Saldo Bank

Set of financial statements for year 2022

Saldo Finance, UAB

Date of conculsion 28-04-2023

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Information about the company

Name	Saldo Finance, UAB
Legal form	Public Limited Liability Company
Registration No.	305334925
VAT code	LT100013731816
Address	Žalgirio g. 94-1, Vilnius
Telephone	+370 604 45179
Email address	info@saldo.com
Website	https://www.saldo.com/lt-lt/
Financial year	January 1st, 2022 – December 31st, 2022
License	Specialized Bank license No 8, issued October 26th, 2021
Audit Company	BDO auditas ir apskaita, UAB

2022 - The year of preparing the banking launch

The agenda for 2022 was set already at the end of 2021 when Saldo Finance UAB (hereinafter - Company) obtained the Specialized Banking License on October 26th, 2021. Obtaining the Banking licence started the new strategy period, during which the Company is transforming into a progressive neobank. The year 2022 was the first one of the new strategy period and focused on preparing for banking operations from organizational structure and operational perspectives.

In 2022 Company carried out re-organizations of the Group's former companies to separate the Bank's activities from the former lending companies and established a branch in Finland on 1st of April 2022. Prior to the supporting of the banking activities, the branch did not have any operations, however, it took over from its former parent company Saldo Finance Oyj employees with extensive operational experience, who were instrumental in the preparation for the launch of the banking activities.

The main operational objectives of 2022 were to complete the technical and administrative preparations for the Bank's operations. Company had already started providing consumer loans in 2021 and continued widening the product offering in Lithuania by launching a SME loan product in 2022. Both products are based on automated solutions, which means that customer acquisition, credit scoring, product processing and other functions are performed effortlessly and as automatically as possible. Both products were also implemented to fit the bank's operations from the beginning and to differentiate Company as progressive neobank. Technical preparations were not restricted to product launches, but included significant investments in IT integration solutions like data security, antimoney laundering, a new accounting system implementation, automated deposit-taking product preparations and an online banking solution development.

During the year the loan portfolio grew by 66% over the year to EUR 383,2 thousand, of which EUR 293,4 thousand were consumer loans and EUR 88,9 thousand were SME loans. Company closed the year 2022 with a loss of EUR 2,891 thousand. More than half of the operating expenses were payroll expenses. At the end of 2022 Company had 48 employees. The Company has not carried out any activities classified as research & development, also did not enter into risk hedging agreements. The risks faced by the company and risk management processes are discussed in the explanatory note to the financial statements.

New strategy period to become a progressive neobank

The long term purpose that guides Companie's operations is to become the most preferred neobank with a superior product offering and the most innovative team. The year 2022 started a new strategy period when Company is focusing on to become a progressive neobank, to operate on profitable growth and to act as responsible and sustainable market participant.

Company is consistently implementing this strategy and, after the year of preparations in 2022, officially launched its activity as a bank in Lithuania early 2023. Company continues this strategy implementation by passporting the licence and opening banking services in Finland and Sweden in 2023. New banking products include a term deposit product and payment cards for example. In Saldo Finance UAB Set of financial statements for year 2022 (All amount in EUR, unless indicated otherwise) 5 addition, Company is planning to expand geographically and increase its product portfolio per country.

While starting banking operations Company is focused on controlled and profitable growth. Previous experience from the lending business creates a good knowledge base to start banking business in Finland and Sweden. Company is expected to reach profitability when the passporting of Finland and Sweden are concluded.

As a responsible and sustainable market participant Company constantly follows good lending practices and abides by laws and regulations set by the authorities in all locations where Company operates. Company is defining its ESG strategy in 2023, but already operates on sustainable work practices, sustainable cooperation, equal rights principles and maintaining responsible lending rules. The focus on responsible lending was in the core of IT investments in 2022 and, for example, Company has been one of the first lenders to utilise an "open banking" information, which enabled safer and more responsible lending for Company and its customers. As an employer, Company will also continue to recruit extensively, offering industry professionals the opportunity to work at any of the current locations.

