



BILDERLINGS

BILDERINGS PAY

**ANNUAL
STRATEGIC
REPORT**

2019

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The Bilderlings' directors present the strategic report for the year ended 31 December 2019. The directors have provided information regarding the Company's decisions and strategies during the financial year in the fair review of the business section.

The primary purpose of the Bilderlings' strategy

The main governance body of the Company (hereinafter - "the Company" or "Bilderlings") is the Board of Directors, which is responsible for prosperity of Bilderlings, leading the Company and supervising its business directions while seeking to develop a culture of good governance. The Company is a values-driven organization, and the Board is committed to high standards of business conduct, and lawful, efficient and fair business practices, encompassing its long-term strategy, the way how it serves clients, operates and behaves towards shareholders, partners, employees and other stakeholders. The Board takes the responsibility to develop and maintain an open and fair interaction and transparent culture with all stakeholders, considering it as a key to the Company's overall success.

Bilderlings informs its shareholders about the financial performance, holds meetings on a regular basis to demonstrate how

the long- and short-term strategies of the Company are being met. Bilderlings' strategic plan and business model have been developed and periodically reviewed in a transparent shareholders communication to have a long-term positive effect on the Company's success while taking into consideration the interests and concerns of its customers, partners, suppliers, employees, and impact of operations on the environment and communities.

The primary purpose of the Bilderlings' strategy is to help clients achieve sustainable economic growth, improve their financial well-being, promote accessibility of financial services in the world. To achieve this goal, Bilderlings will continue to build its business with a high emphasis on real customer needs, providing a greater more streamlined user's experience through tech-enabled platform solutions and friendly user interface.



How to achieve this goal?

a high emphasis on real customer needs

a greater more streamlined user's experience

tech-enabled platform solutions

friendly user interface

Bilderlings highly values relationships with its ecosystem partners and suppliers, enabling the Company to act as a platform for third-party financial products. Bilderlings cooperates closely with its trusted partners' network to develop innovative products and services providing more choice, greater reliability, and prices its customers can afford. To support this relationship, Bilderlings has introduced dedicated managers to make interaction with partners and suppliers in a more effective and efficient way, concluded long-term arrangements with the key partners and suppliers, and implemented regular business review procedures.

FAIR REVIEW OF THE BUSINESS

Mission

Bilderlings' mission is to help business and many people improve their performance and financial well-being through a global fintech platform focusing on greater convenience, more choice and affordable prices. The Company believes its tech-enabled solutions will democratise finance and enhance trust, efficiency, speed and inclusivity of financial services. Any client who is underbanked or which traditional bank does not meet their real needs is Bilderlings' target. We envisage our company future is not just about alternative value proposition in financial sector, using a platform business.



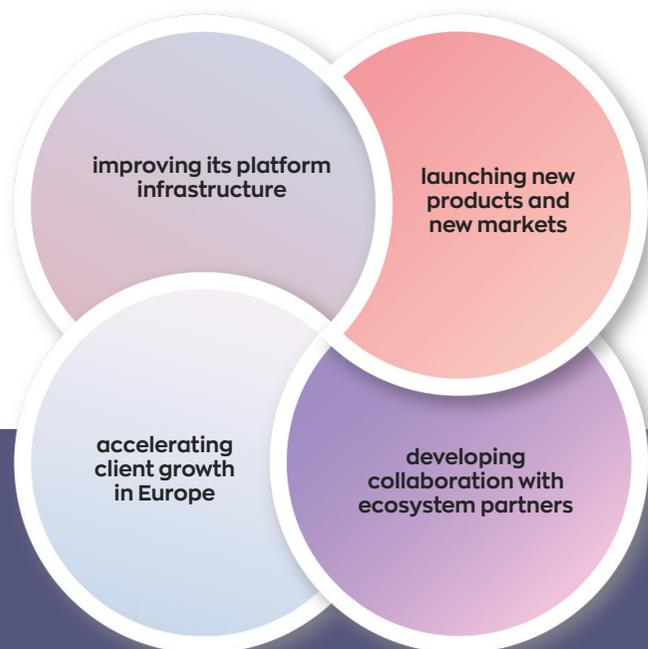
Our Mission

- ▶ fintech platform
- ▶ convenience and choice
- ▶ affordable prices
- ▶ tech-enabled solutions
- ▶ democratisation of finance
- ▶ enhancing trust
- ▶ efficiency
- ▶ speed
- ▶ inclusivity of financial services

