ANNUAL REPORT 2023

Contents

Key Figures

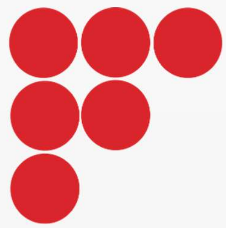
105.7 EURm
Total Income
+18.5% vs. 12M22

90.4%*
Cust. Perf. Indx (CPI)
vs. 86.7% 12M22

232.2 EURm
Net Loan Portfolio
+19.7% vs. YE22

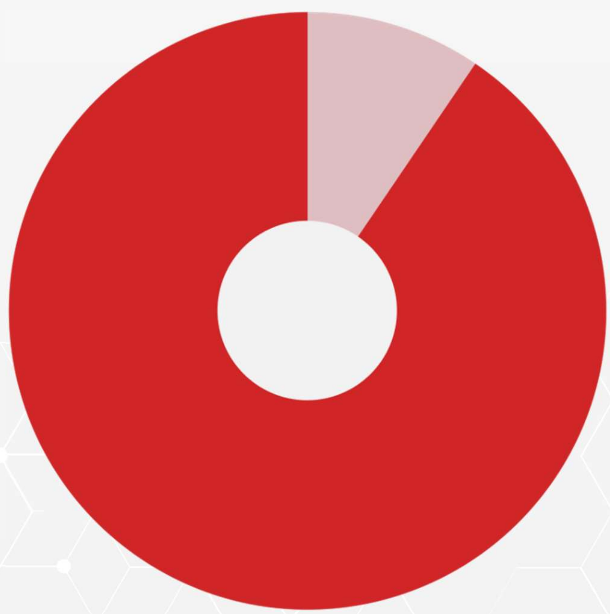
44,9 EURm
EBITDA
-0,3% vs. 12M22

1,052,000+
Total Customer Pool
+13.4% vs. YE22



7.0%

NPLs in Net Portfolio
vs. 7.7% YE22



General information and contacts

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Main activity:	**Holding company**
Auditor:	**KPMG Baltics OÜ**
Reporting period:	**1 January 2023 – 31 December 2023**

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
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)

In the year 2023, lute Group marked a significant milestone as it celebrated the anniversary of 15 years since its foundation.

Management report for 2023

Statement of the Management

Operating in a relatively stable regulatory environment, free from political interference, unaffected by macroeconomic fluctuations and geopolitical tensions, and benefiting only from technological progress seems to remain a dream for the coming years. The key to actual success is adaptation: recognizing reality as it is, and constantly seeking opportunities while remaining true to the Company's DNA and strategic objectives.

Iute Group's DNA is ever entrepreneurial and customer-oriented intertwined with a systematic approach and the ability to not only cope with setbacks but learn from mistakes. On the strategical level, we continued to build loan, payment, and Insurance value streams which combined constitute a fintech bank and money ecosystem for our customers. Our strategic endeavors were successful: Iute Group achieved growth and profit, while the focus remained heavily on modus operandi with quality being more important than quantity in 2023.

In its endeavor for operational excellence, Iute Group pushed forward the deeper integration of data science into its business processes. Various predictive models at the service of customer experience and loan portfolio reduced sales costs and lowered credit risk costs. In contrast, the digitalization and turnaround of Energbank did not meet our expectations, even though the bank is profitable and the organizational challenges of the restructuring have been resolved. We expect the bank to solve the remaining challenges under the management in place since January 2024 with its multi-stage strategy 2026. Clearly more successful is the integration of Iute's credit and payment solutions into e-commerce. IutePay continues on its path of attracting more customers in the Balkans, while the scope of services and geographical markets coverage are to expanded in 2024.

On the financing side, Iute Group was achieved refinancing of its maturing EUR bond even in an environment with continuously increasing base interest rates and bond yields. In view of a very solidly financed capital base until October 2026, we aim to grow our revenue and net profit on average by at least 20% per year until then.

Looking at the pure figures, Iute Group exceeded its growth targets for 2023. At 376 million EUR, the balance sheet exceeded the forecast of 355 million EUR, as did revenue, which at 106 million EUR exceeded the target threshold of 100 million EUR. It is unfortunate that we fell short of the net profit target of 12 million EUR with 10 million EUR because of the above-mentioned interference beyond our control, in addition to exchange rate fluctuations. In this context, Macedonia unexpectedly imposed a one-off solidarity tax on national TOP100 companies, which burdened Iute Group with 1.4 million in Q4 2023.

Tarmo Sild

Chief Executive Officer

Speaking of the aforementioned, considering our DNA, attracting high-performing customers is crucial to the success of the Iute Group. The modest growth achieved in this respect, with 227,000 performing individual customers at the end of 2023, does not live up to our ambitions. Taking customer orientation to heart, we all at Group need to work harder and use the most advanced technologies to understand customer needs and build long-term relationships.

Accordingly, we have set ourselves the following targets for 2024:

- Performing Customer Pool (Loan and Wallet) of over 260,000 individuals,
- Balance sheet total of over 420 Million EUR,
- Revenue of over 120 Million EUR,
- Consolidated net profit of over 15 Million EUR,
- Launch of business activities in at least one additional country, and
- Return on Equity of at least 25% per year.

Iute's transformation goes hand in hand with the changing environments in which we operate. As progress stems from change, we are convinced that the best of Iute Group lies ahead of us as we transform.

Group overview

Iute Group AS (formerly IuteCredit Europe) 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 at 31 December 2023, IG had ten 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. IutePay Sh.P.K. **(IPA) (formerly** VeloxPay SH.P.K,Velox) in Albania,
9. BC Energbank S.A (**EB**) in Moldova.
10. IuteCredit Romania IFNSA **(ICRO)** in Romania.

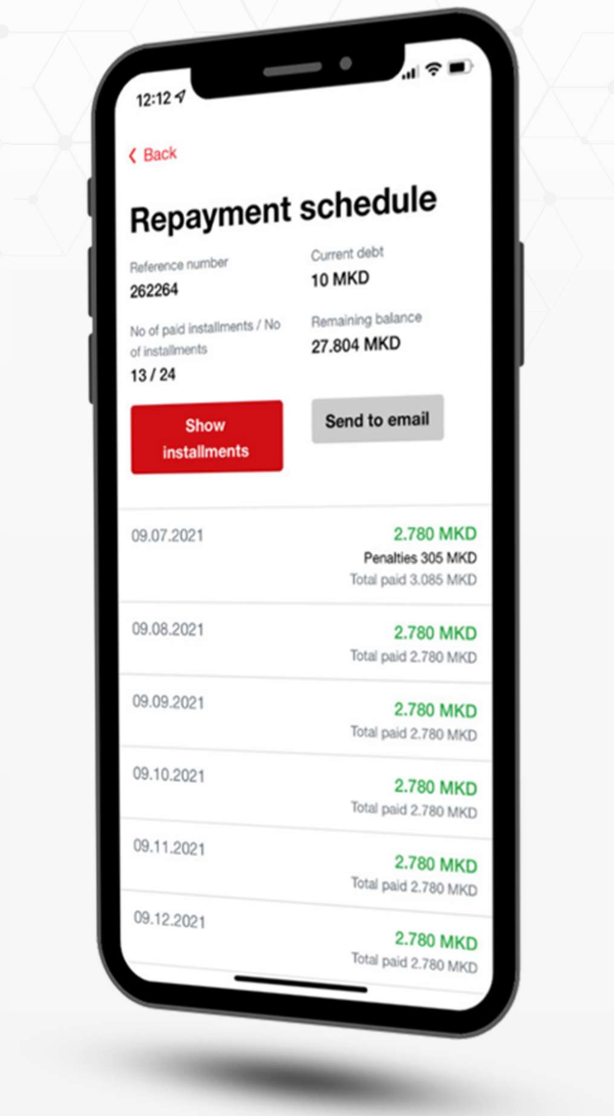
Subsidiary IutePay Bulgaria EOOD and IuteCredit Romania IFNSA were inactive during financial year 2023.

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

Iute Group AS and its subsidiaries form the **Iute Group** or **Iute** on a consolidated level. As at 31 December 2023, ICG consisted of eleven 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 HQ 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 Sh.p.k. got the license dated at the end of January 2022. 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. EB was established in the Republic of Moldova on 16 January 1997 as a closed joint stock company. EB is principally engaged in retail banking operations in the Republic of Moldova. EB operates through its head office located in Chisinau, 31 branches 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	**2023**	**2022**
EBITDA (profit/loss before taxes, depreciation, amortization and interest expense)	44,945	45,107
ROA (profit/assets)	2.73%	6.08%
ROE (profit/equity)	16.07%	34.94%
Assets/equity ratio	5.89	5.75
Equity per share (equity/number of outstanding shares)	6.17	5.61
Earnings per share (profit/number of outstanding shares)	0.99	1.96
Dividends paid per share (dividends paid/number of outstanding shares)	0.40	0.00

Iute Group's policy is to distribute dividends to its shareholders up to 25% of the distributable profit. In 2023 the Group paid dividends 3 999 thousand EUR (2022: 0 thousand EUR).

Loan products

The Group's core loan products are unsecured instalment 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. The median loan amount is above 500 EUR, while loan amounts range between 50 EUR and 10 thousand EUR. The weighted average annual percentage rate (APR) is 46% and effective interest rate (EIR) 55% depending on the loan amount, maturity, and customer status (new or recurring customer with good payment history).

Iute Group aims to serve only customers with a permanent workplace and stable income. The loan underwriting process is based on personal identification, personal income assessment, and personal loan performance data. Approximately 60% of loan applications by individual customers across the Group are approved on average.

Loans are handled via established partners network (such as shops, money transfer companies, and postal agencies), web portals, and other online channels, as well as Iute branches (retail offices). By the end of December 2023, Iute Group had 40 Iute branches and 2.420 active points of sale, and 31 Energbank branches. Traditionally, Iute Non-Bank handles money only via bank accounts or over the counter through its agents. With the introduction of Iute ATMs, the operating country subsidiaries are increasingly carrying out cash transactions

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 MyIute 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").

Iute Group's lending business at Iute Non-Bank is focused on performing customers and avoiding poorly performing or defaulting customers. Accordingly, fee income predominantly results from performing customers and primary fees. Primary loan agreement commission fees are charged for receiving, processing loan applications and issuing loans, or modifying valid loan conditions. Interest is charged on the outstanding principal loan amounts. Other primary fees are charged for various services. Secondary fees are applied as a consequence of non-performance of loan repayment payments on the due date. Secondary fees are used to offset the Group's exposure to payments past due related to the original loan agreements. Secondary fees are accounted as collected, whereas primary fees are accounted as accrued.

Iute Groups' banking business at Energbank primarily generate interest revenues, investment revenues, and no-interest revenues. Primary loan agreement commission fees are charged for receiving, processing loan applications and issuing loans, or modifying valid loan conditions and are recognized as interest revenues generated by the loan portfolio (retail and corporate). Interest is charged on the outstanding principal loan amounts. Other primary fees are charged for various services. Secondary fees are applied as a consequence of non-performance of loan repayment payments on the due date, being accounted as collected, whereas primary fees are accounted as accrued. Investment revenues mainly result from fixed and variable revenues from mid-term treasury bills and government bonds (both with a maturity of up to 12 months), payable at maturity or monthly. Non-interest revenues consist mainly of fees and commissions for accounts servicing, bank card (VISA, MasterCard) transactional fees, money transfer systems (Western Union, MoneyGram, etc.), and currency exchange.

Customer base and portfolio

As at the end of 2023, Group had over 1 052 thousand individuals in its database (2022: over 928 thousand). Approximately 67 % 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 20% in 2023 up to 232 171 thousand EUR.

As at the end of 2023, approximately 49.6% of the loan portfolio was occupied by loan products with a longer maturity than 12 months (2022: 57,2%) and 50.4% of the loan portfolio was occupied by loan products with maturity of up to 12 months (2022: 42,8%).

Customer experience

Our mission is to offer our customers extraordinary experience in the field of personal finance. We actively listen to our customers and consistently strive to enhance their satisfaction through continuous improvement initiatives.

Our offices are open every day, including weekends, and holidays, and our mobile app Mylute is open 7/24.

The Mylute app has gained widespread popularity and positive feedback from our customers. The standalone satisfaction rating for Mylute, based on NPS, is 74.6%. Customers can seamlessly log in, apply for loans, apply for spending limit, open digital wallet and/or create an account just to understand what Mylute contains. Moreover, our customers with loans can manage and view their loans statuses, balances at any point in time.

The Group maintains a strong presence across various communication channels, such as phone, email, Facebook, WhatsApp, Viber, and web and Mylute chat. In 2023, our contact centre effectively addressed 1,5 million incoming customer interactions with service level of 92,8%. On top of this, we have 2,6 million outgoing contacts with our customers totalling 4,1 million for the year.

Customer satisfaction is a key focus, measured through the Net Promoter Score (NPS) - a metric reflecting the likelihood of customers recommending our services and products to their network. NPS Feedback stands as a strategic Key Performance Indicator (KPI) for the Group. According to received feedback, 87.9% of our customers are happy advocates of our services, while 5.6% express neutrality, and 6.6% have voiced concerns.

We listen to our customers, evaluate every peace of feedback, learn from them, and leverage insights to drive continuous improvement. Through a thorough analysis of weaknesses and leveraging our strengths, we have implemented a plan for improvement, incorporating employee training programs, engaging competitions and incentives, and fostering a culture of learning through best practices.

Over the past four years, this concerted effort has resulted in a notable improvement of 10-15 points in our NPS score across all countries.

We believe a great customer experience is built on the foundation of the professional employees. That's why, at Iute, we constantly invest in training and education of our employees, and we recognize the accomplishments in everything they do. As a result, our employees bring diverse and unique skills, interests, and passions every day, which contributes to our company success.

Team

In Talent acquisition and compensation

The Group is committed to attracting and retaining the best talent and supporting continuous professional development to maximize their potential. In 2023, the Group employed, on average 979 employees (2022: 974).

Our commitment to employee well-being extends to their financial compensation. Salary levels, including bonuses, surpass local market averages and industry benchmarks, amounting to 22 135 thousand EUR in personnel expenses in 2023 (2022: 17,481 thousand EUR).

We have introduced the Shareholder Program in line with our dedication to cultivating a sense of ownership. This initiative enables employees to exchange bonuses for share options, aligning their interests with the success of Iute Group. Employees gain a stake in the company's success by becoming shareholders and enjoying dividends and capital distributions.

Diversity and inclusion

Iute prioritizes talent based on merit, ensuring equal opportunities regardless of gender, age, or cultural background. The C-level management has a balanced gender distribution, with 46% men and 54% women.

Our international team spans 13 nationalities across six countries, promoting cultural diversity, creativity, and innovation. We facilitate seamless relocation for employees joining our headquarters in Tallinn, Estonia, offering comprehensive support for a smooth transition, e.g., help with applying for a residence permit or visa and work permit, contacts' and fees' information about kindergartens and schools, rental property search, covering moving expenses, and airline tickets for both the employee and their family members. In 2023, three employees used this opportunity.

Leadership development

Management in the Group means leadership: leading a group of people to the desired results. Our Management Book provides a comprehensive overview of our management system, supporting leaders to build and lead winning teams throughout their careers. The Group has conducted several leadership training courses in 2023 to build a stronger management team.