As the year 2022 focused on preparing the bank launch the year 2023 will be the year of multiple organisational changes and actually starting to operate as a bank.

Information about the share capital

As of December 31, 2022, the Companie's share capital was equal to EUR 16 779 000. The share capital is divided into 16 779 000 thousand ordinary registered shares with EUR 1 par value each. All the issued shares provide equal rights for the shareholders. The Company did not acquire and did not hold (or transfer) any of its shares.

Management bodies of the Company

The General Meeting of Shareholders. The General Meeting of Shareholders is the highest body of the Company that reviews and approves the annual accounts (including allocation of profit and distribution of dividends), decides on amending the Articles of Association and decides other questions given by the laws and Articles of Association.

The Director of the Company is the Head of administration. The Head of Administration organizes daily activities of the Company, leads and operates the business, hires and dismisses employees, concludes and terminates employment contracts therewith, and performs other functions. Director (CEO) is Mr. Jarkko Juhani Mäensivu.

Mr. Jarkko Juhani Mäensivu as of 31-12-2022 was participating in the following companies' management bodies:

Position	Company name	Form of the company	Registration No.	Country
Deputy Board member*	Tact Finance AB	Private limited liability company	556796-8077	Sweden
Chairman of the Board	BEST-CARAVAN Oy	Private limited liability company	1824257-7	Finland

**Will resign from 2023 financial year period*

Significant events in the Company since the end of the last reporting period

Saldo Finance UAB changed its name to Saldo Bank UAB on 7th February 2023 and officiallylaunched its activity as a bank. In February 2022 Saldo submitted a passporting application to the Bank of Lithuania regarding banking activity in Finland via branch. In March 2023 Company submitted a passport notification regarding cross-border services, in particular deposit taking, in Germany and in April a positive decision was received. In April Company submitted a passport notification regarding cross-border services in Sweden. All the actions are according to the strategy.

Jarkko Juhani Mäensivu
CEO

Statement of Financial Position

In EUR

		Note	2022	2021	2020
ASSETS					
Cash and cash equivalents in central bank			-	-	-
Cash and cash equivalents in credit institutions		2	12 793 437	15 416 732	50 094
Credit portfolio (gross)		3	383 166	230 505	-
Credit portfolio impairment		3	(36 972)	(59 178)	-
Tangible assets		4	60 018	12 939	10 654
Intangible assets		5	263 912	-	-
Other assets		6	232 327	293 448	-
Other current assets		7	2 007 611	1 380 822	688 252
Investments			-	-	-
TOTAL ASSETS			**15 703 498**	**17 275 268**	**749 000**
LIABILITIES					
Deposits from credit institutions			-	-	-
Retail deposits			-	-	-
Other liabilities			1 913 702	594 266	722 156
	Accounts payable	8	123 826	155 268	657 938
	Other liabilities	9	1 789 876	438 998	61 969
	Tax liabilities	10	-	-	2 248
Subordinated liabilities			-	-	-
TOTAL LIABILITIES			**1 913 702**	**594 266**	**722 156**
EQUITY					
Share capital		11	16 779 000	16 779 000	50 000
Share premium			-	-	-
TOTAL EQUITY			**16 779 000**	**16 779 000**	**50 000**
Retained earnings (loss)		12	(2 989 204)	(97 998)	(23 155)
Other reserves			-	-	-
TOTAL EQUITY AND RESERVES			**13 789 796**	**16 681 001**	**26 845**
TOTAL EQUITY AND LIABILITIES			**15 703 498**	**17 275 268**	**749 000**

The notes on pages 22 to 30 are an integral part of these financial statements. These financial statements are authorised for issue on 2023 April 28th.

