14 February 2022.

At the date of acquisition, following assets were acquired and liabilities assumed:

in thousands EUR	Notes	Fair value
Cash and cash equivalents		45 685
Loans to customers		47 883
Prepayments, trade and other receivables		1 793
Other financial investments		43 274
Property, plant, and equipment	20	6 137
Right-of-use assets	21	261
Intangible assets	22	530
Loans and deposits from customers		109 832
Lease liabilities	23	262
Trade and other payables		1 608
Deferred tax liabilities	15	182
Total identifiable net assets		**33 679**
Non-controlling interest		-13 570
Identifiable net assets acquired		20 110

The fair value of cash and cash equivalents, short-term loans to customers, prepayments, trade and other receivables, and trade and other payables were assessed to be approximate to their book value due to the short -term maturities of these assets. The fair value of loans to customers was determined by using discounted cash - flow method. The discount rate applied was 13.95 %. The fair value of other financial investments was determined by using market comparison method. The fair value of property, plant and equipment fair value was determined by using market comparison method.

The fair values of loans and deposits from customers was determined by using discounted cash-flow method using discount rate that reflects the issuer's borrowing rate as at the end of the reporting period. The fair value of acquired lease liabilities was determined by calculating the present value of the remaining lease payments at the date of acquisition. The right-of-use assets were measured at an amount equal to the lease liabilities.

No contingent liabilities were recognized during acquisition cost determination by the Group as no such agreements, which would require the Group to make payments to former shareholders in the future, were signed or exists. No additional intangible assets were recognized during acquisition cost determination by the Group.

Non-controlling interest in amount of 13 570 thousand EUR has been measured as proportionate interest in the recognized amount of identifiable net assets.

As a result of acquisition, the Group recognized negative goodwill, after critical assessment of fair values of assets acquired and liabilities assumed, in amount of 10,0 million EUR. The negative goodwill is a result of low market price of NGB shares on Moldovan stock market due to limited time frame for potential buyers who would also have had the right to acquire a qualifying holding of the shares of a credit institution. At the certain level of the price per share, the Group considered the acquisition of the shares to be a beneficial financial investment.

During period 15 February 2022 – 31 December 2022, AS IuteCredit Europe additionally acquired 36.16 % of NGB shares through purchased 723 200 shares of NGB for 11,3 million EUR from minority shareholders. The net assets fair value amounted to 10,3 million EUR. As a result, the Group owns 95,87% of NGB shares. The Group posted a gain in the amount of 6,0 million EUR directly in equity. The gain is resulted from the significantly lower market price of NGB shares what the Group paid for acquisition of non-controlling interest.

For the financial period ended 31 December 2022, NGB contributed, from the date of becoming a subsidiary of the Group , revenue (interest and similar income) of 18 120 thousand EUR and profit of 4 906 thousand to the Group's results. If the acquisition had occurred on 1 January 2022, management estimates that consolidated revenue (interest and similar income) would have been 79 678 thousand EUR, and consolidated profit for the year would have been 19 838 thousand EUR. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2022.

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29 Fair value measurement

The Group uses the following hierarchy for determining and presenting the fair value of financial instruments by valuation method:

- **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.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

in thousands EUR	Date of valuation	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total fair value	Total carrying value	Difference
Assets for which fair values are disclosed							
Due from banks and credit institutions	31.12.2022	0	36 834	28 814	**65 647**	65 647	0
Loans and interest receivables to customers	31.12.2022	0	0	235 576	**235 576**	193 897	41 679
Other assets	31.12.2022	0	0	4 114	**4 114**	4 114	0
Other financial investments	31.12.2022	37 340	0	3 968	**41 308**	38 650	2 659
Liabilities for which fair values are disclosed							
Loans, bonds, deposits and accrued interest payables	31.12.2022	0	90 145	163 606	**253 751**	253 382	369
Trade payables	31.12.2022	0	0	1 536	**1 536**	1 536	0
Other liabilities	31.12.2022	0	0	3 788	**3 788**	3 788	0
Assets for which fair values are disclosed							
Loans and interest receivables to customers	31.12.2021	0	0	136 163	**136 163**	105 372	30 791
Other assets	31.12.2021	0	0	3 112	**3 112**	3 112	0
Other financial investments	31.12.2021	0	0	2 739	**2 739**	2 739	0
Liabilities for which fair values are disclosed							
Loans, bonds, and accrued interest payables	31.12.2021	0	0	155 978	**155 978**	133 944	22 034
Trade payables	31.12.2021	0	0	1 387	**1 387**	1 387	0
Other liabilities	31.12.2021	0	0	710	**710**	710	0