Employee development and well-being

Our employment policy serves as a guide, aligning HR practices with our mission and values. Investing in employee development is a key component of our HR strategy, offering training programs, English language courses, and the "Visit the World" program for extraordinary experiences. This program sends best-performing team members from all countries to visit locations and companies abroad to gain extraordinary experiences and gain valuable insight into other best-in-class performers. In 2023, 101 Iute employees took part in the "Visit the World" program.

Motivation and recognition

To motivate our team, we organize regular events, recognize outstanding employees, host competitions, celebrate milestones, and provide financial support for life event celebrations.

Iute has additional benefits for employees that differ by country.

- In Estonia, all employees get one paid Friday off per quarter, and every employee whose position does not require business traveling gets a one-time opportunity to go on a trip to one of the Iute countries to learn about the countries where Iute does its business.
- In Moldova, Iute has a Benefits program, which includes a series of benefits for employees, for example, daily meal tickets, and compensates costs for personal development, such as tuition fees, books, gym memberships, etc.
- In Albania, a supplementary pension fund and an extra vacation day for employees with more than 5 years of experience in the Iute Group are being offered.
- In North Macedonia, Iute co-finances scholarships for employees who have been in the Group for more than one year.
- In Bulgaria, Iute offers comprehensive benefits, including additional health insurance, an annual health check, and food vouchers.

Employee satisfaction and transparent feedback

Clear goals aligned with our mission and values drive our team. Transparent feedback derived from individual targets, annual team surveys, and NPS research ensures alignment with our mission and values. Annual team surveys, with an 87% participation rate in 2023, guide management in making necessary adjustments for enhanced satisfaction.

Group-wide internal communication, facilitated through Intranet and newsletters, fosters collaboration and knowledge sharing across all Iute countries. Representatives of all the Iute countries actively contribute to sharing news from their countries each week.

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

Approach to sustainability

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 Group is planning to start the ESG process in 2024 to define the most relevant sustainability issues to the Group and the impact of its activities and responsibility towards customers, regulators, shareholders, employees, business partners, and communities in which we operate. The Group plans to initiate a strategic ESG program with defined priorities, targets, and measurable goals. The C-level management has the overall responsibility for the implementation of the Group's ESG policy.

So far, Iute Group has defined its main contribution to reducing environmental impacts 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.

Iute has also selected key topics from the United Nations Sustainable Development Goals where we see Iute Group can make the biggest impact.

Sustainable development goal	**Iute's contribution to achieving the goal**
	The Group prioritizes the health and safety of its employees, offering private health insurance and benefits for family members in select subsidiaries. Recognizing gaps in local healthcare systems, Iute invests in private health insurance to ensure the well-being of employees and their families.
	Iute emphasizes the importance of financial education and literacy for all members of society. The company actively supports customer education through its call center, providing over 4.1 million interactions in 2023 and various digital channels, and participates in programs to enhance financial literacy.
	Iute recognizes the need for transformation in the financial sector and aims to lead this change by providing innovative digital solutions. The Group focuses on creating equal and universal access to financial services, particularly in underbanked markets.

Iute is the main sponsor of the Estonian National Symphony Orchestra. With 360,000 euros over three years, this is the biggest sponsorship contract in the orchestra's history. Iute's contribution allows the orchestra to take advantage of more opportunities and perform in new places and venues. Iute's financial support facilitates the planning of various major projects and inviting top conductors and soloists to Estonia.

Good health and well-being

Country-based activities

IuteCredit Albania

In 2023, Iute proudly welcomed Luiza Gega, the fastest woman in Europe, as our newest brand ambassador in Albania. With remarkable middle- and long-distance running achievements, including a gold medal in 2022, Luiza exemplifies dedication, perseverance, and athleticism. This partnership celebrates the synergy between Luiza's speed on the track and Iute's commitment to offering the fastest fintech features through our MyIute app.

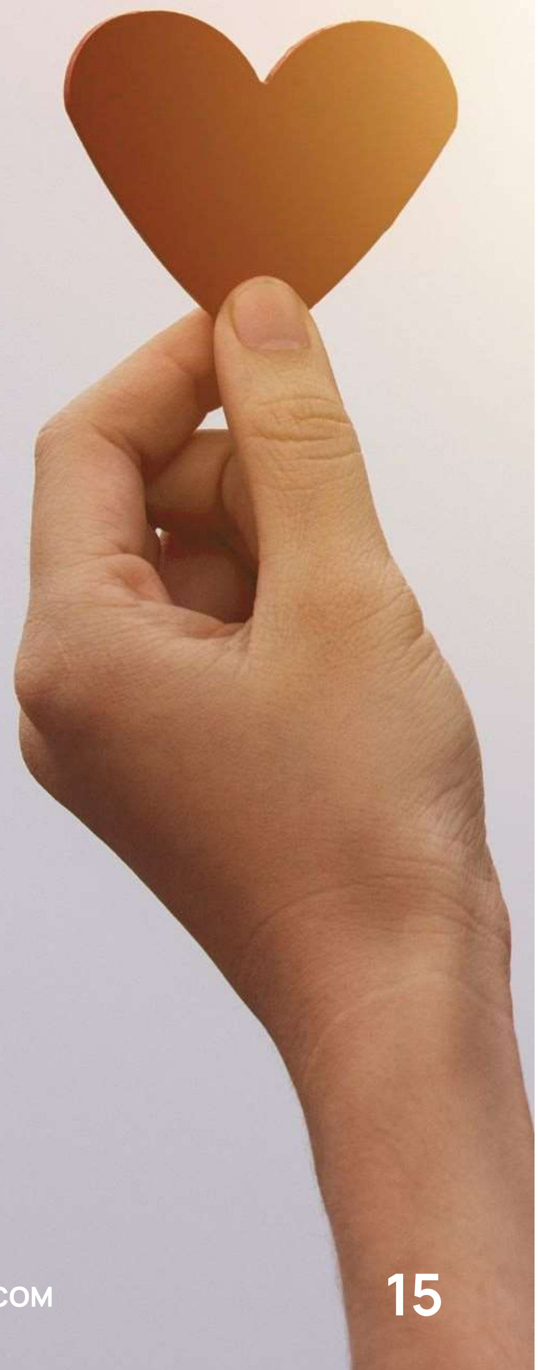
IuteCredit Albania sponsored the Tirana Cross Country Run for Youth, promoting physical fitness and fostering community spirit among over 300 young participants from 20 schools. With the support of ICA, the event, held in Tirana's Lake Park, was well-equipped and organized. Iute also sponsored the Tirana Marathon 2023, with 4,700 participants from 47 countries. Iute's brand ambassador Luiza Gega, won the 21 km race.

Our Albanian team actively participated in the Albanian Red Cross initiative to support children suffering from thalassemia, an inherited blood disorder requiring regular transfusions. In collaboration with the Albanian Red Cross, 15 out of 18 team members qualified to donate blood, marking the third consecutive year of the subsidiary's involvement in this life-saving humanitarian effort.

IuteCredit Macedonia

For three consecutive years, IuteCredit Macedonia has been a partner and supporter of youth sports, collaborating with the "Handball for Every Child" project. Through this initiative, Iute has positively impacted over 1,000 children annually, providing opportunities for participation in tournaments and handball camps across various cities. The project's core objective is to integrate as many children as possible into sports, fostering healthy lifestyle habits and ensuring inclusivity for those with limited access and resources.

In alignment with the global breast cancer awareness campaign, IuteCredit Macedonia organized free check-ups and screenings for all female colleagues, with 19 actively participating. Additionally, the company demonstrated a commitment to community well-being, with 26 employees partaking in the Wiz Air Skopje Marathon. In cooperation with the Red Cross of the Republic of North Macedonia, 24 Iute employees donated blood during a charity blood donation campaign.



Quality education

Country-based activities

IuteCredit Albania

Iute's Albanian subsidiary is actively collaborating with SDA Albania by Protik to sponsor coding scholarships in underdeveloped areas across the country. The initiative aims to empower youth with the skills needed for successful careers in the tech industry. Over 30 coding and Java training courses have been sponsored in Dibër, Peshkopi, and Shkodër, fostering a talented pool of IT professionals to contribute to Albania's technology sector.

The company has already supported over 50 coding and programming scholarships for financially disadvantaged youths in collaboration with SDA Albania, Protik, and Tumo. This joint effort, with the Albanian government covering 50% of the costs and Iute sponsoring the remaining 50%, demonstrates a commitment to creating opportunities for education and growth.

IuteCredit Albania also financially supports the SOS Children's Village, a renowned institution for orphan care, to empower young people with scholarships and professional internships, supporting them in building successful careers in Albania.

IuteCredit Moldova

As part of its commitment to social responsibility, IuteCredit Moldova actively supports youth, financial education, and sports initiatives. The company has provided financial support for digitalizing programs like "My Finances" and "Entrepreneurial Spirit" by the Ministry of Education and Research. Additionally, IuteCredit has contributed to the "Generation Financial Intelligence" project, translating animated video series into Russian and sign language, ensuring inclusive financial education for all children, including those with hearing impairments.

In 2023, IuteCredit Moldova started sponsoring the "Better Development Through Social Entrepreneurship" EU4Youth, promoting social entrepreneurship skills among youth in Georgia, Moldova, and Ukraine. The initiative aims to create an ecosystem for social enterprises and drive economic and social change. The 28-year program has impacted 300,000 Moldovan children, underlining the importance of economic and entrepreneurial education.

IuteCredit Moldova also played a key role in the Leadership Camp, a youth development initiative focusing on entrepreneurship education for young people from Moldova and Ukraine. The two-day camp provided practical leadership lessons and promoted an entrepreneurial spirit among participants, contributing to their personal and professional growth.

Sustainable digital practices to reduce environmental impacts

We encourage our customers to embrace digital services, minimizing unnecessary paperwork and reducing paper consumption. Utilizing digital channels and signatures is a core part of our commitment to sustainability.

Introducing the Mylute App in 2020 marked a significant milestone, with nearly half a million users as at 31 December 2023 benefiting from the app across all our countries. The app allows customers to digitally sign agreements, contributing to our sustainable practices.

13,000 kg
of paper

12,000 kg
of CO_2-eq

Kill the paper

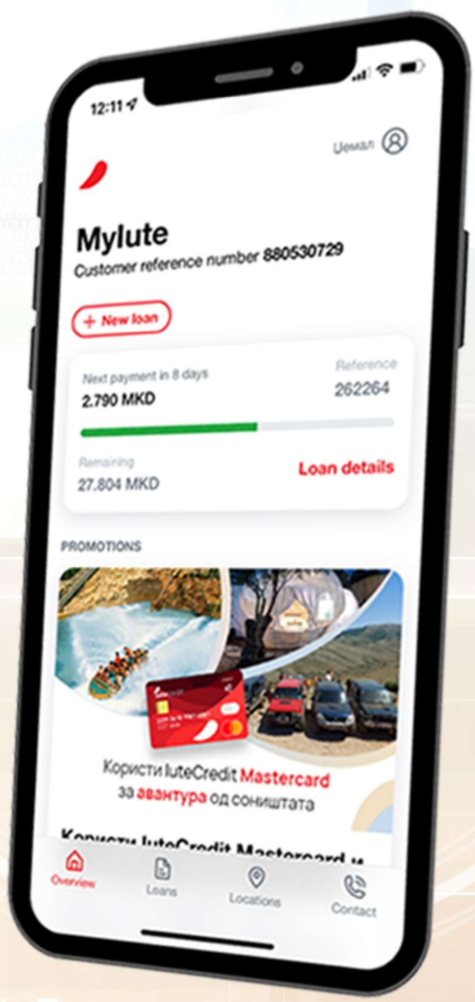
In 2023, out of 323,235 loan agreements, 284,311 were digitally signed using the Mylute app, minimizing the need for printed loan agreements and supporting documentation. This translates to saving approximately 2.6 million A4 sheets of paper, equivalent to around 13,000 tons of paper and a reduction of 12,000 tons of CO_2e.

Kill the plastic

Our ATM network, comprising 71 ATMs accessible with the Mylute app and without the need for plastic cards, illustrates our commitment to reducing plastic waste. By bypassing the use of plastic cards issued by global platforms, we contribute to a more sustainable environment.

Kill unnecessary traffic and CO2

In 2023, 284,311 loan agreements were digitally signed, sparing customers from approximately 284,311 physical journeys previously necessary for documentation submission and agreement signings. The estimated average customer journey associated with traditional paper loan agreements is 5 km, resulting in digital solutions saving at least 1.4 M km of journeys. Our sustainable practices benefit the environment and enhance customer convenience and efficiency.



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 the 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 the 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.

Targets for 2024

120,000+ thousand €

REVENUE TARGET

260,000+

Performing customers providing revenue

270,000 ths €

Performing principal portfolio by 31.12.2024

+275,000 ths €

Loans issued

10%

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.

We aim to enhance community engagement and drive digital innovation in our operating countries.

lute Albania hosting International Finance Corporation.

Consolidated financial statements

Consolidated statement of profit and loss and other comprehensive income

in thousands EUR	Notes	2023	2022 restated*
Interest and similar income	3	91,396	77,432
Interest and similar expense	4	-28,194	-20,207
Net interest and similar income		**63,202**	**57,255**
Other fees and penalties	5	6,384	7,271
Total other fee income		**6,384**	**7,271**
Other income	5	8,520	4,914
Other expenses		-583	-1,597
Net other income		**7,937**	**3,317**
Net gains/losses from financial investments	21	0	10,007
Foreign exchange gains/losses		4,767	1,652
Total operating income		**4,767**	**11,660**
Net income		**82,290**	**80,629**
Personnel expenses	6	-22,136	-17,481
Depreciation/amortization charge	14,15,16	-3,902	-4,115
Other operating expenses	7	-21,239	-19,554
Total operating expenses		**-47,276**	**-41,151**
Profit before impairment losses		**35,014**	**38,321**
Net allowances for loan impairment	8	-22,165	-19,327
Profit before tax		**12,849**	**18,994**
Income tax expense	9	-2,593	-1,881
Net profit for the reporting period		**10,256**	**17,113**
Other comprehensive income			
Other comprehensive income to be classified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		6,034	151
Other comprehensive income not to be classified to profit or loss in subsequent periods:			
Revaluation of property, plant and equipment		834	0
Total other comprehensive income		**6,868**	**151**
Total comprehensive income for the period		**17,124**	**17,264**
Net profit for the reporting period attributable to:			
Parent company share from net profit for the reporting period		*10,107*	*16 637*
Minority share from net profit for the reporting period		*148*	*476*
Total comprehensive income attributable to:			
Parent company share from net profit for the reporting period		*16,931*	*16,774*
Minority share from net profit for the reporting period		*193*	*491*

*The comparative information has been restated due to correction of errors. See Note 24.

Notes on pages 25 to 90 are an integral part of the consolidated financial statements.

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Consolidated statement of financial position

in thousands EUR	Notes	31/12/2023	31/12/2022 restated*
Assets			
Cash and cash equivalents	10	71,660	65,647
Loans to customers	8.11	232,171	193,897
Prepayments	12	1,835	1,896
Other assets	12	8,138	4,114
Assets held for sale		432	159
Other financial investments	13	41,730	38,650
Property, plant, and equipment	14	7,331	6,985
Right-of-use assets	15	1,582	2,075
Intangible assets	16	10,921	8,912
Total assets		**375,799**	**322,335**
Liabilities and equity			
Liabilities			
Deposits from customers	17	107,356	86,101
Loans and bonds from investors	17	183,919	165,103
Lease liabilities	17	1,687	2,177
Current income tax liabilities	18	679	870
Other tax liabilities	18	1,022	1,536
Other liabilities	18	17,318	12,940
Total liabilities		**311,981**	**268,727**
Equity			
Share capital	20	10,346	10,000
Share premium		741	0
Legal reserve		1,000	1,000
Reserves		6,484	-374
Retained earnings		40,621	38,514
Parent company share in equity		59,192	49,140
Minority share in equity		4,627	4,468
Total equity		**63,818**	**53,608**
Total liabilities and equity		**375,799**	**322,335**

*The comparative information has been restated due to correction of errors. See Note 24.