Statement of Profit (Loss) and other Comprehensive Income

In EUR

Article	Note	2022	2021
Interest income	13	94 852	30 973
Interest expense	13	(40 011)	-
NET INTEREST INCOME		**54 841**	**30 973**
Commissions and fees income	14	31 637	7 001
Commissions and fees expense	14	(2 366)	(2 053)
NET COMMISIONS AND FEES INCOME		**29 271**	**4 948**
Other income	15	978 981	1 290 080
TOTAL NET INCOME		**1 063 093**	**1 326 001**
Personnel expense	16	(2 513 391)	(936 609)
IT expenses	17	(368 403)	(23 754)
Marketing expenses	18	(221 001)	(134 508)
Other operating expenses	19	(778 462)	(246 795)
TOTAL OPERATING COSTS		**(3 881 257)**	**(1 341 666)**
OPERATING PROFIT BEFORE IMPAIRMENT LOSSES		**(2 818 164)**	**(15 665)**
Credit portfolio impairment	20	(73 042)	(56 178)
PROFIT (LOSS) BEFORE TAXES		**(2 891 206)**	**(74 843)**
Profit tax		-	-
NET PROFIT (LOSS)		**(2 891 206)**	**(74 843)**

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Statement of Changes in Equity

In EUR

Article	Note	Paid Share capital	Share premium	Treasury Shares (-)	Mandatory Service	Other reserves	Retained earnings (loss)	Total
Balance at 31st December 2020		**50 000**	-	-	**-**	**-**	**(23 155)**	**26 845**
Profit (loss) for the year								
Other comprehensive income								
Total comprehensive income								
Share capital increase	11	16 729 000	-	-	-	-	(74 843)	16 654 157
Balance at 31st December 2021		**16 779 000**	-	-	**-**	**-**	**(97 998)**	**16 681 002**
Profit (loss) for the year							(2 891 206)	(2 891 206)
Other comprehensive income								
Total comprehensive income								
Share capital increase								
Balance at 31st December 2021		**16 779 000**	**-**	**-**	**-**	**-**	**(2 989 204)**	**13 789 796**

The notes on pages 22 to 31 are an integral part of these financial statements. These financial statements are authorised for issue on 2023 April 28th.

Statement of Cash Flows

In EUR

Article	Note	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit (loss)		(2 891 206)	(74 843)
Adjustments:			
Depreciation and amortization	3	78 855	20 608
Impairment loss on loans	3	(22 206)	59 178
Changes in:			
Decrease (increase) in loans to customers	3	(152 661)	(230 505)
Decrease (increase) in prepayments	7	39	(20 615)
Decrease (increase) in other receivables	7	(2 793 822)	(44 019)
Decrease (increase) in deferred expenses and accrued income	7	1 257 617	(628 208)
Increase (decrease) in provisions	9	(947)	-
Increase (decrease) in long-term debt to suppliers and prepayments received	9	(56 325)	240 056
Increase (decrease) in short-term debt to suppliers and advances received	8, 9	974 652	(743 943)
Increase (decrease) in liabilities related to employment relations	8, 9	159 198	84 469
Increase (decrease) in other liabilities	9	1 175 052	(3 047)
Increase (decrease) in income tax liabilities	10	-	-
Increase (decrease) in accrued expenses and deferred income	9	57 106	(1 150)
NET CASH FLOWS FROM OPERATING ACTIVITIES		**(2 214 647)**	**(1 342 021)**
Acquisition of tangible fixed assets	4	(328 724)	(10 734)
Finance lease		(71 799)	(9 606)
NET CASH FLOWS FROM INVESTING ACTIVITIES	**6**	**(400 523)**	**(20 340)**
Issue of shares	11	-	16 729 000
NET CASH FLOWS FROM FINANCING ACTIVITIES		**-**	**16 729 000**
RESULT OF FOREIGN EXCHANGE		**(102)**	**-**
NET INCREASE IN CASH AND CASH EQUIVALENTS		**(2 623 295)**	**15 366 638**
CASH AND CASH EQUIVALENTS AT THE BEGGINING OF THE YEAR		**15 416 739**	**50 094**
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**2**	**12 793 437**	**15 416 732**

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Explanatory Notes

1. General information

Saldo Finance UAB (company code 305334925) was registered on 13 November 2019 in adress Žalgirio g. 94-1, Vilnius, Lithuania. The data is collected and stored in the Register of Legal Entities. On 26 October 2021 Specialized Bank License No. 8 was issued to the Company. Since 13 November 2019, the Company has been providing financial services (loans and fast credits), which is the core business of the Company.