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.

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.

Due from banks and credit institutions include in Level 2, deposits and mandatory cash reserves held in National Bank of Moldova by subsidiary NGB. Fair value of these assets is determined by using discounted cashflow method. Expected cash flows are discounted at current market rates.

Other financial investments include in Level 1 state securities and certificates issued by NBM at fair value in the amount total 37 340 thousand EUR and in Level 3, the investment in IuteCredit Kosovo (ICKO) at fair value in the amount of total 1 829 thousand EUR (31.12.2021: 2 529 thousand EUR). As at 31 December 2022, the Management Board has performed fair value measurement for investment in ICKO based on financial performance report received for ICKO. The fair value was estimated also based on the net cash inflow which ICKO is able to generate from remaining loan portfolio.

Loans, bonds, deposits and accrued interest payables include in Level 2 interest bearing deposits and borrowings from Moldovan government at fair value in the amount total 90 145 thousand EUR. The fair value is determined by using discounted cash flow method. Expected cash flows are discounted by using interest rates applied for new debts with similar remaining maturity.

See also Notes 17, 18, 19 and 23.

30 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:

in thousand EUR		Received loans	Repaid loans	Given loans	Given loans repaid	Receivables	Liabilities
Senior management and majority shareholders with significant influence over undertakings	2022	509	0	1 935	1 215	985	2 831
Close family members of the management with significant shareholdings and undertakings in their dominant or significant influence	2022	0	0	0	0	0	652
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

in thousand EUR		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	2022	3 776	0	54	23	341	341
Close family members of the management with significant shareholdings and undertakings in their dominant or significant influence	2022	0	0	0	0	76	76
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

Please see also Notes 12 and 13.

Remuneration of Group's Key Management Persons

in thousands EUR	2022	2021
Remuneration according to labour agreements	479	467
TOTAL	**479**	**467**

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

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31 Change in presentation of financial information

In financial year 2022, the Group has decided to make changes in presentation of financial information in consolidated statement of comprehensive income and in consolidated statement of financial position. The changes are related to acquisition of subsidiary NGB. Management of the Group believes that new presentation will be more accurate and in compliance with the common practices in reporting by companies operating in financial industry.

The changes made in information presentation did not have any impact on Group`s concolidated assets and consolidated liabilities as at 31 December 2021 and to consolidated results of financial year 2021.

The following tables presents the changes made in current year to prior year financial information presentation.

Consolidated statement of comprehensive income *in thousands EUR*	**Reported 2021**	**Adjustment**	**Adjusted 2021**
Interest and similar income	48 349	0	48 349
Interest and similar expense	-14 371	0	-14 371
Net interest and similar income	**33 978**	**0**	**33 978**
Other fees and penalties	8 194	0	8 194
Total other fee income	**8 194**	**0**	**8 194**
Other income	4 670	0	4 670
Allowances for loan impairment	-16 322	16 322	0
Adjustment due to formula change	0	-42 172	0
Net other income	**30 520**	**-25 850**	**4 670**
Net gains/losses from financial assets measured at fair value	0	842	842
Foreign exchange gains/losses	0	1 183	1 183
Net gains from financial assets	**0**	**2 025**	**2 025**
Net income	**0**	**48 868**	**48 868**
Personnel expenses	-8 957	0	-8 957
Depreciation/amortization charge	-2 613	0	-2 613
Other operating expenses	-13 092	0	-13 092
Total operating expenses	**-24 662**	**0**	**-24 662**
Profit before impairment losses	**0**	**24 206**	**24 206**
Net gains/losses from financial assets measured at fair value	842	-842	0
Foreign exchange gains/losses	1 183	-1 183	0
Total finance income	**2 025**	**-2 025**	**0**
Net allowances for loan impairment	0	-16 322	-16 322
Profit before tax	**7 884**	**0**	**7 884**
Income tax expense	-1 816	0	-1 816
Net profit for the reporting period	**6 068**	**0**	**6 068**
Other comprehensive income			
Other comprehensive income to be classified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations	-1 020	0	-1 020
Total comprehensive income	**5 048**	**0**	**5 048**
Profit attributable to:			
Equity holders of the parent	5 048	0	5 048
Total comprehensive income attributable to:			
Equity holders of the parent	5 048	0	5 048