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Consolidated statement of changes in equity

in thousands EUR	Share capital	Share premium	Legal reserve	Unrealized foreign exchange differences	Revaluation of property, plant and equipment	Retained earnings	Non-controlling interest	Total
01/01/2022	**10,000**	**0**	**799**	**-510**	**0**	**15,295**	**0**	**25,584**
Profit for the year	**0**	**0**	**0**	**0**	**0**	**16,637**	**476**	**17,113**
Other comprehensive income								
Foreign currency translation	0	0	0	136	0	0	15	151
Total comprehensive income	**0**	**0**	**0**	**136**	**0**	**16,637**	**491**	**17,264**
Acquisition of subsidiary	0	0	0	0	0	0	13,570	13,570
Acquisition of non-controlling interest	0	0	0	0	0	6,782	-9,593	-2,811
Allocation to reserves	0	0	201	0	0	-201	0	0
31/12/2022 restated*	**10,000**	**0**	**1,000**	**-374**	**0**	**38,514**	**4,468**	**53,608**
								0
01/01/2023	**10,000**	**0**	**1,000**	**-374**	**0**	**38,514**	**4,468**	**53,608**
Profit for the year	**0**	**0**	**0**	**0**	**0**	**10,107**	**148**	**10,256**
Other comprehensive income								
Foreign currency translation	0	0	0	6,024	0	0	10	6,034
Revaluation gain	0	0	0	0	799	0	34	834
Total comprehensive income	**0**	**0**	**0**	**6,024**	**799**	**10,107**	**193**	**17,124**
Issuance of shares	346	741	0	0	0	0	0	1,087
Dividends	0	0	0	0	0	-8,000	0	-8,000
31/12/2023	**10,346**	**741**	**1,000**	**5,650**	**799**	**40,621**	**4,661**	**63,818**

Additional information about share capital is disclosed in Notes 9 and 20. Additional information about revaluation of property plant and equipment is disclosed in Note 14. Additional information about acquisition of subsidiary and acquisition of non - controlling interest is disclosed in Note 21.

*The comparative information has been restated due to correction of errors. See Note 24.

Notes on pages 25 to 90 are an integral part of the consolidated financial statements.

By the end of December 2023, Iute Group had 40 Iute branches and 2.420 active points of sale, and 31 Energbank branches.

Consolidated statement of cash flows

in thousands EUR	Notes	2023	2022
Prepayments to partners for issuance of loans		-7,165	-27,696
Received from partners		18,553	46,852
Paid trade payables		-28,697	-16,825
Received debts from buyers and received other claims		1,400	2,328
Received from collection companies		65	31,291
Paid net salaries		-15,637	-11,914
Paid tax liabilities, exc. CIT		-10,239	-6,201
Corporate income tax paid (CIT)		-2,185	-2,948
Paid out to customers		-262,174	-193,631
Change in MasterCard (MC) settlement account		-12,753	-14,795
Principal repayments from customers		249,955	97,918
Loan principal repayments from customers related to MC		0	21,548
Interest, commission and other fees		81,445	44,936
Net cash flows from operating activities		**12,567**	**-29,140**
Purchase of fixed assets		-2,712	-7,360
Received from the sale of assets		0	1
Net cash flow from acquisition of subsidiaries	21	0	32,547
Payments for other financial investments		-24,542	-17,749
Receipts from other financial investments		30,171	26,112
Net cash flows from investing activities		**2,917**	**33,551**
Loans received from investors		80,006	33,592
Repaid loans to investors		-62,642	-10,529
Overdraft received	17	1,985	115
Overdraft repaid	17	-883	-1,272
Principal payments of lease contracts	15	-1,337	-1,154
Paid interests		-24,116	-18,425
Issue of ordinary shares		1,041	0
Paid dividends	9	-3,999	0
Receipts from other financing activities		36	6
Net cash flows from financing activities		**-9,908**	**2,332**
Change in cash and cash equivalents		**5,576**	**6,743**
Cash and cash equivalents at the beginning of the year		**52,566**	**46,324**
Change in cash and cash equivalents		5,576	6,743
Net foreign exchange difference		1,109	-501
Cash and cash equivalents at the end of the year	**10**	**59,252**	**52,566**

	31/12/2023	**31/12/2022**
Cash and cash equivalents comprise		
Cash on hand	11,550	8,762
Non-restricted current account	47,702	43,804

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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General information and summary of material accounting policies

Corporate information

The accompanying consolidated financial statements of Iute Group AS (the Company) and its subsidiaries (collectively the Group) for the year ended 31 December 2023 were authorized for issue in accordance with a resolution of the Management Board on 22 February 2024. 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.

Iute Group AS (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 Iute Group AS. IuteCredit Finance S.a.r.l. in Luxembourg is acting as a financing intermediary for the Group as a whole.

IutePay Sh.p.k. (formerly VeloxPay Sh.p,k.) is acting as a e-money institution in Albania.

Subsidiaries IutePay Bulgaria EOOD and IuteCredit Romania were inactive during financial year 2023.

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 iute Group AS and its subsidiaries. Information on the Group's structure is provided in Note 21. Information on other related party relationships of the Group is provided in Note 23.

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.

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 2023. 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 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements

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

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".

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

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

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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.

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.

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 2023 and have not been applied in preparing these consolidated financial statements. The Group plans to adopt these pronouncements when they become effective.

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

(Effective for annual periods beginning on or after 1 January 2024; to be applied retrospectively. Early application is permitted)

In September 2022, the IASB issued amendments to IFRS 16 to specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains.

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

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

(Effective for annual periods beginning on or after 1 January 2024; to be applied retrospectively.)

In January 2020 and October 2022, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

What is meant by a right to defer settlement

• That a right to defer must exist at the end of the reporting period

• That classification is unaffected by the likelihood that an entity will exercise its deferral right

• That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

In addition, a requirement has been introduced to require disclosure when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months.

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

Amendments to Amendments to IAS 7 and IFRS 7 - Supplier Finance Arrangements

Effective for annual periods beginning on or after 1 January 2024; to be applied prospectively. Early application is permitted)

In May 2023, the IASB issued amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures to clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

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

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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.

Mika Häkkinen, the two-time Formula One World Champion at Iute Group Management Meeting in Tallinn.

Summary of material 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 Iute Group AS are presented in note 25. 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 Group presents its cash-flows according to direct method.

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 IutePay S.H.P. K – the Albanian lek (ALL), IuteCredit Macedonia DOOEL–Skopje – the Macedonian denar (MKD), IuteCredit Romania IFNSA -the Romanian leu (RON), 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), Iute Group 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 2023	19.3574	1.105	103.88	61.495	1.9558	1.9558
31 December 2022	20.3792	1.0666	114.23	61.493	1.9558	1.9558

Average period	MDL	USD	ALL	MKD	BGN	BAM
2023	19.6455	1.0773	108.80	61.5581	1.9558	1.9558
2022	19.8982	1.0903	118.98	61.6230	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.

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	**2023**		**2022**	
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%	0%	20%

* Income tax rate on dividends and other retained earnings distribution is 20% (tax payable is calculated as 20/80 of the amount distributed as net dividend. According to Estonian Income Tax Law, regularly distributed dividends are eligible to a reduced 14% income tax rate. This rate may be applied to a dividend extending to up to three previous calendar years' average dividend distribution on which income tax has been paid (2018 is the first year included in the calculation).

The maximum income tax liability which would accompany the distribution of Company's retained earnings is disclosed in Note 9 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, IutePay S.H.P.K, IuteCredit Macedonia DOOEL-Skopje, MKD IuteCredit BH d.o.o. Sarajevo, IutePay Bulgaria EOOD, IuteCredit Bulgaria EOOD, IuteCredit Romania IFNSA IuteCredit Finance S.a.r.l. and BC Energbank S.A. See also Note 21.

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,

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income, expenses, and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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

If the 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 21) 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.

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 22.

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

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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

We believe a great customer experience is built on the foundation of the professional employees. That's why, at Iute, we constantly invest in training and education of our employees, and we recognize the accomplishments in everything they do.

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 22), 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
- 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 2.

The 12mECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Both LTECLs and 12mECLs are calculated on collective basis except for pledged/has collateral loans which are credit impaired, as described below in this section.

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 1) and

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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.

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 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.

Forward looking information

In its ECL models, the Group relies on the following forward-looking information as economic input (Note 1):

- 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.

Fixed assets

Property, plant, and equipment

A tangible asset, excluding buildings, is initially recognised at its cost, which consists of the purchase price (incl. customs duties and other non-refundable taxes) and any directly attributable expenditure on bringing the asset to its operating condition and location. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to operating expenses during the reporting period in which they are incurred.

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

Revaluation of assets stated at revalued amounts is carried out by the management of the Group with sufficient frequency to ensure that the carrying amount of a revalued assets does not differ materially from their fair value.

A revaluation surplus is recognised in other comprehensive income and accumulated in Revaluation reserves in equity. However, to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, the increase is recognised in profit and loss. A revaluation decrease is recognised in the statement of profit or loss, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve. When an asset is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount is adjusted to the revalued amount of the asset. When an asset is sold or reclassified, any revaluation reserve relating to the asset is transferred to retained earnings. The revaluation reserve is used only when the asset is derecognised.

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%
Furniture and equipment	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.

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.

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- 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.

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 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 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 15), but also included in Financial liabilities (see Note 17).

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.

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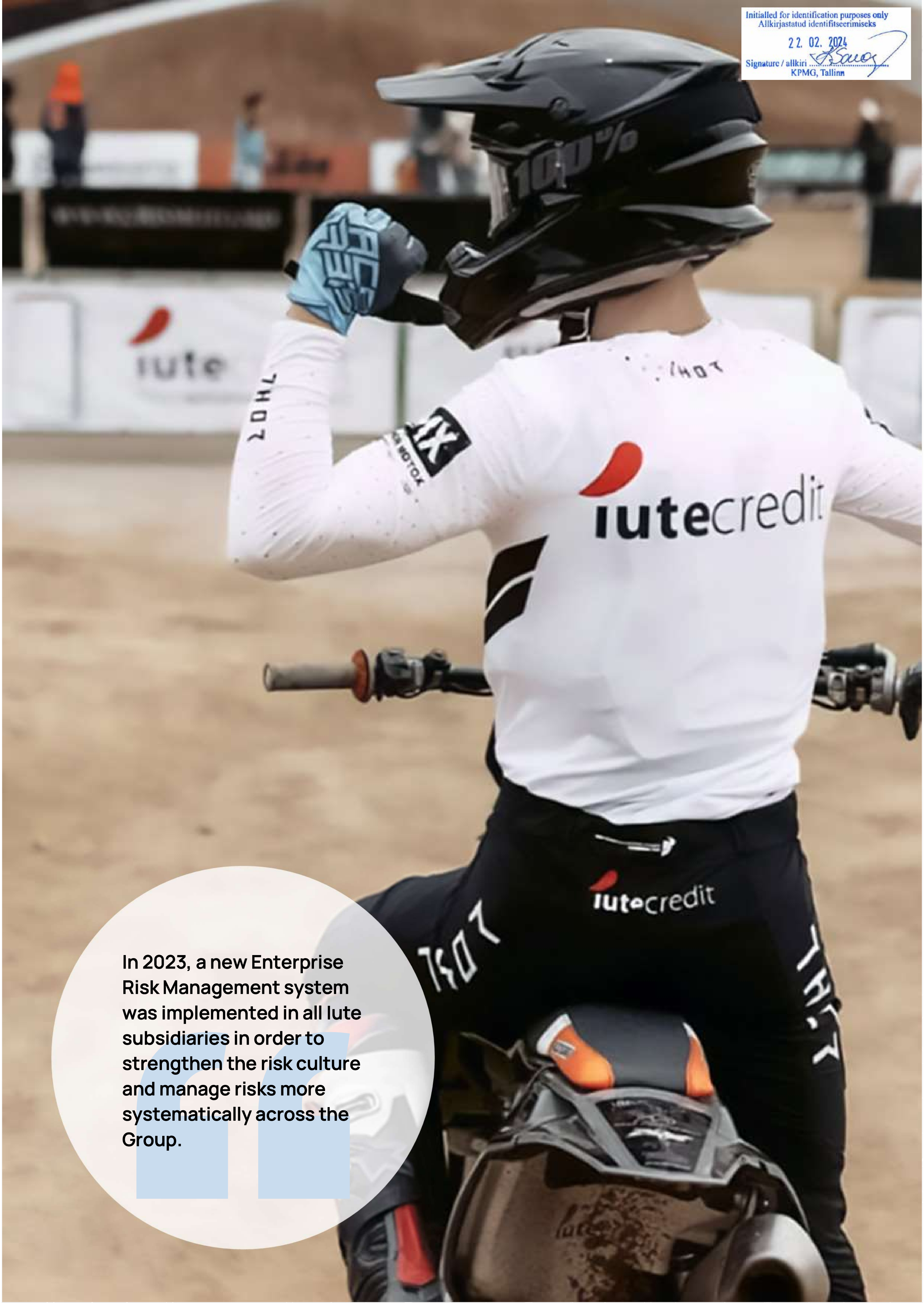

In 2023, a new Enterprise Risk Management system was implemented in all Iute subsidiaries in order to strengthen the risk culture and manage risks more systematically across the Group.

Notes to consolidated financial statements

1 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.

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 8.

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

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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.

Capitalization of intangible asset

For capitalization of expenses in process of developing Group's new core system and other IT systems, which supports and enables the Group`s economic growth and participates in expansion of services provided to existing and potential new customers, certain assumptions are used. Capitalization of salary expenses of IT personnel in the development phase is based on employee time sheets and personnel involved in development dedicate up to 100% of their time on developing new functionality. Therefore, up to 100% of salary expenses of involved personnel are capitalized under intangible assets. External partners services used for developing new software or IT functionality are reviewed and evaluated regularly for applicability to be recognized as an intangible asset. When an asset is ready for its intended use, its useful life is determined and considered whether the asset is impaired (as certain assets will be abandoned soon). In the last case, the value of the asset is reduced accordingly through the impairment of the asset in the statement of comprehensive income.

1,052,000

Total Customer Pool

In 2024, Iute Group's target is to generate revenue of 120,000+ thousand EUR.

The total volume of Iute bonds outstanding is EUR 125 million.

2 Financial risk management

Risk is defined as a potential negative deviation from the expected financial results. The Group encounters several risks in its day-to-day operations from which the main risks are credit risk, market risk, liquidity risk and operational risk.

The risk appetite established by Supervisory Board of the Group defines acceptable risks, their levels and nature and ensures that these risks are consistent with Group`s business model and strategic goals.

The objective of risk management in the Group is to recognise these risks, to measure them appropriately and to manage them. More broadly, the aim of risk management is to optimize Group`s risk/return trade-off and to increase the value of the Group through minimisation of losses and reducing of the volatility of results.