FAIR REVIEW OF THE BUSINESS

Strategic initiatives

Bilderlings aims to design an orchestrated digital ecosystem spanning multiple industries, providing a mix of financial and non-financial products what our clients actually need, in one interaction, anytime and anywhere, and promoting new ways to collaborate, connect and innovate for the private benefit and public good.

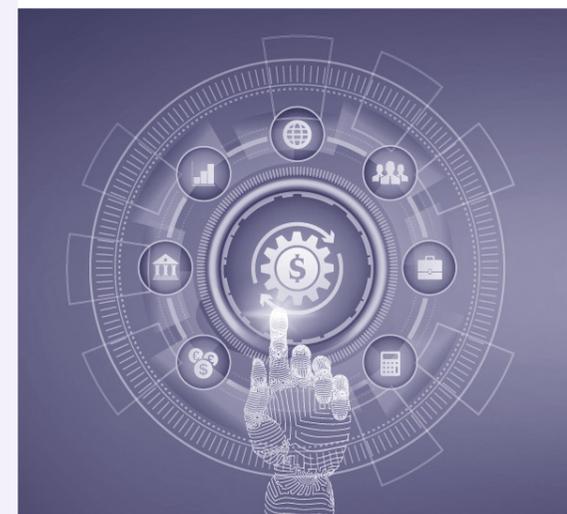


Throughout the year, Bilderlings has progressed in implementation of its strategic initiatives and continued to improve its platform infrastructure, products offering and user experience while accelerating client growth in Europe, developing collaboration with ecosystem partners, and launching new products and new markets.

Investing in technology

Bilderlings has continued investing in technology infrastructure, which was proprietary, flexible and built on a cloud-based API driven digital core from the start. We have improved flexibility of the user's interface to help our clients see a full financial picture, giving them more control and management over their finances. We have advanced in developing in-house a full-scale digital bank architecture, including multi-currency accounts, payment cards, card processing, SEPA and SWIFT channels, open API, all required back-office functions, legacy and regulatory integration, automated AML system, and access to other major banking products through integration with ecosystem partners.

- multi-currency accounts
- payment cards
- card processing
- SEPA and SWIFT channels
- open API
- all required back-office functions
- legacy and regulatory integration
- automated AML system
- integration with ecosystem partners
- business process automation
- automated transaction monitoring
- online onboarding
- 24/7 operation
- availability with no cut-off times
- Bilderlings mobile app



Throughout the year, the Company has continually focused on improving its business processes and support functions to enhance user experience. We have continued to invest in business process automation, intending to introduce in 2020 an automated transaction monitoring and online onboarding. Much effort has been made to achieve a 24/7 operation and availability with no cut-off times. The development has also started on the Bilderlings mobile app, which is due for release in Q3 2020.

FAIR REVIEW OF THE BUSINESS

Three key areas of growth

There were three key areas of growth – the introduction of Bilderlings for business, the launch of Bilderlings' MasterCard debit card, and the expansion of existing products into new markets.