The Company belongs to Group of companies. The parent company of the group of companies to which the Company belongs as a subsidiary is Saldo Finance Oy - registration number: 2360614-4, registered office address: Juhana Herttuan puistokatu 3, 20200 Turku, Finland.

On 1 April 2022, the Company established a branch in Finland, Saldo Finance Suomen Sivuliike UAB. The branch was established with a plan to offer financial services in Finland.

At the end of 2022, the Company had total of 48 employees (31 December 2021: 18 employees, 31 December 2020: 8 employees).

The average number of employees in the Company was 30 in 2022, 16 employees in 2021 and 6 employees at 2020.

The Company has no subsidiaries as at 31st December 2022, as at 31st of December 2021 and 31st of December 2020.

The Company does not hold any shares of its own and has not acquired or disposed of any shares during the period.

2. Accounting policy

Basis for financial reporting preparation

The Company has prepared its financial statements for 2020 and 2021 in accordance with the legislation governing financial accounting and the preparation of financial reporting in the Republic of Lithuania and in accordance with the Business Accounting Standards ("BAS").

These financial statements are the Company's first financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU"). In 2022, the Company's management has decided to change the Company's accounting policies to comply with International Financial Reporting Standards ("IFRS"). The financial statements have been prepared to the nearest EUR 1.

The transition from BAS to IFRS in the Republic of Lithuania was accounted for in accordance with IFRS 1 "First-time Adoption of International Financial Reporting Standards", with 1 January 2022 as the date of application of IFRS. Management's assumptions and estimates reflected in the statement of financial position at the date of transition to IFRS are the same as those used in the previous preparation of the financial statements in accordance with BAS.

IFRS have been applied retrospectively, except for the specific exception for property, plant and equipment in IFRS 1 "First-time Adoption of International Financial Reporting Standards": the Company elected to use notional cost at the date of transition to IFRS, i.e. to determine the cost of property, plant and equipment at the date of transition to IFRS.

Functional currency and foreign currency transactions

The Company maintains its accounts and presents all amounts in these financial statements in the national currency of the Republic of Lithuania - Euro (EUR).

Foreign currency transactions are translated into the functional currency using exchange rates effective at the dates of the transactions. Gains and losses arising from the settlement of these transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the rates applicable at the reporting date are recorded in the Statement of Comprehensive Income, in the income and expense accounts.

Fixed assets

Intangible assets

Intangible assets are recognised by the Company when it meets the following criteria: nonmonetary assets that do not have a tangible form and that are held by the Company and are expected to generate direct and/or indirect economic benefits, and that have a value at least equal to the minimum value of the intangible assets determined by the Company.

The Company considers the following assets to be intangible assets: development work, goodwill, software, licenses and other intangible assets.

Depreciation of intangible fixed assets is based on the depreciation rates set by the Company:

- Other intangible assets - 4 years

Intangible assets are measured at cost less accumulated amortisation and impairment losses, if any.

The cost of an intangible asset includes: (a) the amount of money paid or payable to acquire the asset (or the value of other assets consumed), including customs duties and other nonrefundable taxes; (b) other direct costs incurred in preparing the asset for its intended use before it is put to use;

All prepayments for intangible fixed assets are accounted as intangible assets depending on the type of asset.