The first principle of Group`s risk management framework is based on a solid risk culture and built on the principles of the three lines of defence. According to this principle, all employees in the Group are responsible for risk management, but each of employee has his certain role and responsibility.

The functions are divided into three lines of defence as follows:

- The first line of defence - the business units are responsible for taking risk and for day-to-day risk management.
- The second line of defence – risk controlling unit is responsible for the ownership continuous review, and implementation of a robust risk management framework
- The third line of defence - the internal audit, exercises independent supervision over the entire Group, including supervision over risk controlling unit.

In the Group, the risk management decisions are made on the following main levels:

1) Supervisory Board
2) Management Board
3) Credit Committee

The second principle of Group`s risk management framework is based on managing risks in a centralised and cohesive structure on the basis of risk management system, which accounts for the possibility of correlation between different business lines and risks.

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.

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. Within credit risk the Group identifies as sub risks concentration risk and country e.g. geographical location risk.

Credit risk arises from cash and cash equivalents, investments into government bonds and securities, but mainly from credit exposures to customers, including outstanding loans, issued guarantees, other receivables, and commitments.

The Group`s maximum exposure to credit risk before collateral held is as follows:

in thousands EUR	**31/12/2023**	**31/12/2022**
Cash and cash equivalents	71,660	65,647
Loans to customers	232,171	193,897
Other assets	8,138	4,114
Other financial investments*	41,105	35,947
SUBTOTAL	**353,074**	**299,605**
Off-balance sheet items	12,243	7,868
TOTAL	**365,317**	**307,473**

* Other financial investments do not include investments to other shares and securities.

See also Notes 10, 11, 12 and 13.

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Credit risk measurement and distribution

Cash and cash equivalents

Management estimates that the credit risk exposure from cash and cash equivalents, held at the central bank and other correspondent banks is inherently low. Therefore, no expected credit loss is accounted for these financial instruments. The Group uses ratings assessed by rating agencies Standard & Poor's, Moody's and Fitch (the weakest rating takes precedence) for counterparties where the Group hold its cash and cash equivalents.

The Group`s cash and cash equivalents held in counterparties are divided per ratings as follows:

in thousands EUR	31/12/2023	31/12/2022
Rating AAA to A	4,485	8,548
Rating BBB to B	67,165	55,583
Without Rating	10	1,516
TOTAL	**71,660**	**65,647**

Loans to customers

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 40,54% 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 10,8% depending on the loan amount, maturity, and status of customer.

Credit risk related to loans granted to customers is the highest risk for the Group. For mitigating the risk, the Group:

- aims to serve only individual 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. For returning customers, Group applies personal credit rating which is based on individual performance data. The personal credit rating is reviewed periodically and adjusted based on individual customer payment behaviour;

- aims to serve corporate customers with high solvency. Credit rating for new applicant is determined based on detailed analysis of all relevant information which is provided by the applicant, and which is available in public databases and registers. The credit rating is reviewed at least annually based on valuation of customer`s solvency for which its` annual financial statements are used.

For pledge secured loans, the pledge is evaluated by the Group during loan origination process and in case of a need, the Group uses external appraisers for valuations. The main pledge types are: mortgage, commercial pledge, goods/products pledge, surety of private person or legal entity, credit insurance.

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:
(i) to determine the competence of Subsidiary Credit Committee;
(ii) to determine loan parameters;
(iii) to determine loan application checking and approval procedure;
(iv) to determine 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

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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.

Subsequently, the Group classifies its customers to following credit risk stages:
- Stage 1 – all non-defaulted loans with DPD<=30 (DPD - Days Past Due), credit risk has not significantly increased
- Stage 2 – all non-defaulted loans with 30<DPD<=50, credit risk has increased
- Stage 3 – all defaulted loans (DPD>50), credit risk has significantly increased.

The main indicator for credit risk stage determination is the number of days in default (quantitative criteria). Additional qualitative criteria which may cause customer classification to higher group are
- there are indications, of unlikeliness to pay which show that the customer is in significant financial difficulty and the Group will need to realize the collateral (if any is held);
- due to financial difficulties of the customer, the loan is restructured;
- agreement has been terminated.

Customer reclassification from higher credit risk stage to lower credit risk group is performed in the Group according to following principles:
- Customer contractual payments are done on time within last three months – customer is reclassified from Stage 2 to Stage 1.
- Customer contractual payments are done on time within last three months – customer is reclassified from Stage 3 to Stage 2.

Our international team spans 13 nationalities across six countries, promoting cultural diversity, creativity, and innovation.

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The following table present a split of Group`s loans to customers per field of activity and credit risk stage (net)

in thousands EUR	Stage 1	Stage 2	Stage 3	Allowances for loan impairment	Total
31/12/2023					
Loans to individuals	187,401	3,210	27,617	-17,397	**200,831**
Loans to legal entities, incl.:	31,247	0	2,475	-2,382	**31,340**
Manufacturing and trade	*11,885*	*0*	*1,655*	*-1,629*	***11,911***
Agriculture and food industry	*2,235*	*0*	*265*	*-216*	***2,284***
Financial non- banking sector	*1,780*	*0*	*0*	*-8*	***1,772***
Construction and land improvements	*11,695*	*0*	*77*	*-91*	***11,681***
Loans to the energy industry	*1,050*	*0*	*0*	*-19*	***1,031***
Loans to service fields	*2,602*	*0*	*407*	*-402*	***2,607***
Other	*0*	*0*	*71*	*-17*	***54***
TOTAL GROSS	**218,648**	**3,210**	**30,092**	**-19,779**	**232,171**
Allowances for loan impairment	-5,279	-560	-13,940		
TOTAL NET	**213,369**	**2,650**	**16,152**		
31/12/2022					
Loans to individuals	157,118	3,134	27,082	-18,651	**168,683**
Loans to legal entities, incl.:	24,792	0	3,365	-2,942	**25,215**
Manufacturing and trade	10,584	0	1,690	-1,273	**11,001**
Agriculture and food industry	2,189	0	734	-519	**2,404**
Financial non- banking sector	2,373	0	234	-235	**2,372**
Construction and land improvements	7,451	0	35	-160	**7,326**
Loans to the energy industry	347	0	0	-241	**106**
Loans to service fields	1,848	0	581	-500	**1,929**
Other	0	0	91	-14	**77**
TOTAL GROSS	**181,910**	**3,134**	**30,447**	**-21,593**	**193,897**
Allowances for loan impairment	-5,247	-733	-15 614		
TOTAL NET	**176,663**	**2,401**	**14,833**		

The following table present a movement of Group`s loans to customers (gross) between credit risk stages

in thousands EUR		Stage 1	Stage 2	Stage 3
	2023			
Transfer from stage 1 to stage 2		-71,522	71,522	
Transfer from stage 1 to stage 3		-4	0	4
Transfer from stage 2 to stage 1		16,403	-16,403	0
Transfer from stage 2 to stage 3		0	-26,077	26,077
Transfer from stage 3 to stage 2		0	0	0
Transfer from stage 3 to stage 1		0	0	0
	TOTAL	**-55,123**	**29,042**	**26,081**
	2022			
Transfer from stage 1 to stage 2		-42,289	42,289	0
Transfer from stage 1 to stage 3		-21	0	21
Transfer from stage 2 to stage 1		9,332	-9,332	
Transfer from stage 2 to stage 3		0	-21,525	21,525
Transfer from stage 3 to stage 2		0	0	0
Transfer from stage 3 to stage 1		0	0	0
	TOTAL	**-32,978**	**11,432**	**21,546**

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The following table present a split of Group`s loans to customers per pledge (net)

in thousands EUR	Real estate pledge	Commercial pledge	Pledge of goods	Guarantee from individual or legal entity	Loan with pledge total	Loans without pledge	TOTAL
31/12/2023							
Loans to individuals	10,689	1,657	0	2,642	**14,988**	185,842	**200,830**
Loans to legal entities, incl.:	6,077	7,792	2,117	3,291	**19,277**	12,064	**31,341**
Manufacturing and trade	*4,035*	*3,425*	*2,097*	*1,953*	***11,509***	*402*	***11,911***
Agriculture and food industry	*727*	*1,351*	*0*	*206*	***2,284***	*0*	***2,284***
Financial non- banking sector	*46*	*1,120*	*0*	*606*	***1,772***	*0*	***1,772***
Construction and land improvements	*0*	*0*	*0*	*93*	***93***	*11,588*	***11,681***
Loans to the energy industry		*1,031*	*0*	*0*	***1,031***	*0*	***1,031***
Loans to service fields	*1,269*	*865*	*20*	*433*	***2,587***	*20*	***2,607***
Other	*0*	*0*	*0*	*0*	***0***	*54*	***54***
TOTAL	**16,766**	**9,449**	**2,117**	**5,933**	**34,265**	**197,906**	**232,171**
31/12/2022							
Loans to individuals	6,753	966	0	1,782	**9,501**	159,182	**168,683**
Loans to legal entities, incl.:	7,063	5,585	2,526	2,638	**17,812**	7,404	**25,216**
Manufacturing and trade	*4,421*	*2,275*	*2,526*	*1,331*	***10,553***	*448*	***11,001***
Agriculture and food industry	*1,105*	*1,097*	*0*	*203*	***2,404***	*0*	***2,404***
Financial non- banking sector	*235*	*1,342*	*0*	*794*	***2,372***	*0*	***2,372***
Construction and land improvements	*337*	*0*	*0*	*108*	***444***	*6,882*	***7,326***
Loans to the energy industry	*0*	*106*	*0*	*0*	***106***	*0*	***106***
Loans to service fields	*965*	*762*	*0*	*202*	***1,929***	*0*	***1,929***
Other	*0*	*3*	*0*	*0*	***3***	*74*	***77***
TOTAL	**13,816**	**6,551**	**2,526**	**4,420**	**27,313**	**166,586**	**193,897**

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The following table present quality and value of the pledges of Group`s loans to customers

in thousands EUR	Loans to customers (gross)	Allowances for loan impairment	Loans to customers (net)	Nominal value of the pledge
31/12/2023				
Loans to individuals	16,048	-1,059	14,989	16,827
Loans to legal entities, incl.:	21,550	-2,274	19,276	36,603
Manufacturing and trade	*11,714*	*-206*	*11,509*	*22,493*
Agriculture and food industry	*3,923*	*-1,639*	*2,284*	*5,678*
Financial non- banking sector	*1,781*	*-9*	*1,772*	*2,150*
Construction and land improvements	*94*	*-1*	*93*	*171*
Loans to the energy industry	*1,049*	*-18*	*1,031*	*1,895*
Loans to service fields	*2,989*	*-402*	*2,587*	*4,216*
TOTAL	**37,598**	**-3,333**	**34,265**	**53,430**
31/12/2022				
Loans to individuals	10,798	-1,297	9,501	11,782
Loans to legal entities, incl.:	20,355	-2,542	17,813	34,234
Manufacturing and trade	*10,719*	*-166*	*10,553*	*19,946*
Agriculture and food industry	*4,031*	*-1,627*	*2,404*	*4,391*
Financial non- banking sector	*2,606*	*-235*	*2,371*	*2,458*
Construction and land improvements	*445*	*0*	*445*	*5,319*
Loans to the energy industry	*106*	*0*	*106*	*439*
Loans to service fields	*2,430*	*-500*	*1,929*	*1,669*
Other	*18*	*-14*	*4*	*12*
TOTAL	**31,153**	**-3,839**	**27,313**	**46,016**

In section "General information and summary of material accounting policies" under subsection "Impairment of financial assets" is described in more detail how the impairment analysis is performed and how impairment of financial assets is recognized by the Group.

To ensure an impartial estimation of expected credit losses, three scenarios are used: the baseline scenario, the adverse scenario and the mild scenario. The baseline scenario reflects the most probable outcome. In its expected credit losses models calculation, the Group relies on unemployment rate as economic input for forward looking expected credit loss component calculation.

	2023	2022
Unemployment rate (%) Group weighted average		
Base scenario	7,32	7,40
Negative scenario	9,82	9,90
Positive scenario	4,82	4,90

The Group performs stress tests on annual basis and results are presented to Group`s Supervisory and Management Boards.

The impact of the described stress test to allowance is aggregated in the table below The table includes loans, which have collective allowance.

In thousands EUR	2023	2022
LGD 1% increase	386	370
PD 1% increase	171	354

Loans to customers write-off policy

The Group writes off financial assets, fully 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.

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Restructured loans to customers due to customer financial difficulties.

Restructured loans are such loans, which contractual terms have been changed due to customer financial difficulties to repay the loan. The purpose of the restructuring measure is to enable the customer to make full payments again or to maximize the repayment of outstanding loans. Changes in contractual terms include various forms of concessions such as amortization suspensions, reductions in interest rates to below market rates, forgiveness of all or part of the loan, or issuance of new loans to pay overdue amounts. Depending on when the restructure measures are taken and the severity of the financial difficulties of the customer, the restructured loan could either be treated as a performing restructured loan or a non-performing restructured loan.

The following table present Group`s restructured loans to customers (gross) per credit risk stages

in thousands EUR	**31/12/2023**	**31/12/2022**
Stage 1	0	0
Stage 2	72	55
Stage 3	0	0
TOTAL	**72**	**55**

Other financial investments

Financial assets of the Group are short- and medium-term state securities issued by the Ministry of Finance of the Republic of Moldova and certificates issued by the National Bank of Moldova with an initial maturity of 14 days and prepayments made by the Group. The Group recognizes financial assets at amortized cost.

Expected credit loss of financial assets is determined based on the same principles as for loans to customers.

The following table present the Group`s financial assets and expected credit losses recognized

in thousands EUR	**31/12/2023**	**31/12/2022**
State securities of Republic of Moldova	35,782	32,144
incl. maturity within 1 year	31,015	26,988
incl. maturity within 1 to 5 years	4,767	5,156
Expected credit loss of state securities of Republic of Moldova	-329	-2,187
Certificates issued by National Bank of Moldova	5,683	4,907
Expected credit loss of state certificates issued by National Bank of Moldova	-230	-182
Deposits	200	1,266
At the end of the year	**41,105**	**35,947**

Other assets

The Group accounts as other assets receivables from collection companies, deposits paid, and services provided to other counterparties which are not related to ordinary course of business. The expected credit loss is based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate. The expected credit loss from other assets is considered to be immaterial and no allowance has been recognized for these assets in the statement of financial position as at 31 December 2023.

Credit risk position related to off-balance sheet items

Group`s subsidiary EB 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 EB because of a customer's default on a guarantee these instruments also present a certain degree of liquidity risk to EB. Guarantees are initially recognised at their fair value, which is normally evidenced by the amount of fees received. This amount is amortised on a straight-line basis over the life of the financial guarantee. At the end of each reporting period, the financial guarantees are measured at the higher of (i) the amount of the loss allowance for the guaranteed exposure determined based on the expected credit loss model and (ii) the remaining unamortised balance of the amount at initial recognition.

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Financing commitments represent EB 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. Such commitments are initially recognised at their fair value, which is normally evidenced by the amount of fees received. At the end of each reporting period, the commitments are measured at (i) the remaining unamortised balance of the amount at initial recognition, plus (ii) the amount of the loss allowance determined based on the expected credit loss model.

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 2023, the Group had only small and medium loans to individuals.

The loans granted to 20 major customers of the Group as at 31 December 2023 amounted to 13,440 thousand EUR (31 December 2022: 11,373 thousand EUR) representing 5,3% (31 December 2022: 5,3%) of Group's gross loan portfolio.