1

Bilderlings for business

2

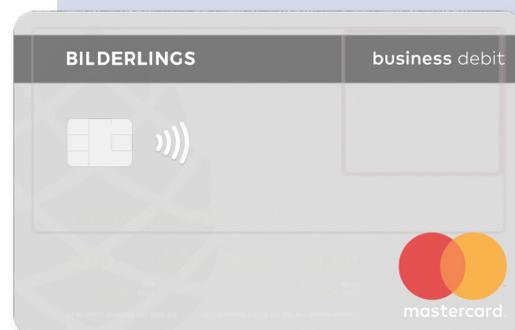
Mastercard

3

New markets for existing products

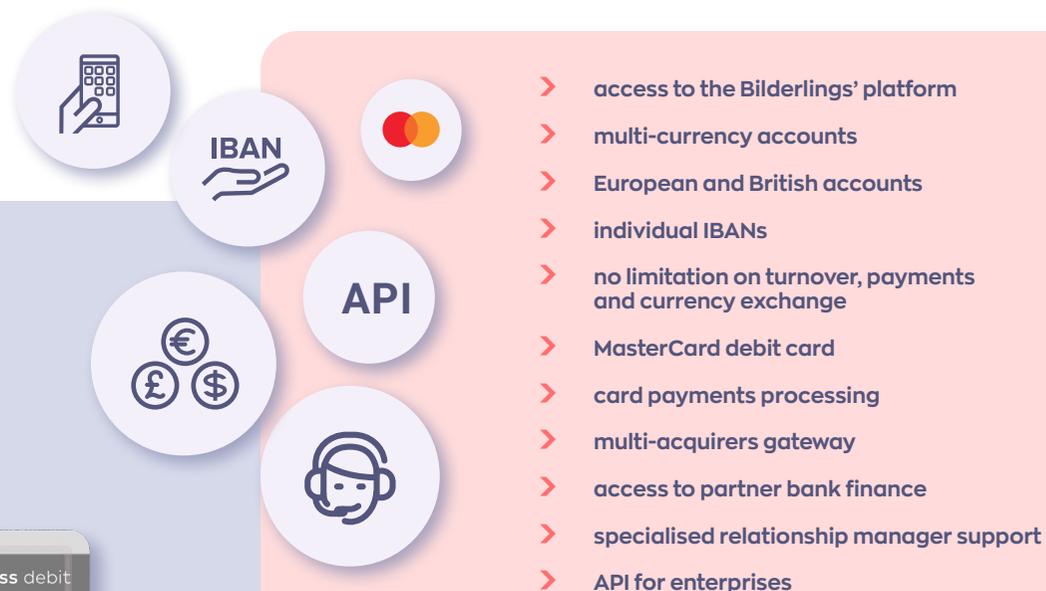
Mastercard

In June 2019 our application for a MasterCard membership was approved by MasterCard Europe S.A. for card-issuing in EEA. By the end of the year, Bilderlings' account for business and individuals was enhanced with the introduction of accompanying contactless debit card, allowing customers in addition to core offering, increased limits, additional cards and 24/7 support.



Bilderlings for business

Bilderlings for Business was introduced in 2019, allowing businesses access to the Bilderlings' platform including multi-currency accounts, European and British accounts with individual IBANs without limitation on turnover, payments and currency exchange, MasterCard debit card and card payments processing through the multi-acquirers gateway. In addition, we have offered our business clients access to partner bank finance, specialised relationship manager support and API for enterprises.



FAIR REVIEW OF THE BUSINESS



Instant payments

2019 was the year when we began to realise our plans for instant payments. Upon receiving approval from Bank of Lithuania on the introduction of SEPA Instant, we have started its implementation to enable ever easier and faster pan-European payments in less than ten seconds. SEPA Instant availability for clients is planned in Q3 2020, with a subsequent goal to connect to the Target2 payment system.



Currency conversion service

Also, during the year, we have made integrations with leading European financial institution and bank which has transformed our currency conversion service in an instant, a real-time automated platform, providing market exchange rate and increasing the number of supported currencies to 19.



Anti-money laundering procedures

Towards the end of 2019, our anti-money laundering procedures were reviewed by BDO LLP (UK), an independent testament that our control environment is maintained to respond effectively to one of the principal risks.

FINANCIAL PERFORMANCE AND KPI'S

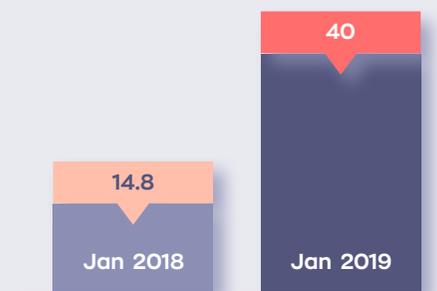
Stable financial growth and focus on resilience will be in the core of our strategy. The Company's capital target ensures the capital available is of sufficient amount to support our strategic plan initiatives, and capital adequacy meets the regulatory requirement. The Company has complied with these requirements, holding a net position of €487,075 at the end of 2019. To further strengthen capital resources for the long haul and lead through uncertainty as a result of Britain's referendum to exit European Union ('Brexit'), the shareholders have decided to increase the share capital up to €1,600,000 (completed in February and May 2020).