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Consolidated statement of financial position *in thousands EUR*	**Reported 31.12.2021**	**Adjustment**	**Adjusted 31.12.2021**
Assets			
Cash and cash equivalents	46 324	0	46 324
Loans to customers	105 372	0	105 372
Prepayments	620	0	620
Trade and other receivables	3 112	-3 112	0
Other assets	0	3 112	3 112
Assets held for sale	17	0	17
Other financial investments	2 739	0	2 739
Property, plant, and equipment	1 076	0	1 076
Right-of-use assets	1 587	0	1 587
Intangible assets	5 939	0	5 939
Total assets	**166 786**	**0**	**166 786**
Liabilities and equity			
Liabilities			
Loans and bonds from investors	133 944	0	133 944
Lease liabilities	1 765	0	1 765
Trade and other payables	1 387	-1 387	0
Current income tax liabilities	638	0	638
Deferred tax liabilities	882	0	882
Other liabilities	2 586	1 387	3 973
Total liabilities	**141 202**	**0**	**141 202**
Equity			
Share capital	10 000	0	10 000
Legal reserve	799	0	799
Unrealized foreign exchange differences	-510	510	0
Reserves	0	-510	-510
Retained earnings	15 295	0	15 295
Total equity	**25 585**	**0**	**25 585**
Total liabilities and equity	**166 786**	**0**	**166 786**

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32 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".

32.1 Statement of comprehensive income

in thousands EUR	2022	2021
Interest and similar income	15 973	10 246
Interest and similar expense	-16 750	-10 580
Interest income, net	**-777**	**-333**
Other income	13 481	11 161
Net operating income	**12 704**	**10 828**
Personnel expenses	-3 141	-2 806
Depreciation/amortization charge	-2 307	-1 226
Other operating expenses	-6 917	-4 961
Total operating expenses	**-12 365**	**-8 993**
Foreign exchange gains/losses	1 943	196
Net gains/losses from financial assets measured at fair value, net	0	842
Net income from subsidiaries using equity method, net	16 699	3 884
Total finance income, net	**18 642**	**4 922**
Profit before tax	**18 981**	**6 757**
Income tax expense	0	-113
Profit for the reporting period	**18 981**	**6 644**
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	18 981	6 644
Total comprehensive income attributable to:		
Equity holders	18 981	6 644

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32.2 Statement of financial position

in thousands EUR	31.12.2022	31.12.2021
Assets		
Cash and cash equivalents	5 040	25 763
Loans and receivables	77 666	65 499
Prepayments	369	210
Other receivables	2 454	4 288
Other financial investments	2 621	2 529
Property, plant, and equipment	99	157
Right-of-use assets	180	311
Intangible assets	7 912	5 695
Investments in subsidiaries	83 335	40 253
Total assets	**179 675**	**144 704**
Liabilities and equity		
Liabilities		
Loans and bonds	132 184	116 198
Lease liabilities	217	350
Other liabilities	4 168	4 031
Total liabilities	**136 568**	**120 578**
Equity		
Share capital	10 000	10 000
Legal reserve	1 000	799
Retained earnings	32 107	13 327
Total equity	**43 107**	**24 126**
Total liabilities and equity	**179 675**	**144 704**