These are analysed by industries as follows:

in thousands EUR	**31/12/2023**	**31/12/2022**
Manufacturing and trade	5,831	5,622
Agriculture	3,083	1,223
Financial non- banking sector	1,874	2,121
Service field	1,559	992
Loans to the energy industry	739	1,143
Other	354	272
At the end of the year	**13,440**	**11,373**

Geographical location risk

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

The invasion has not had any significant negative impact on Group`s business operations in 2022 and 2023. The Group`s management has assessed the possible negative impact on the loan portfolio outstanding as at 31 December 2023 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 dependant 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 31/12/2023**	**Total liabilities 31/12/2023**
Moldova	223,213	143,064
Albania	79,380	31,881
North-Macedonia	34,187	12,325
Bosnia & Herzegovina	1,565	330
EU member countries	33,754	123,931
USA	1,905	64
Other countries	415	386
TOTAL	**374,419**	**311,981**

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**

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Liquidity risk

Liquidity risk is the risk that the Group will be unable to fulfil its obligations in a timely manner or to the full extent without incurring significant costs.

The level of risk acceptable for achieving the strategic goals of the Group (risk appetite) is decided by the Supervisory Board of the Group, while the Management Board of the Group is responsible for the implementation of the risk policy and risk appetite established by the Council. The Group`s finance department has the overall responsibility to centrally manage the Group's liquidity. The main goal of the Group is to ensure sufficient and stable financing of core business activities with the help of own equity sources and raised funds.

Liquidity risk is measured both at the Group level and at the Group's subsidiaries level, using several methods and metrics both in normal market conditions and in the event of a liquidity crisis. One of the main goals of liquidity risk measurement is to find out the possible liquidity deficit in terms of different maturity dates. At the level of the Group's subsidiaries, a cash flow forecast covering the following 30-day period is prepared weekly to ensure that the subsidiary has sufficient assets to cover its liabilities for the following 30 days. At the Group level, liquidity risk is measured at least once a quarter for the following 12-month period, to identify possible periods when the Group's liabilities may exceed the Group's assets and whether the Group needs additional external financing to cover its liabilities.

Due to stricter regulation applicable to the Group`s subsidiary EB, 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. EB 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

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

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The following table present Group`s financial assets and liabilities by contractual maturities undiscounted

in thousands EUR		Up to 1 year	1 to 5 years	over 5 years	Total	Carrying amount
Cash and cash equivalents, maturity *	31/12/2023	59,251	0	0	**59,251**	**59,251**
	31/12/2022	52,566	0	0	**52,566**	**52,566**
Loans to customers, maturity	31/12/2023	136,666	116,596	9,013	**262,275**	**232,171**
	31/12/2022	128,301	101,761	4,692	**234,754**	**193,897**
Other financial investments, maturity	31/12/2023	40,010	3,189	0	**43,199**	**41,993**
	31/12/2022	38,631	1,266	0	**39,897**	**35,856**
Other assets, maturity**	31/12/2023	6,653	0	0	**6,653**	**6,653**
	31/12/2022	2,219	0	0	**2,219**	**2,219**
Loans and bonds from investors, maturity	31/12/2023	23,591	207,338	239	**231,168**	**180,091**
	31/12/2022	59,296	136,566	1,657	**197,519**	**160,062**
Deposits from customers, maturity	31/12/2023	100,411	8,284	5,466	**114,161**	**107,260**
	31/12/2022	80,949	6,605	223	**87,777**	**85,814**
Other liabilities, maturity***	31/12/2023	18,800	0	0	**18,800**	**18,800**
	31/12/2022	15,189	0	0	**15,189**	**15,189**
Lease liabilities, maturity	31/12/2023	776	911	0	**1,687**	**1,687**
	31/12/2022	908	1,269	0	**2,177**	**2,177**
Guarantees, maturity	31/12/2023	2,090	2,103	0	**4,193**	**0**
	31/12/2022	993	2,159	0	**3,152**	**0**
Financing commitments, maturity	31/12/2023	3,050	4,941	59	**8,050**	**0**
	31/12/2022	2,585	2,119	12	**4,716**	**0**
Liquidity gap	**31/12/2023**	**93,862**	**-103,792**	**3,249**	**-6,681**	
	31/12/2022	**61,797**	**-45,691**	**2,800**	**18,906**	

* Cash and cash equivalents do not include the liquidity and statutory reserves of the subsidiary EB.

** Other assets do not include prepayments and deferred tax assets.

*** Deferred income tax liabilities are not included in other liabilities.

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In the case of assets and liabilities with a floating interest rate, the interest rate on the reporting date is taken into account, and the cash flows calculated for them may change in the future because the floating interest rate changes. The group's management estimates that the change in the floating interest rate does not require a significantly earlier term of cash flows than that reflected in the table above. Also, changes in the interest rate do not cause a violation of the financial conditions set for the bonds issued by the Group, which could cause an earlier deadline for the redemption of the bonds.

The management of the Group considers the risk of realization of negative liquidity in period 1 to 5 years to be low. The Group monitors own liquidity on ongoing basis and with the focus on maintaining short-term positive liquidity.

Market risk

Market risk is the risk of loss resulting from unfavourable changes, correlations or volatility in market prices and rates (including changes in interest rates, foreign exchange rates and changes in products prices). Within market risk the Group has identified currency risk (foreign exchange risk) and interest rate risk.

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.

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.

In order to measure and evaluate the currency risk, the Group uses monitoring of the open net foreign currency position and sensitivity analysis, which evaluates the impact of changes in exchange rates. The tested scenario is a simultaneous 10% adverse change in all major currencies in which the foreign currency position is open.

In 2023 and 2022, the group has not used hedging instruments to hedge currency risk.

Open currency exposures

The following table 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.

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31/12/2023 *in thousands EUR*	Notes	EUR	MDL	ALL	MKD	BGN	BAM	USD	Other	Total
Assets bearing currency risk										
Cash and cash equivalents	10	22,356	35,552	2,927	2,880	473	546	6,738	188	71,660
Loans to customers	8,11	4,750	112,743	72,489	30,187	9,006	824	2,172	0	232,171
Prepayments	12	322	668	110	0	727	7	0	0	1,835
Other assets	12	4,542	1,069	1,244	942	1	0	72	268	8,138
Other financial investments	13	624	40,905	72	0	0	128	0	0	41,730
Total assets bearing currency risk		**32,594**	**190,938**	**76,843**	**34,009**	**10,208**	**1,505**	**8,982**	**455**	**355,534**
Liabilities bearing currency risk										
Loans and bonds from investors	17	119,074	29,190	24,408	11,246	0	0	0	0	183,919
Deposits from customers	17	21,962	77,019	0	0	0	0	8,157	122	107,260
Lease liabilities	17	64	461	849	67	242	5	0	0	1,687
Current income tax liabilities	18	0	51	629	0	0	0	0	0	679
Other tax liabilities	18	249	427	237	12	47	51	0	0	1,022
Other liabilities	18	4,709	6,270	4,382	1,001	415	275	0	267	17,318
Total liabilities bearing currency risk		**146,058**	**113,419**	**30,504**	**12,325**	**703**	**330**	**8,157**	**388**	**311,885**
Open foreign currency position		-113,464	77,519	46,339	21,684	9,505	1 174	825	67	43,649

31/12/2022 *in thousands EUR*	Notes	EUR	MDL	ALL	MKD	BGN	BAM	USD	Other	Total
Assets bearing currency risk										
Cash and cash equivalents	10	21,818	29,385	3,747	719	683	178	8,722	396	65,647
Loans to customers	8,11	7,502	91,271	56,552	27,552	4,668	4,317	2,036	0	193,897
Prepayments	12	369	517	476	0	520	13	0	0	1,896
Other assets	12	706	1,130	1,311	919	1	0	46	0	4,114
Other financial investments	13	2,622	34,762	919	0	0	128	219	0	38,650
Total assets bearing currency risk		**33,017**	**157,066**	**63,005**	**29,190**	**5,872**	**4,636**	**11,023**	**396**	**304,204**
Liabilities bearing currency risk										
Loans and bonds from investors	17	140,772	9,742	11,735	108	0	0	2,746	0	165,103
Deposits from customers	17	17,555	58,556	0	0	0	0	9,381	322	85,814
Lease liabilities	17	2,177	0	0	0	0	0	0	0	2,177
Current income tax liabilities	18	0	172	0	0	0	0	0	0	172
Other tax liabilities	18	184	394	249	0	24	51	0	0	902
Other liabilities	18	1 113	4,123	3,096	1,229	185	1,345	684	8	11,783
Total liabilities bearing currency risk		**161,802**	**72,987**	**15,080**	**1,336**	**209**	**1,395**	**12,812**	**330**	**265,952**
Open foreign currency position		-128,875	84,078	47,925	27,853	5,663	3,241	-1 789	65	38,252

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

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Exchange rate volatility

The following table demonstrates the sensitivity to a reasonably possible change in the USD and EUR, MDL and EUR, ALL and EUR and MKD 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 unfavourable changes by -5% during reporting period. The current sensitivity analysis does not include the effect of the exchange rates of BGN and BAM, as for these currencies, the exchange rate for 1 EUR in 2023 and 2022 has been fixed, i.e. 1EUR =1,9558 BGN/BAM.

	31/12/2023	31/12/2022
MDL exchange rate		
Open position (in thousands EUR)	77,519	84,078
Change in foreign currency rate	-5%	-5%
Effect on profit before tax (in thousands EUR)	-3,876	-4,204
USD exchange rate		
Open position (in thousands EUR)	825	-1,789
Change in foreign currency rate	-5%	-5%
Effect on profit before tax (in thousands EUR)	-41	-89
ALL exchange rate		
Open position (in thousands EUR)	46,339	47,925
Change in foreign currency rate	-5%	-5%
Effect on profit before tax (in thousands EUR)	-2,317	-2,396
MKD exchange rate		
Open position (in thousands EUR)	21,684	27,853
Change in foreign currency rate	-5%	-5%
Effect on profit before tax (in thousands EUR)	-1,084	-1,029

Interest rate risk

Interest rate risk is the current or future risk that an unfavourable change in the interest rates of the Group's assets and liabilities may have a negative impact on the Group's profit and equity.

To ensure low interest rate risk, the Group limits and matches the structure and maturities 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 Group calculates and monitors interest rate risk positions on a monthly basis to ensure the lowest possible interest rate gap between assets with a floating interest rate and liabilities with a floating interest rate. The group has not used hedging instruments in 2023 and 2022 to hedge the interest rate risk.

The table 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.

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31/12/2023 *in thousands EUR*	Total*	Maturity within 1 year	Maturity 1-5 years	Maturity over 5 years	Interest accrued	Provisions
Assets bearing fixed interest rate risk						
Cash and cash equivalents	0	0	0	0	0	0
Loans to customer	186,238	96,484	87,045	2,709	18,947	-16,776
Other financial investments	36,898	36,898	0	0	0	-197
Assets bearing fixed interest rate risk total	**223,136**	**133,382**	**87,045**	**2,709**	**18,947**	**-16,973**
Liabilities bearing fixed interest rate risk						
Loans and bonds from investors	176,381	15,965	159,779	637	3 ,776	0
Deposits from customers	0	0	0	0	0	0
Lease liabilities	1,687	776	911	0	0	0
Liabilities bearing fixed interest rate risk, total	**178,068**	**16,741**	**160,690**	**637**	**3,776**	**0**
Interest gap	**45,068**	**116,640**	**-73,645**	**2 073**		
Assets bearing floating interest rate risk						
Cash and cash equivalents	42,295	42,295	0	0	70	-37
Loans to customer	43,534	43,534	0	0	216	-453
Other financial investments	5,128	5,128	0	0	95	-33
Assets bearing floating interest rate risk total	**90,957**	**90,957**	**0**	**0**	**380**	**-522**
Liabilities bearing floating interest rate risk						
Loans and bonds from investors	3,710	3,710	0	0	52	0
Deposits from customers	65,237	65,237	0	0	96	0
Lease liabilities	0	0	0	0	0	0
Liabilities bearing floating interest rate risk, total	**68,947**	**68,947**	**0**	**0**	**148**	**0**
Interest gap	**22,010**	**22,010**				

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31/12/2022 *in thousands EUR*	Total*	Maturity within 1 year	Maturity 1-5 years	Maturity over 5 years	Interest accrued	Provisions
Assets bearing fixed interest rate risk						
Cash and cash equivalents	0	0	0	0	0	0
Loans to customer	150,361	63,355	82,302	4 ,704	17,183	-20,896
Other financial investments	31,375	24,404	6,971	0	0	-153
Assets bearing fixed interest rate risk total	**181,736**	**87,759**	**89,273**	**4,704**	**17,183**	**-21,050**
Liabilities bearing fixed interest rate risk						
Loans and bonds from investors	156,462	58,446	96,756	1,260	5,041	0
Deposits from customers	39,156	17,893	20,714	550	0	0
Lease liabilities	2,177	908	1,269	0	0	0
Liabilities bearing fixed interest rate risk, total	**197,795**	**77,247**	**118,739**	**1,810**	**5,041**	**0**
Interest gap	**-16,059**	**10,512**	**-29,466**	**2,894**		
Assets bearing floating interest rate risk						
Cash and cash equivalents	39,169	39,169	0	0	296	-82
Loans to customer	47,563	47,563	0	0	200	-696
Other financial investments	5,156	5,156	0	0	92	-29
Assets bearing floating interest rate risk total	**91,887**	**91,887**	**0**	**0**	**588**	**-808**
Liabilities bearing floating interest rate risk						
Loans and bonds from investors	3,601	3,601	0	0	77	0
Deposits from customers	46,658	46,658	0	0	286	0
Lease liabilities	0	0	0	0	0	0
Liabilities bearing floating interest rate risk, total	**50,258**	**50,258**	**0**	**0**	**363**	**0**
Interest gap	**41,629**	**41,629**				

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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 2022 in thousand EUR**	**Effect on profit before tax in 2023 in thousand EUR**	**Effect on profit before tax in 2022 in thousand EUR**	**Effect on profit before tax in 2023 in thousand EUR**
EUR	+/- 100	+/-168	+/-166	+/-105	+/-160
EUR	+/- 300	+/-504	+/-498	+/-314	+/-479
EUR	+/- 500	+/-840	+/-829	+/-523	+/-799
USD	+/- 100	+/-76	+/-71	+/-44	+/-47
USD	+/- 300	+/-227	+/-213	+/-131	+/-149
USD	+/- 500	+/-378	+/-354	+/-218	+/-237
MDL	+/- 100	+/-663	+/-672	+/-347	+/-482
MDL	+/- 300	+/-1,990	+/-2,016	+/-1,041	+/-1,447
MDL	+/- 500	+/-3,317	+/-3,360	+/-1,734	+/-2,411
Total effect on profit before tax +/-100		+/-907	+/-909	+/-496	+/-689
Total effect on profit before tax +/-300		+/-1,719	+/-2,727	+/-1,486	+/-2,075
Total effect on profit before tax +/-500		+/-4,535	+/-4,543	+/-2,475	+/-3,447

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Capital management

The capital management objectives are to ensure that the Group has an optimal structure of assets and liabilities and adequate capital to cover, at all times, all identified material risks and risk-related activities (capital adequacy) and that the Group complies with all capital adequacy requirements.

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 2023. See also Note 17.
- Secure investors' claims in accordance with agreed terms. This objective was met in 2023.