2019 has seen significant revenue growth in all lines of the core business, from €1,032,306 in 2018 to €2,634,033 in 2019. The Company has scaled up its European and cross-border payments with customers transferring €40 million monthly at the end of 2019, up from €14,8 million in December 2018. At the end of the year, the Company held €38,059,385 in respect of client money balances (2018: €6,694,605). The increase has been due to better marketing, product offering, a considerable increase in our customer base and activity of our users.

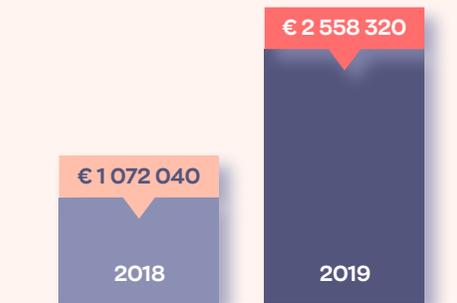
Revenue growth



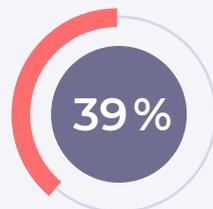
Customers transferring growth (million)



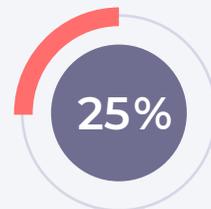
Total expenses



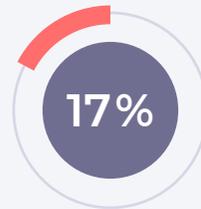
Our costs



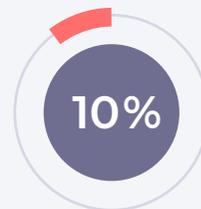
Investments in IT system development



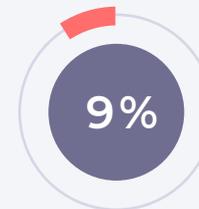
Technical support and compliance costs



Other costs



Bank&MC charges



Cost of client attraction

Total expenses for 2019 were €2,558,320 against €1,072,040 in 2018, mainly driven by investments in our IT systems, infrastructure and costs on staff hiring.

The 2019 financial year is the first in which the Company has posted a profit after tax amounting to €98,371, a testament that the Company has improved over time in a sustainable manner.

FINANCIAL PERFORMANCE AND KPI'S

The key performance indicators

The key performance indicators (KPI's) are used to measure the Company's performance against key business objectives and report to shareholders. Our major strategic and operational KPI's are presented below, showing an increase in percentage in 2019:



+255 %

Revenue growth

EBITDA

+191 %

EBITDA growth

OPEX

+239 %

OPEX growth



+519 %

Total clients growth



+501 %

Total business clients growth



+569 %

Client Money growth



+740 %

Client activity (outgoing payment transactions) growth

Other metrics

In addition to the above metrics, Bilderlings has approved and periodically reviews specific analytics to have visibility of mission progress with a focus on more excellent, more streamlined user's experience. In particular, **compared to 2018, the speed of client online onboarding has been improved for more than 50%, average prices for cross-border transfers lowered for 31%.**

the speed of client online onboarding

+50 %

-31 %

average prices for cross-border transfers

PRINCIPAL RISKS AND UNCERTAINTIES BASIC MEASURES

At Bilderlings, the bar for proper operational risk management has been raised in the course of the year. Bilderlings continues to invest in IT systems and organisational controls to minimise potential losses as a result of inadequate or failed internal processes, technology systems, human error and from legal and cyber risks. To enhance client satisfaction, reputation and shareholders value, Bilderlings undertakes proper planning, testing and focuses on implementing adequate and timely controls, and higher corporate accountability, senior management commitment, searching and retaining right personnel.