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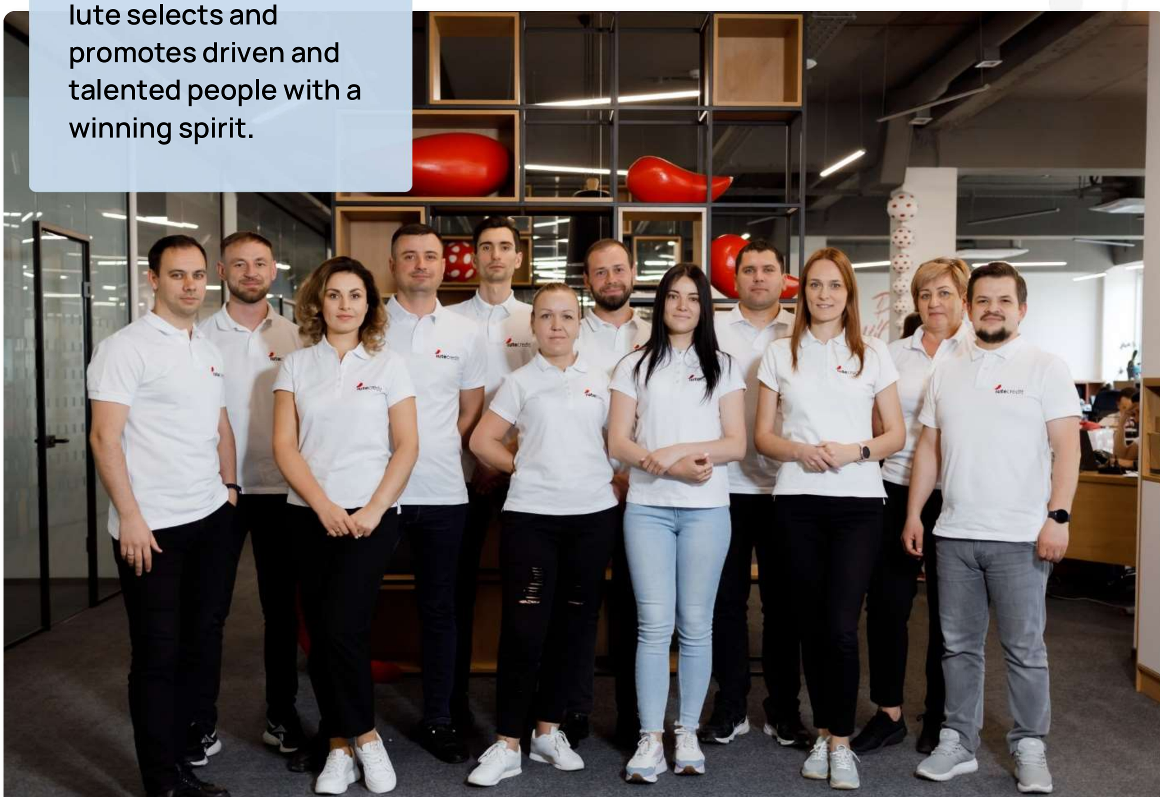
32.3 Statement of changes in equity

in thousands EUR	Share capital	Legal reserve	Retained earnings	Total
01.01.2021	**10 000**	**537**	**10 094**	**20 631**
Profit for the year	0	0	6 644	6 644
Other comprehensive income	0	0	0	0
Total comprehensive income	**0**	**0**	**6 644**	**6 644**
Allocation to reserves	0	262	-262	0
Dividends	0	0	-3 150	-3 150
31.12.2021	**10 000**	**799**	**13 326**	**24 125**
01.01.2022	**10 000**	**799**	**13 326**	**24 125**
Profit for the year	0	0	18 981	18 981
Other comprehensive income	0	0	0	0
Total comprehensive income	**0**	**0**	**18 981**	**18 981**
Allocation to reserves	0	201	-201	0
31.12.2022	**10 000**	**1 000**	**32 106**	**43 106**

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

Iute selects and promotes driven and talented people with a winning spirit.