To be compliant with the capital requirements set by regulators as applicable, including the Banking market in which subsidiary EB 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.

Capital adequacy is monitored at the Group level by the Group's finance department on a quarterly basis. In the Group's subsidiaries, the financial departments are responsible for ensuring that the company's equity meets all regulatory requirements and that the Group's capital management objectives are ensured.

The following table present the fulfilment of the Group`s capital management objectives

	31/12/2023	31/12/2022
Cash and cash equivalents as shown in the consolidated statement of financial position except mandatory reserve (in thousands EUR)	59,251	52,566
Total assets as reported in the consolidated statement of financial position (in thousands EUR)	375,799	322,335
Share of free cash in the group's total assets (%)	16%	16%
Equity as shown in the consolidated statement of financial position (in thousands EUR)	63,818	56,096
Loans and advances to customers as shown in the consolidated statement of financial position (in thousands EUR)	232,171	193,897
Capitalization rate (%)	27,5%	28,9%

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

Operational risk

Operational risk is the risk of loss caused by inadequate or failed internal processes or systems, people or external events.

The Group's operational risk is divided into the following sub-risks:

External risk	Internal risk
Damage to physical assets or data	Internal user fraud or incapability
Customer fraud or incapability	System design errors
Anti money laundering (AML) and countering terrorist financing (CTF)	Workplace safety and efficiency
The macroeconomic and legal situation of the Group's countries of operation	

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External risks

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 processed in loan engine system (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.

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

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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.

(viii) 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.

(ix) 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.

(x) 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.

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, function furniture, and optimization of work processes.

In 2023, Iute began rebranding to match its new, wider scope of services that include consumer finance, payment services, banking, insurance, and investments.

3 Interest income

Interest and similar income

in thousands EUR	2023	2022
Interest, commission and administration fees on loans to customers	91,396	78,589
TOTAL	**91,396**	**78,589**

4 Interest expenses

Interest expense

in thousands EUR	2023	2022
Interest on amounts due to creditors	-8,466	-2,393
Interest on amounts due to lease liabilities	-214	-201
Interest on bonds	-16,846	-15,981
Interest on amounts from deposits	-2,668	-1,631
TOTAL	**-28,194**	**-20,207**

5 Other fees and penalties and other income

Other fees and penalties

in thousands EUR	2023	2022
Penalties under loans and delay interests	7,288	8,197
Dealer bonuses	-1,350	-1,674
Resigns under customer loans	446	747
TOTAL	**6,384**	**7,271**

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

Other income

in thousands EUR	2023	2022
Extraordinary income from debt collectors	3,209	3,062
Income from sale of defaulted loan portfolio	1,650	1,270
Income from insurance brokerage	1,748	351
Other	1,913	231
TOTAL	**8,520**	**4,914**

The other income includes also income from related parties. See also Note 23.

6 Personnel expenses

Personnel expenses

in thousands EUR	2023	2022
Salaries and bonuses	-18,423	-14,437
Social security expenses	-3,048	-2,404
Medical insurance expenses	-145	-187
Other expenses	-519	-453
TOTAL	**-22,136**	**-17,481**
Annual average number of employees adjusted to full-time	979	974

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 2023 and 31 December 2022. * See Note 24.

7 Other operating expenses

Other operating expenses *in thousands EUR*	2023	2022 restated*
Advertising expenses	-3,780	-3,787
Office lease expenses	-42	-170
Outsource services	-5,033	-3,993
Repair, maintenance of property and equipment	-526	-371
Utilities	-591	-522
Telecommunication and IT	-3,503	-2,893
Small items of equipment	-200	-258
Transportation	-679	-629
Withheld taxes	-893	-486
Regulatory tax expense	-3,478	-3,159
Other operating expenses	-2,515	-3,288
TOTAL	**-21,239**	**-19,554**

The other operating expenses includes also purchases from related parties. See Note 23.

8 Allowance for impairment of loans to customers

Allowance for impairment of loans to customers

in thousands EUR	2023	2022
At the beginning of the year	**-21,593**	**-14,993**
Arising during the year	-22,308	-19,327
Write-off	23,980	12,726
Exchange differences	143	0
At the end of the year	**-19,779**	**-21,593**

The Group has collected from written-off loans in 2023 3,209 thousand EUR (2022: 3,062 thousand EUR) and received income from sold written – off loans in 2023 1,650 thousand EUR (2022: 1,270 thousand EUR). The respective amounts are recognized as other income. See Note 5.

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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		
12/31/2023	**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	**78,586**	**6,159**	**72,427**	**78,586**	**6,324**	**72,262**	**78,586**	**5,993**	**72,593**
stage 1	66,933	1,700	65,233	66,933	1,840	65,093	66,933	1,560	65,372
stage 2	1,287	202	1,085	1,287	228	1,059	1,287	176	1,110
stage 3	10,367	4,257	6,110	10,367	4,257	6,110	10,367	4,257	6,110
Bosnia	**1,512**	**689**	**824**	**1,512**	**699**	**813**	**1,512**	**678**	**834**
stage 1	1,155	471	684	1,155	479	676	1,155	462	693
stage 2	54	34	21	54	36	19	54	32	22
stage 3	303	184	119	303	184	119	303	184	119
Macedonia	**33,410**	**3,223**	**30,187**	**33,410**	**3,294**	**30,116**	**33,410**	**3,152**	**30,258**
stage 1	27,424	874	26,550	27,424	934	26,490	27,424	813	26,611
stage 2	528	96	432	528	106	422	528	86	442
stage 3	5,459	2,254	3,205	5,459	2,254	3,205	5,459	2,254	3,205
Moldova	**126.524**	**6,794**	**119,729**	**126,524**	**7,089**	**119.435**	**126.524**	**6,503**	**120,021**
stage 1	114.801	1,401	113.400	114.801	1,709	113.092	114.801	1,120	113.681
stage 2	946	89	856	946	76	869	946	79	867
stage 3	10,777	5,304	5,473	10,777	5,304	5.474	10,777	5,304	5,473
Bulgaria	**11,919**	**2,913**	**9,006**	**11,919**	**3,124**	**8,795**	**11,919**	**2,702**	**9,218**
stage 1	8,337	833	7,504	8,337	1,007	7,330	8,337	658	7,679
stage 2	396	139	257	396	176	220	396	102	293
stage 3	3,187	1,941	1,246	3,187	1,941	1,246	3,187	1,941	1,246
Total change (+/-)	**251,951**	**19,779**	**232.173**	**251,951**	**20,141**	**231,421**	**251.951**	**19,028**	**237,521**
Total impact of change in thousands EUR					751	-751		-751	751

See also Note 11.

Credit loss expense 2023	stage 1	stage 2	stage 3	Net impairment charges
Loans to customers	-5,279	-560	-13,940	-19,779
Total	**-5,279**	**-560**	**-13,940**	**-19,779**

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**

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9 Income tax expense

Income tax expense *in thousands EUR*	**2023**	**2022 restated***
Consolidated profit before tax	12,849	18,994
Current income tax expense from foreign jurisdictions	-2,815	-2,186
Change in deferred income tax	222	305
Income tax expense reported in statement of comprehensive income	**-2,593**	**-1,183**

Deferred income tax asset *in thousands EUR*	**2023**	**2022**
At the beginning of the period	**535**	**179**
including on PPE and other tax base differences	-2	0
On tax loss carry-forwards	537	179
Change in deferred income tax asset	204	305
including on PPE and other tax base differences	-48	-2
On tax loss carry-forwards	252	307
Addition from business combination	0	51
At the end of the period	**739**	**535**

Deferred income tax liability *In thousands EUR*	**2023**	**2022**
At the beginning of the period	155	0
Addition from business combination	0	185
Change on deferred income tax liability	64	-30
At the end of the period	219	155

The deferred income tax asset arising from PPE and other tax differences is recognized in subsidiary EB 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 2023, shareholders declared dividends in amount of 8,000 thousand EUR (2022: 0 thousand EUR) and paid dividends in the amount of 3,999 thousand EUR (2022: 0 thousand EUR). As at 31 December 2023 4 001 thousand EUR (31.12.2022: 1 thousand EUR) remained unpaid.

As at 31 December 2023, the Group's retained earnings amounted to 40,621 thousand EUR (31.12.2022: 41,002 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 903 thousand EUR (31.12.2022: 1,821 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 32,469 thousand EUR (31.12.2022: 32,919 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 8,117 thousand EUR (31.12.2022: 7,774 thousand EUR).

*See Note 24.

See also Note 12 and Note 18.

10 Cash & cash equivalents

in thousands EUR		**31/12/ 2023**	**31/12/ 2022**
Cash on hand*		11,550	8,762
Bank accounts*		43,673	39,775
Overnight deposits*		4,029	4,029
Liquidity and mandatory reserve		12,408	13,081
TOTAL		**71,659**	**65,647**
*cash and cash equivalents in the statement of cash flows		59,252	52,566
Due from banks and cash by ECL charges			
	Stage 1	71,659	65,647
	Stage 2	0	0
	Stage 3	0	0

As at 31 December 2023, bank accounts include:

- cash in ATMs in the amount of total 2,573 thousand EUR (31 December 2022: 2,631 thousand EUR);
- in subsidiary EB liquidity and mandatory reserve in the amount of 12,408 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 at 31 December 2023 the rate for calculation of the minimum compulsory reserve in MDL was 33.0% (31 December 2022: 34.0%) in US Dollars (USD) and EURO (EUR) was 43.0% (31 December 2022: 45.0%).

As at 31 December 2023 the balance reserved in the current account held with the NBM amounted to 24,457 thousand EUR (31 December 2022: 21,802 thousand EUR). This balance included mandatory

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reserve on funds attracted in Moldovan Lei and non-convertible currencies. The balance reserved on USD and EUR compulsory reserve accounts amounted to 4 010 thousand USD and 8,802 thousand EUR (31 December 2022: 4,829 thousand USD and 8,541 thousand EUR) respectively.

The interest paid by NBM on the compulsory reserves during 2023 varied between 0.01% and 3,34% annually for reserves in foreign currency and 2,75%-18% for reserves in MDL (2022: 0.01% and 0.01% for reserves in foreign currency and 5.73% - 19.50% annually 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.

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

As at 31 December 2023 and 31 December 2022 overnight deposits balances are denominated in USD with Bank of New York. During 2023 the interest rate on overnight deposits varied around 0.1%-1.3% (2022: 0,1%-1,3%).

11 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.

31/12/2023	Stage 1	Stage 2	Stage 3	Total
According to IFRS 9				
Gross loans to customers	203,450	2,775	26,104	232,329
Accrued interest from loans	15,199	435	3,988	19,621
Allowances for loan impairment	-5,279	-560	-13,940	-19,779
TOTAL	**213,369**	**2,650**	**16,152**	**232,171**
Total share in	92%	1%	7%	100%
Gross NPL ratio			12%	
Impairment coverage ratio			66%	

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 loans to customers	91%	1%	8%	100%
Gross NPL ratio			14%	
Impairment coverage ratio			71%	

Additional information regarding allowances for loan impairment has been disclosed in Note 8.

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 8)/ Gross NPL (stage 3). See also note 2.

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12 Prepayments and other assets

in thousands EUR	31/12/2023	31/12/2022
Deferred tax assets	739	535
Prepayments of rent	88	99
Prepayment of taxes	518	772
Prepayments to suppliers and deferred expenses	490	489
Prepayments in total	**1,835**	**1,896**
Receivables from collection companies	775	1,032
Other receivables	4,906	215
Deposit receivables from partners	2,458	2,867
Other assets in total	**8,138**	**4,114**
TOTAL	**9,973**	**6,010**

Additional information about deferred tax assets movement is disclosed in Note 9.
See also note 23.

13 Other financial investments

in thousands EUR	31/12/2023	31/12/2022
Other shares and securities	624	2,703
Deposit account	200	1,266
State securities and certificates	40,905	34,681
TOTAL	**41,730**	**38,650**

As at 31 December 2023 and 31 December 2022 on the row "Other shares and securities" are recognized investments into unlisted shares in companies IuteCredit Kosovo JSC and Birou de Credit Srl. The fair value of the investments is determined by using discounted cash flow method. See also Note 2.

As at 31 December 2023 a deposit amount 200 thousand EUR (31.12.2022: 1,266 thousand EUR) is set on long-term purposes by the regulatory demand.

State securities as at 31 December 2023 represent short- and medium-term securities issued by the Ministry of Finance of the Republic of Moldova with interest rate ranging from 5,79% to 16,64% annually (2022: 5,65%-22,01% annually). Certificates issued by the National Bank of Moldova as at 31 December 2023 are with an initial maturity of 14 days with an interest rate 4,75% annually (2022: 20% annually). As at 31 December 2023 the Group did not hold any state securities as mortgage.

See also Note 22.

An important part of Iute's contribution to local societies is supporting the health and education of youth.

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14 Property, plant, and equipment

Buildings

in thousands EUR	2023	2022
Acquisition cost		
At the beginning of the year	**4,975**	**0**
Addition from business combination	0	4,881
Additions	10	17
Revaluation	834	0
Disposals and write-offs	-300	-8
Exchange differences	-134	84
At the end of the year	**5,384**	**4,975**
Amortisation and impairment		
At the beginning of the year	**-250**	**0**
Amortisation charge for the year	-91	-83
Disposals and write-offs	363	8
Exchange differences	-30	-175
At the end of the year	**-9**	**-250**
Net book value at 31.12.	**5,376**	**4,725**

In 2023, additions represent value increase in building value in amount of 834 thousand EUR due to revaluation, acquisition of one additional property 10 thousand EUR and disposals represent sale of one property. The Group`s management used external appraiser for buildings valuation. External appraiser determined the market value for buildings by using comparison method.

The book value of the buildings as at 31.12.2023 would be, if they would be accounted at cost less accumulated depreciation, 4,592 thousand EUR (31.12.2022: 4,696 thousand EUR).

Land

in thousands EUR	2023	2022
Acquisition cost		
At the beginning of the year	**421**	**0**
Addition from business combination	0	434
Disposals and write-offs	-8	0
Exchange differences	22	-12
At the end of the year	**436**	**421**

Furniture and equipment

in thousands EUR	2023	2022
Acquisition cost		
At the beginning of the year	**3,364**	**2,020**
Addition from business combination	0	822
Additions	338	582
Disposals and write-offs	-218	-137
Exchange differences	162	77
At the end of the year	**3,647**	**3,364**
Depreciation and impairment		
At the beginning of the year	**-1,525**	**-945**
Depreciation charge for the year	-643	-709
Disposals and write-offs	191	130
Exchange differences	-151	0
At the end of the year	**-2,128**	**-1,524**
Net book value at 31.12.	**1,519**	**1,840**

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15 Right-of-use-assets and lease liabilities

Right-of-use assets (offices) *in thousands EUR*	**2023**	**2022**
Acquisition cost		
At the beginning of the year	**4,757**	**3,883**
Addition from business combination	0	261
Additions	869	1,371
Disposals and write-offs	-1,211	-883
Exchange rate differences	-226	125
At the end of the year	**4,190**	**4,757**
Depreciation		
At the beginning of the year	**-2,682**	**-2,297**
Depreciation charge for the year	-1,116	-1,007
Disposals and write-offs	827	767
Exchange rate differences	363	-145
At the end of the year	**-2,608**	**-2,682**
Net book value 01.01.	**2,075**	**1,586**
Net book value 31.12.	**1,582**	**2,075**

Lease liabilities (office rent) *in thousands EUR*	**2023**	**2022**
Short-term		
At the beginning of the year	**908**	**831**
Addition from business combination	0	63
Additions	869	138
Accretion of interest	214	201
Repayments	-1,337	-1,234
Reclassifications and periodization	353	908
At the end of the year	**1,007**	**908**
Long-term		
At the beginning of the year	**1,269**	**934**
Addition from business combination	0	199
Addition from new agreements	517	1,339
Reclassifications and periodization	-1,106	-1,204
At the end of the year	**680**	**1,269**
Lease liabilities in total 01.01.	**2,177**	**1,765**
Lease liabilities in total 31.12.	**1,687**	**2,177**

Recognised in profit or loss *in thousands EUR*	**2023**	**2022**
Depreciation expense of right-of-use assets	-1,116	-1,007
Interest expense on lease liabilities	-214	-201
Expense relating to leases of short-term leases	-42	-170
Total amount recognised in profit or loss	**-1,372**	**-1,378**

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 2. Maximum lease term is estimated as 60 months.