Basic measures to prevent risks

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



Safeguarding and capital requirements

Bilderlings issues electronic money to its clients and must handle it in strict accordance with safeguarding and capital requirements. Protecting from electronic-money risk, the management team sets a precise control over its commitment to legislation.



Dependency on financial services

Dependency on financial services provided by ecosystem banking partners is the critical strategic risk of the Company. These institutions maintain the Company's accounts, enabling cross-border payments, holding client funds and providing currency exchange. The Company undertakes proper due diligence on partners and makes significant efforts to build a robust banking partner network to ensure the best users experience and diversify risks.



Rigorous and fast-changing compliance landscape

Bilderlings operates in the industry with a rigorous and fast-changing compliance landscape. Bilderlings is exposed to potential failure or breach to comply with regulations and laws, including corporate governance and anti-money laundering laws. To meet these challenges, updating to changes in compliance requirements and management system are maintained and enhanced by management in a timely and efficient manner.

PRINCIPAL RISKS AND UNCERTAINTIES BASIC MEASURES

Financial crime risk

Bilderlings is subject to a high financial crime risk as it handles a large number of transactions in client funds. As a consequence, the Company faces the risk of non-compliance with anti-money laundering (AML)/combating the financing of terrorism (CFT)/know your client (KYC) rules and is subject to potential losses due to breaches of its terms & conditions of business by its clients.

To effectively and timely manage this risk, Bilderlings systematically develops, maintains and strictly adheres to the robust control system, including KYC and AML procedures, detailed reviews of customer activities, ongoing monitoring of transactions and corporate governance. Additionally, the Company continues to develop an automated AML for online onboarding and monitoring client activities and has entered into an agreement with leading AML checking and monitoring provider.

Cyber risks

At Bilderlings, cyber risks have been recognised as not only an IT issue but a business risk. With this perspective, several technical security controls have been implemented to combat unauthorised access to Bilderlings systems effectively, or customers data (e.g. automated continuous behavioral analysis monitoring, training and regular external testing and audit activities). Bilderlings passes a PCI DSS payment card security standard annually. The Company strives to identify critical business activities and their risks, supporting systems and their vulnerabilities, analyses the new cybersecurity threats and implements robust mitigation controls, and countermeasures to reduce the impact on business activities and protect data.

Data security

As a digital financial services provider, Bilderlings processes significant volumes of personal data and must comply with data protection and privacy laws. Bilderlings has continued to invest in its technologies in order to prevent breaches of data security. Additionally, penetration testing is periodically performed to have such IT systems secure and resilient.

COVID-19

COVID-19 (Coronavirus) has become a serious challenge to people and organisations around the world. The destruction of the business is likely to continue for many months. To be prepared for this "new normal situation", to respond to it, and ultimately become stronger; Bilderlings has established a cross-functional response team with senior representatives from the following business divisions: HR, IT, Risk, Finance, Sales and Marketing, AML. The responsibility of the Team is to develop case scenarios and the potential impact; to support crisis and response planning, structure responses that will be sustainable not only today but also in the difficult coming months.

BREXIT

Uncertainty about outcomes as a result of Brexit, including passporting rights in the European Union and providing service to clients across the EEA, remains still challenging to quantify and manage in traditional ways. To mitigate potential risks and secure the best user's experience, the Company has simulated various scenarios and started arrangements to obtaining a license in one of the EU countries and enhancing the network of EU-based partner banks.

Risks	Prevention measures
Safeguarding	a precise control over its commitment to legislation
Dependency on financial services	proper due diligence on partners, a robust banking partner network
Rigorous compliance landscape	management in a timely and efficient manner
Financial crime risk	AML, CFT, KYC rules
Cyber risks	technical security controls, PCI DSS payment card security standard
Data security	investments in technologies, penetration testing
Covid-19	functional response team
Brexit	arrangements to obtaining a license in one of the EU countries, enhancing the network of EU-based partner banks

Full Bilderlings Pay Limited annual report 2019 available [here](#).