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32.4 Statement of cash flows

in thousands EUR	2022	2021
Paid trade payables	-16 750	-12 509
Received debts from buyers and received other claims	23 090	14 044
Paid net salaries	-2 777	-2 533
Paid tax liabilties, excl. CIT	-656	-901
Corporate income tax paid	0	-113
Paid out to customers	-21 388	-54 221
Principal repayments from customers	10 683	14 812
Interest, commission, and other fees	5 794	2 532
Net cash flows from operating activities	**-2 004**	**-38 889**
Purchase of fixed assets	-1 135	-1 686
Net cash flow from acquisition of subsidiaries	-15 790	0
Contributions to subsidiaries`share capital	-6 801	-5 391
Received dividends	1 821	1 146
Payments for other financial investments	-18 635	-2
Receipts from other financial investments	17 534	5 907
Net cash flows from investing activities	**-23 006**	**-26**
Loans received from investors	15 915	72 257
Repaid loans to investors	-2 063	-12 417
Principal payments of lease contracts	-153	-163
Paid interests	-9 396	-3 555
Paid dividends	0	-3 150
Net cash flows from financing activities	**4 303**	**52 972**
Change in cash and cash equivalents	**-20 707**	**14 058**
Cash and cash equivalents at the beginning of the year	**25 761**	**11 704**
Change in cash and cash equivalents	-20 707	14 058
Net foreign exchange difference	-15	0
Cash and cash equivalents at the end of the year	**5 040**	**25 762**

	31.12.2022	31.12.2021
Cash and cash equivalents comprise		
Cash on hand	0	0
Non-restricted current account	5 040	25 762

33 Subsequent events

On 19th of January 2023, the Executive Committee of the National Bank of Moldova decided, with a unanimous vote, to lift the early intervention regime of subsidiary NGB. The decision was taken with the approval Mrs. Setal Ciobanu as a new member of NGB`s council.

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.

By the date of signing the report, preparations for the refinancing of the outstanding Eurobond (ISIN XS2033386603) have started. Based on the “Exchange Offer” the existing 2019/2023 bond holders will have the opportunity to exchange their bonds into the New Bonds with ISIN XS2378483494 (2021/2026 existing bonds).

New bonds will be also offered by way of a public offering to retail investors in Estonia, Latvia, Lithuania and Germany.

The official announcement and details were published March 1st 2023.

The seamless integration of Energbank into IuteGroup continues to make progress.

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34 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 31.12.2022	40 694
Statutory reserves	0
Dividend distribution	-2 500
Balance of retained earnings after allocations	**38 194**

Iute increased net profit by almost 20% to a total of 19 million EUR.

35 Signatures of the management board to 2022 annual report

The Company's Management Board has approved the management report and financial statements for 2022.

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.