16 Intangible assets

Computer software

in thousands EUR	**2023**	**2022**
Acquisition cost		
At the beginning of the year	**10,168**	**7,799**
Addition from business combination	0	530
Additions	139	240
Additions-internally developed	4,054	7,071
Work in progress	3,968	4,518
Reclassification from work in progress to additions internally developed	-4,054	-7,071
Disposals and write-offs	-2	-2,920
Exchange differences	-132	0
At the end of the year	**14,141**	**10,168**
Amortisation and impairment		
At the beginning of the year	**-1,256**	**-1,860**
Amortisation charge for the year	-198	-239
Amortisation charge for the year of internally developed asset	-1,633	-2,077
Disposals and write-offs	11	2,920
Exchange differences	-144	0
At the end of the year	**-3,219**	**-1,256**
Net book value at 31.12.	**10,921**	**8,912**

The total net book value of internally developed intangible asset is 9,204 thousand EUR as at 31 December 2023 (31.12.2022: 6,882 thousand EUR).

In 2023, 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 2023, the second stage of development works was finalized and as a result, the development costs in the amount 4 054 thousand EUR were recognized as intangible assets. In 2023, the total development costs amounted to 3,968 thousand EUR (31.12.2022: 4,518 thousand EUR) out of which 2,926 thousand EUR were recognized as intangible assets. As at 31 December 2023, work in progress amount to 1,043 thousand EUR (31.12.2022:1,128 thousand EUR). The next stage of development works is planned to be finalized in financial year 2024.

17 Financial liabilities

in thousands EUR	**31/12/2023**	**Up to 1 year**	**Maturity 1 to 5 years**	**over 5 years**	**Currency**	**Interest**
Loans from investors and banks	**64,929**	17,993	46,936	0	EUR, MDL, USD, ALL, MKD	1-20%
Loans from government	**3,710**	61	3,012	637	EUR, MDL, USD	0,6%-13,6%
Deposits from customers	**107,260**	79,133	28,127	0	EUR, MDL, USD, RON, RUB,GBP, CAD	0,1%-5,5%
Overdraft	**1,621**	1,621	0	0	MDL	3-14%
Lease liabilities (IFRS 16)	**1,687**	776	911	0	EUR, MLD, ALL, MKD, BAM, BGN	8%-12%
Eurobonds	**109,831**	0	109,831	0	EUR	11%
Accrued interest	**3,924**	3,924	0	0	EUR, MDL, USD, ALL, MKD	
TOTAL	**292,962**	**103,507**	**188,817**	**637**		

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%-12,6%
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	8%-13%
Convertible bonds	**28**	28	0	0	EUR	5%
Eurobonds	**123,601**	48,631	74,970	0	EUR	11%-13%
Accrued interest	**5,327**	5,327	0	0	EUR, MDL, USD, ALL, MKD	
TOTAL	**253,381**	**132,833**	**118,739**	**1,810**		

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As at 31 December 2023 and 31 December 2022 the overdraft balance includes the credit line opened in Moldova. The overdraft is guaranteed with the liquid assets of the subsidiary.

As at 31 December 2023 the loans from investors and banks are secured with pledges by the Group in amount 79 059 thousand EUR (31.12.2022: 25 300 thousand EUR). The pledges consist of the Group`s subsidiaries ICM, ICA, ICMK and ICBG liquid assets.

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

In financial years 2019-2020 the Group`s subsidiary ICF issued bonds (ISIN: XS2033386603) in the value 50 000 thousand EUR which were listed at Frankfurt Stock Exchange. Bonds carried fixed coupon rate 13% and bonds` redemption date was 07 August 2023. Interest was payable semi-annually on 7th of February and 7th of August of each year. Interest will accrue from the issue date by actual days.

In financial year 2021 the Group`s subsidiary ICF issued bonds (ISIN: XS2378483494) in the value 75 000 thousand EUR which 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.

In financial year 2023, the Group`s subsidiary ICF carried out refinancing of bonds (ISIN: XS2033386603) issued in financial years 2019-2020. During refinancing, an exchange of the bonds to bonds (ISIN: XS2378483494) was offered. As a result, the bonds (ISIN: XS2033386603) were refinanced in amount total 30,584 thousand EUR. Bonds not refinanced in amount of total 19,416 thousand EUR were redeemed 07 August 2023.

In financial year 2023, the Group`s subsidiary issued bonds ((ISIN: XS2378483494) in the amount of total 23, 946 thousand EUR.

As at 31 December 2023, the Group`s subsidiary ICF has issued bonds in total in amount of 125,000 thousand EUR (31.12.2022: 125,000 thousand EUR).

The obligations of the issuer are guaranteed and pledged on a senior secured basis by Iute Group AS, the holding company of the group, and its subsidiaries taking into consideration all present and future receivables and bank accounts. See also Note 22.

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:

	31/12/2023	31/12/2022
Capitalization		
Equity/Net finance loans and advances to customers	27.5%	28.9%

	2023	2022
Profitability		
Interest coverage ratio (ICR) - EBITDA/interest expenses	1.7	1.7

As at 31 December 2023 and 31 December 2022, 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).

The table on next page shows a reconciliation of movements of financial liabilities to cash flows arising from financing activities:

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in thousands EUR	Loans from investors and banks	Loans from government	Over-draft	Lease liabilities	Convertible bonds	Euro-bonds	Share capital/ premium	Retained earnings	Total
Balance 01/01/2023	**31,216**	**2,341**	**519**	**2,177**	**29**	**123,601**	**10,000**	**41,002**	**210,884**
Changes from financing cash flows									
Loans received from investors	69,630	3,246	0	0	0	7,131	0	0	80,006
Repaid loans to investors	-35,130	-1,922	0	0	-29	-25,560	0	0	-62,642
Principal payments of lease contracts	0	0	0	-1,337	0	0	0	0	-1,337
Issue of ordinary shares	0	0	0	0	0	0	1,041	0	1,041
Dividends paid	0	0	0	0	0	0	0	-3,999	-3,999
Total changes from financing cash flows	**34,500**	**1,324**	**0**	**-1,337**	**-29**	**-18,429**	**1,041**	**-3,999**	**13,069**
Other changes									
Liability-related									
Overdraft received	0	0	1,985	0	0	0	0	0	1,985
Overdraft repaid	0	0	-883	0	0	0	0	0	-883
New leases	0	0	0	789	0	0	0	0	789
Interest expenses	8,093	240	134	214	0	16,846	0	0	25,527
Change in EIR	0	0	0	0	0	2,563	0	0	2,563
Paid interests	-8,880	-195	-134	-156	0	-14,750	0	0	-24,116
Total liability related other changes	**-787**	**45**	**1,102**	**847**	**0**	**4,659**	**0**	**0**	**5,865**
Other equity related changes	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**3,618**	**3,618**
Balance 31/12/2023	**64,929**	**3,710**	**1,621**	**1,687**	**0**	**109,831**	**11,041**	**40,621**	**233,436**

in thousands EUR	Loans from investors and banks	Loans from government	Over-draft	Lease liabilities	Convertible bonds	Euro-bonds	Share capital/ premium	Retained earnings	Total
Balance 01/01/2022	**8,611**	**0**	**1,676**	**1,765**	**29**	**118,938**	**0**	**0**	**131,018**
Changes from financing cash flows									
Loans received from investors	28,457	1,157	0	0	0	3,978	0	0	33,592
Repaid loans to investors	-8,735	-1,793	0	0	0	0	0	0	-10,528
Principal payments of lease contracts	0	0	0	-1,154	0	0	0	0	-1,154
Total changes from financing cash flows	**19,722**	**-636**	**0**	**-1,154**	**0**	**3,978**	**0**	**0**	**21,910**
Changes from obtaining control of subsidiaries	**0**	**2,977**	**0**	**238**	**0**	**0**	**0**	**0**	**3,215**
Other changes									
Liability-related									
Overdraft received	0	0	115	0	0	0		0	115
Overdraft repaid	0	0	-1,272	0	0	0		0	-1,272
New leases	0	0	0	1,328	0	0			1,328
Interest expenses	5,929	272	156	201	0	14,750		0	21,308
Change in EIR	0	0	0	0	0	685		0	685
Paid interests	-3,046	-272	-156	-201	0	-14,750		0	-18,425
Total liability related other changes	**2,883**	**0**	**-1,157**	**1,328**	**0**	**685**	**0**	**0**	**3,739**
Balance 31/12/2022	**31,216**	**2,341**	**519**	**2,177**	**29**	**123,601**	**0**	**0**	**159,882**

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18 Other liabilities and tax liabilities

In thousands EUR	31/12/2023	31/12/2022 restated*
Trade payables	1,855	1,536
Payables to employees	942	582
Corporate Income Tax payables	679	870
Other Tax payables	1,022	1,536
Unpaid dividends	4,001	0
Allocations and other provisions	4,351	3,391
Deferred revenue	3,005	3,642
Other liabilities	3,165	3,788
TOTAL	**19,020**	**15,346**

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

"Other liabilities" consist of payment transactions in transit, customer over-/wrong payments, liabilities related to dealer loans and loans not paid out to customers.

"Other tax payables" includes as at 31 December 2023 also deferred tax liabilities in the amount of 219 thousand EUR (31 December 2022: 155 thousand EUR). See also Note 9.

* See Note 24.

19 Guarantees and other financial commitments

The aggregate amounts of outstanding guarantees, commitments, and other off-balance sheet items of the Group are:

Guarantees and other financial commitments

In thousands EUR	31/12/2023	31/12/2022
Guarantees	4,193	3,152
Financing commitments and other	8,050	4,716

Group`s subsidiary EB, 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 EB.

Financing commitments represent EB 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 EB had ten ongoing litigations between former shareholders of EB and EB 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. In financial year 2023 all these 10 litigations were solved in favour of EB and none of these litigations is outstanding as at 31 December 2023. As at 31 December 2023 the Group does not have any other ongoing disputes or raised claims against the Group which would have material impact on Group`s financial position and business operations.

20 Share capital

In EUR	31/12/2023	31/12/2022
Share capital	10,346,100	10,000,000
Number of shares	10,346,100	10,000,000
Nominal value of share	1.00	1.00

In financial year 2023, AS Iute Group issued new 346 100 shares with nominal value 1 EUR per share. The sale price of one share was 3,14 EUR. As a result of issued new shares, AS Iute Group recognized share premium in amount of total 741 thousand EUR.

All shares are fully paid as at 31 December 2023 and 31 December 2022. 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.

21 Investments in subsidiaries

Subsidiary	Country	Acquisition date	31/12/2023	31/12/2022
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	10/02/2022	95%	95%
IuteCredit Romania IFN SA	Romania	28/08/2023	100%	0%

Bulgaria

Moldova

Albania

North Macedonia

Estonia

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Investments to subsidiaries in unconsolidated statements composed using equity method:

Investment in subsidiaries

in thousands EUR	31/12/2022	Dividends received	Contribution to share capital	Acquisition	Profit/loss using equity method	31/12/2023
ICM	26,954	0	0	0	1,871	28,825
EB	35,835	0	0	0	3,444	39,279
ICA	15,127	-903	0	0	7,612	21,836
IPA	564	0	0	0	704	1,268
ICMK	3,864	0	450	0	-661	3,653
IPBG	0	0	205	0	42	247
ICBG	325	0	3,579	0	-2,243	1,661
ICBH	657	0	562	0	-1,069	150
ICF	8	0	0	0	-8	0
ICRO	0	0	202	0	-1	201
Investments in subsidiaries total	**83,335**	**-903**	**4,998**	**0**	**9,691**	**97,121**

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
EB	0	0	0	21,402	14,433	35,835
ICA	12,525	-1,321	0	0	3,923	15,127
IPA	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 total	**40,253**	**-1,821**	**6,801**	**21,402**	**16,699**	**83,335**

*Acquisition of subsidiary EB in 2022

On 14th of February 2022, AS Iute Group acquired 59,71% equity interest in EB by acquiring 1 194 164 shares. Acquisition cost of the shares was 10,108 thousand EUR.

At the date of acquisition, the management of the Group evaluated identifiable net assets to 33 679 thousand EUR from which proportionate interest in identifiable net assets belonging to non-controlling interest amounted to 13,570 thousand EUR.

During period 15 February 2022 – 31 December 2022, AS Iute Group additionally acquired 36.16 % of EB shares through purchased 723 200 shares of EB for 11,321 thousand EUR from minority shareholders.

As a result of additional acquisition, the Group posted directly in equity increase of retained earnings in amount 6,781 thousand EUR as a result of difference between acquired identifiable net assets and price paid for the shares.

As a result, the Group owns 95,87% of EB shares.

See also Note 25.

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22 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 present the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

Prepayments and other assets (Note 12), deposits (Note 12), trade payables and other liabilities (Note 18) are not included in the table below. Their carrying amount is reasonable approximation of fair value.

in thousands EUR	Date of valuation	Note	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total fair value	Total carrying value	Difference
Financial assets at fair value through profit or loss								
Other shares and securities	31/12/2023	13	0	0	624	**624**	624	0
Total financial assets at fair value through profit or loss			**0**	**0**	**624**	**624**	**624**	**0**
Financial assets at amortized cost								
Due from banks and credit institutions	31/12/2023	10	0	54,466	17,194	**71,660**	71,660	0
Loans and interest receivables to customers	31/12/2023	11	0	0	306,469	**306,469**	232,171	74,298
State securities and certificates	31/12/2023	13	41,818	0	0	**41,818**	40,905	913
Total financial assets at amortized cost			**41,818**	**54,466**	**323,663**	**419,948**	**344,736**	**75,212**
Financial liabilities at amortized cost								
Loans from investors and banks	31/12/2023	17	0	3,815	87,711	**91,526**	71,497	19,029
Deposits from customers	31/12/2023	17	0	106,805	0	**106,805**	107,356	-551
Eurobonds	31/12/2023	17	0	0	123,718	**123,718**	113,108	10,610
Total financial liabilities at amortized cost			**0**	**110,620**	**211,429**	**322,049**	**291,961**	**29,088**

in thousands EUR	Date of valuation	Note	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total fair value	Total carrying value	Difference
Financial assets at fair value through profit or loss								
Other shares and securities	31/12/2022	13	0	0	2,703	**2,703**	2,703	0
Total financial assets at fair value through profit or loss			**0**	**0**	**2,703**	**2,703**	**2,703**	**0**
Financial assets at amortized cost								
Due from banks and credit institutions	31/12/2022	10	0	36,834	28,814	**65,647**	65,647	0
Loans and interest receivables to customers	31/12/2022	11	0	0	235,576	**235,576**	193,897	41,679
State securities and certificates	31/12/2022	13	37,340	0	0	**37,340**	37,384	44
Total financial assets at amortized cost			**37,340**	**36,834**	**264,390**	**338,563**	**296,928**	**41,723**
Financial liabilities at amortized cost								
Loans from investors and banks	31/12/2022	17	0	3,809	39,159	**42,969**	38,916	4,053
Deposits from customers	31/12/2022	17	0	86,355	0	**86,355**	86,100	235
Eurobonds	31/12/2022	17	0	0	142,846	**142,846**	128,366	14,480
Total financial liabilities at amortized cost			**0**	**90,164**	**182,005**	**272,170**	**253,382**	**18,768**

The following tables present the valuation techniques used in Level 3 fair values for financial instruments measured in the statement of financial position, as well as the significant unobservable inputs used.

Level 3 financial instrument	**Valuation technique**	**Significant unobservable inputs**	**Range of unobservable input applied**	**Inter-relationship between significant unobservable inputs and fair value measurement**
Loans and interest receivables to customers	Discounted cash flows: The valuation model considers the present value of expected payments, discounted using a risk-adjusted discount rate	Expected cash flows (31 December 2023: 334,418 thousand EUR)	2023:7,92%-17,3%	The estimated fair value would increase (decrease) if: the risk-adjusted discount rate were lower (higher)
Other financial investments	Discounted cash flows: The valuation model considers the present value of expected payments, discounted using a risk-adjusted discount rate	Expected cash flows (31 December 2023: 42,574 thousand EUR)	2023:7,92%-17,3%	The estimated fair value would increase (decrease) if: the expected cash flows were higher (lower); or the risk-adjusted discount rate were lower (higher)
Loans, bonds, deposits and accrued interest payables	Discounted cash flows: The valuation model considers the present value of expected payments, discounted using a risk-adjusted discount rate	Expected cash flows (31 December 2023: 372,744 thousand EUR)	2023:7,92%-17,3%	The estimated fair value would increase (decrease) if: the expected cash flows were higher (lower); or the risk-adjusted discount rate were lower (higher)

23 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 Iute Group AS with 87,2% 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 18). 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	2023	0	0	4,070	2,000	4,531	2,761
Close family members of the management with significant shareholdings and undertakings in their dominant or significant influence	2023	0	7	0	0	0	602
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

See also Notes 12 and 17.

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	2023	444	1,380	285	16	335	404
Close family members of the management with significant shareholdings and undertakings in their dominant or significant influence	2023	0	0	0	0	75	87
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

See also Notes 5 and 7.

Remuneration of Group's Key Management Persons

in thousands EUR	**2023**	**2022**
Remuneration according to labour agreements	554	479
TOTAL	554	479

Group's Key Management Persons are considered to be Council Members, Board Members and Chief Financial Officer. See also Note 6.

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In 2023, lutePay went live in Albania, allowing customers to perform Instant Lending and Instant Payments & Transfers through the Mylute application.

24 Correction of prior year errors

As In financial year 2023, after approving and signing Annual Report 2022, the following events took place in the Group, which were directly related to Group`s operations carried out in financial year 2022:

- As of 01 July 2023, the subsidiary ICM is under the supervision of the National Bank of Moldova due to change in legislation. Prior to this date, the oversight of non-bank lending activities fell under the purview of the National Commission for Financial Markets (NCFM).

Starting from 01.07.2023, the National Bank of Moldova assumed responsibility for non-bank lending activities, including responsible lending, while the NCFM became the authority tasked with safeguarding the rights of consumers of financial services.

During a period of 18 April 2023-12 May 2023, regulatory inspection took place at the ICM entity premises. The National Commission for Financial Markets identified, through the inspection, that the Company did not fully adhere to the responsible lending rules and regulations implemented in the Republic of Moldova and requested ICM to review loan portfolio under inspection and make required corrections.

Based on request, ICM revaluated its loan portfolio and identified, that it has collected more revenue from the loan portfolio than allowed per legislation. More collected revenue belonging to financial year 2022 amounted to 1,157 thousand EUR. Therefore, the ICM revenue for financial year 2022 was overstated and liabilities were understated as at 31 December 2022. The management of the Group considers this to be a prior year error. The error has been corrected by restating each of the affected financial statement line items for prior period.

- In financial year 2023, the subsidiary ICMK, carried out internally detailed tax compliance inspection. During the inspection it was identified that value added tax (VAT) treatment on certain type of transactions (IT services, consultation services) is highly judgmental and cannot be clearly defined, if transaction should be taxed or not. ICMK has decided to apply more conservative approach and tax such transactions with VAT. As transactions have been also taken place in prior years, then ICMK has also performed reassessment of prior year value added tax liability. As a result of internal detailed tax compliance inspection, ICMK has recognized that in financial year 2022, it should have had VAT expense in the amount of total 634 thousand EUR. Therefore, ICMK expenses for financial year 2022 were understated and also liabilities were understated as at 31 December 2022. The management of the Group considers this to be a prior year error. The error has been corrected by restating each of the affected financial statement line items for prior period.

- In 2023, the subsidiary ICMK performed calculation and declared corporate income tax liability for financial year 2022 in accordance with local legislation requirements in the amount total 698 thousand EUR. The prepayment made for corporate income tax in 2022 was used as a basis of settlement with corporate income tax liability declared in 2023. Therefore, on Group level, no income tax liability and expense were recognized in financial year 2022. Management of the Group considers this matter to be a prior year error as Group`s expenses were understated for financial year 2022 and Group`s assets were overstated, and liabilities were understated as at 31 December 2022. The error has been corrected by restating each of the affected financial statement line items for prior period.

The following tables on next page summarizes the impacts of the errors on Group`s consolidated financial statements.

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Consolidated Statement of Comprehensive Income in thousands EUR	As reported 2022	Correction	Restated 2022
Interest and similar income	78,589	-1,157	77,432
Other operating expenses	-18,920	-634	-19,554
Income tax expense	-1,183	-698	-1,881
Others	-38,884	0	-38,884
Net profit for the reporting period	**19,602**	**-2,489**	**17,113**
Total comprehensive income	**19,753**	**-2,489**	**17,264**

Consolidated Statement of Financial Position in thousands EUR	As reported 31/12/2022	Correction	Restated 31/12/2022
Liabilities			
Current income tax liabilities	172	698	870
Other tax liabilities	902	634	1,536
Other liabilities	11,783	1,157	12,940
Others	253,382	0	253,382
Total liabilities	**266,239**	**2,489**	**268,728**
Equity			
Retained earnings	41,002	-2,489	38,513
Others	15,094	0	15,094
Total equity	**56,096**	**-2,489**	**53,607**

25 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".

Statement of comprehensive income

in thousands EUR	2023	2022
Interest and similar income	15,559	15,973
Interest and similar expense	-17,656	-16,750
Interest income, net	**-2,097**	**-777**
Other income	9,809	13,481
Net operating income	**7,713**	**12,704**
Personnel expenses	-4,564	-3,141
Depreciation/amortization charge	-1,842	-2,307
Other operating expenses	-5,460	-6,917
Total operating expenses	**-11,866**	**-12,365**
Foreign exchange gains/losses	2,330	1,943
Net income from subsidiaries using equity method, net	9,691	16,699
Total finance income, net	**12,021**	**18,642**
Profit before tax	**7,867**	**18,981**
Income tax expense	-304	0
Profit for the reporting period	**7,563**	**18,981**
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	7,563	18,981
Total comprehensive income attributable to:		
Equity holders	7,563	18,981

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Statement of financial position

in thousands EUR	31/12/2023	31/12/2022
Assets		
Cash and cash equivalents	4,414	5,040
Loans and receivables	52,811	77,666
Prepayments	322	369
Other receivables	3,623	2,454
Other financial investments	529	2,621
Property, plant, and equipment	67	99
Right-of-use assets	49	180
Intangible assets	10,247	7,912
Investments in subsidiaries	97,121	83,335
Total assets	**169,184**	**179,675**
Liabilities and equity		
Liabilities		
Loans and bonds	117,228	132,184
Lease liabilities	64	217
Other liabilities	8,135	4,168
Total liabilities	**125,427**	**136,568**
Equity		
Share capital	10,346	10,000
Share premium	741	0
Legal reserve	1,000	1,000
Retained earnings	31,670	32,107
Total equity	**43,757**	**43,107**
Total liabilities and equity	**169,184**	**179,675**

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Statement of changes in equity

in thousands EUR	Share capital	Share premium	Legal reserve	Retained earnings	Total
01/01/2022	**10,000**		**799**	**13,327**	**24,126**
Profit for the year	0	0	0	18,981	18,981
Other comprehensive income	0	0	0	0	0
Total comprehensive income	**0**	**0**	**0**	**18,981**	**18,981**
Allocation to reserves	0	0	201	-201	0
31/12/2022	**10,000**	**0**	**1,000**	**32,106**	**43,107**
01/01/2023	**10,000**	**0**	**1,000**	**32,106**	**43,107**
Profit for the year	0	0	0	7,563	7,563
Other comprehensive income	0	0	0	0	0
Total comprehensive income	**0**	**0**	**0**	**7,563**	**7,563**
Issuance of shares	346	741	0	0	1,087
Dividends	0	0	0	-8,000	-8,000
31/12/2023	**10,346**	**741**	**1,000**	**31,669**	**43,757**

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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Statement of cash flows

in thousands EUR	2023	2022
Paid prepayments	-2	0
Paid trade payables	-13,750	-16,750
Received debts from buyers and received other claims	20,720	23,090
Paid net salaries	-3,476	-2,777
Paid tax liabilities, excl. CIT	-1,137	-656
Corporate income tax paid	-304	0
Paid out to customers	-10,038	-21,388
Principal repayments from customers	35,634	10,683
Interest, commission, and other fees	7,390	5,794
Net cash flows from operating activities	**35,036**	**-2,004**
Purchase of fixed assets	-2,457	-1,135
Net cash flow from acquisition of subsidiaries	0	-15,790
Contributions to subsidiaries` share capital	-4,999	-6,801
Received dividends	903	1,821
Payments for other financial investments	-13,464	-18,635
Receipts from other financial investments	6,763	17,534
Net cash flows from investing activities	**-13,253**	**-23,006**
Loans received from investors	13,614	15,915
Repaid loans to investors	-17,365	-2,063
Principal payments of lease contracts	-170	-153
Paid interests	-15,529	-9,396
Share capital increase	1,041	0
Paid dividends	-3,999	0
Net cash flows from financing activities	**-22,408**	**4,303**
Change in cash and cash equivalents	**-625**	**-20,707**
Cash and cash equivalents at the beginning of the year	**5,040**	**25,761**
Change in cash and cash equivalents	-625	-20,707
Net foreign exchange difference	0	-15
Cash and cash equivalents at the end of the year	**4,414**	**5,040**

	31/12/2023	31/12/2022
Cash and cash equivalents comprise		
Cash on hand	0	0
Non-restricted current account	4,414	5,040

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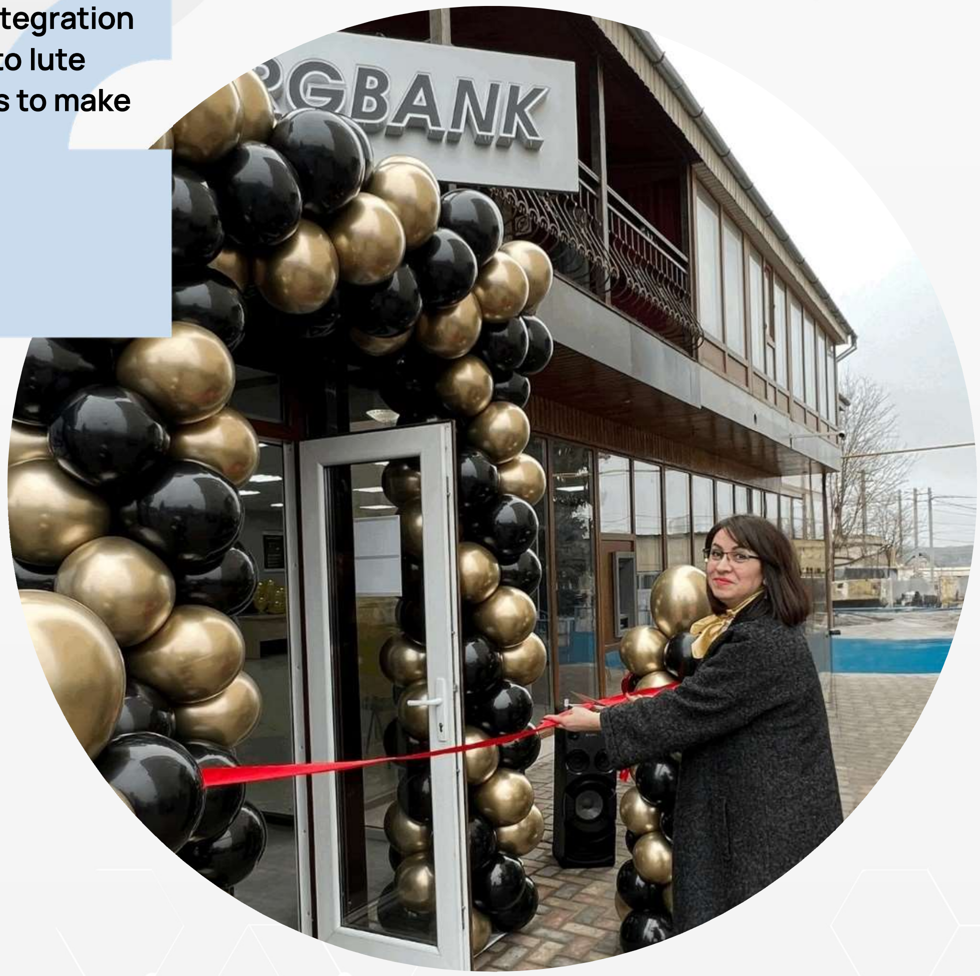
26 Subsequent events

In January 2024, a new CEO of the subsidiary EB, Andrei Stamatian, was appointed after approval obtained from National Bank of Moldova.

There have been no other events 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.

The seamless integration of Energbank into Iute Group continues to make progress.



Profit allocation proposal

The Management Board of Iute Group 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 31.12.2023	40,621
Statutory reserves	-35
Dividend distribution	-2,500
Balance of retained earnings after allocations	**38,086**

Signatures of the management board to 2023 annual report

The Company's Management Board has approved the management report and financial statements for 2023.

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.

22 of February 2024

Tarmo Sild

Member of the Management Board

Iute Albania sponsored the Tirana Cross Country Run for Youth, promoting physical fitness and fostering community spirit among over 300 young participants from 20 schools.

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Independent Auditors' Report

(Translation of the Estonian original)

To the Shareholders of Iute Group AS

Opinion

We have audited the consolidated financial statements of Iute Group AS (the Group), which comprise the consolidated statement of financial position as at 31 December 2023, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the year then ended, and notes, comprising material accounting policies and other explanatory information.

In our opinion, the consolidated financial statements presented on pages 21 to 90, present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2023, 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 Opinion

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 opinion.

Other Information

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

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

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

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard and 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.

KPMG Baltics OÜ
Licence No 17

Eero Kaup

Certified Public Accountant, Licence No 459

Tallinn, 22 February 2024

Transformation. Creating a digital bridge to Europe