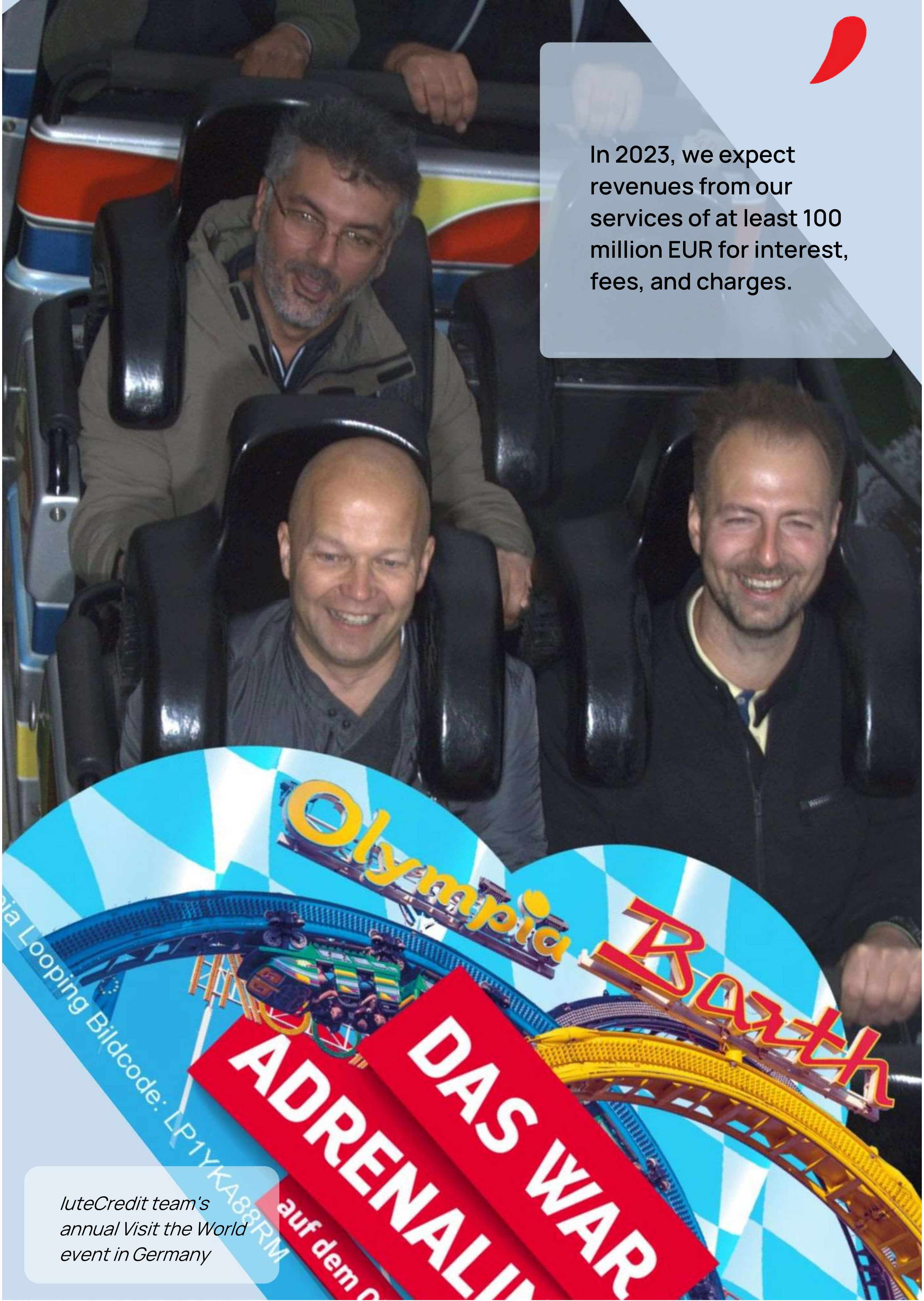
03 of March 2023

Tarmo Sild

Tarmo Sild

Member of the Management Board

In 2023, we expect revenues from our services of at least 100 million EUR for interest, fees, and charges.



IuteCredit team's annual Visit the World event in Germany

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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 and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2022, 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 19-31, 33-38 and 40-75, present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by 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 1,829 thousand on the consolidated statement of financial position as at 31 December 2022 (EUR 2,529 thousand as at 31 December 2021). As described in Note 29 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 2022 and 31 December 2021 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 *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants (Estonia) (including Independence Standards) 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 qualified 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. As described in the Basis for Qualified Opinion section above with respect to investment in former foreign subsidiary we were unable to obtain sufficient appropriate audit evidence as to its carrying amount. We are unable to conclude whether the other information is materially misstated or not as a result of this matter with respect to amounts and other items included in the other information affected by this matter. In addition, we state that the information presented in the management report is materially consistent with the consolidated financial statements and in accordance with the applicable legal and regulatory requirements.

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 by 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, 3 March 2023

Eero Kaup

Certified Public Accountant, Licence No 459

KPMG Baltics OÜ
Licence No 17