Tangible assets

Tangible assets acquired by Company are classified as non-current if they meet all of the following criteria:

- it is intended to be used for more than one year;
- the asset is reasonably expected to generate economic benefits in future periods;
- the cost of the asset can be measured reliably;
- All risks associated with the tangible assets are transferred to the company.

The following assets are considered as tangible fixed assets of Company: land, buildings and structures, vehicles, other equtipment, appliances, tools and plant, machinery and equipment, construction in progress and other tangible assets.

Depreciation of tangible fixed assets is based on the depreciation rates established by the Company:

- New buildings used for business purposes and reconstruction of buildings included in the Register of immovable cultural property of the Republic of Lithuania, if constructed or reconstructed after 1 January 2002 - 25 years;
- Residential houses - 20 years;
- Other buildings - 15 years;
- Machinery and equipment - 8 years;
- Installations (structures, wells etc.) - 8 years;

- Electrical transmission and communication devices (except computer networks) - 8 years;
- Computing and communication equipment (computers, their networks and equipment) - 3 years;
- Furniture - 6 years;
- Cars:
  - Not older than 5 years - 6 years;
  - Other cars - 10 years;
- Other tangible assets - 4 years.

The Company uses the straight-line method to depreciate tangible fixed assets.

For accounting purposes, a change in the depreciation method is treated as a change in accounting policy and is reflected retrospectively in the financial statements.

Depreciation of tangible fixed assets is calculated from first day of next month when asset is put to use in the Company's operations and ceases to be calculated from first day of the next month after the asset is written off or disposed of, when the asset is no longer used or when its full value (less its residual value) is transferred to expense.

When an enterprise disposes of tangible fixed assets, the result of the disposal is recorded as a gain or loss on disposal.

Financial instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument. Loans and receivables from customers are recognized when the funds are transferred to the customers' accounts.

Financial assets and financial liabilities are measured at fair value on initial recognition. Transaction costs that are directly attributable to the acquisition or issue of a financial asset (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial asset or financial liability, as appropriate, on initial recognition. Transaction costs directly attributable to financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets

On initial recognition, financial assets are classified at amortized cost, fair value through other comprehensive income or fair value through profit or loss.

An entity classifies financial assets in a particular category based on the business model used to manage the asset and the terms of the contract:

- measured at amortized cost;
- measured at fair value through other comprehensive income;
- measured at fair value through profit or loss.

All or part of a financial asset is written off when Company does not expect to recover the financial asset.

Impairment of financial assets

Impairment of financial assets is evaluated at each statement of financial position date. The assessment is based on an expected credit loss model, which depends on whether there has been a significant increase in credit risk since initial recognition.

Financial liabilities

All financial liabilities are classified as financial liabilities measured at amortised cost, except for financial liabilities valued at fair value for which gains and losses in fair value are recognised in profit or loss.

Financial liabilities are derecognised when they are discharged, cancelled or expired.

Cash and cash equivalents

Cash consists of money in bank accounts. Cash equivalents are short-term, highly liquid investments that are easily convertible into a known amount of money.

For the purposes of the cash flow statement, cash and cash equivalents include cash at bank accounts, deposits in current accounts and other short-term highly liquid investments with an original maturity of up to three months.

Share capital and reserves

Share capital is accounted for in accordance with the Company's Articles of Association. Paidin capital where the selling price of the issued shares exceeds their nominal value is accounted for as a share premium.

Reserves are created by the distribution of the profit for the year under review by decision of the General Meeting of Shareholders, in accordance with the laws of the Republic of Lithuania, sub-legislative acts and the Articles of Association of the Company.

Pursuant to the Law on Joint Stock Companies of the Republic of Lithuania, the Companies are required to transfer 5% of their net profit to the statutory reserve each year until the reserve and the share premium reach 10% of the Company's authorised capital. The statutory reserves are non-distributable and can only be used to cover losses.

Employee benefits

The Company does not have any defined employee benefit or incentive plans and does not have a share-based payment system. Short-term employee benefits are recognised as an expense in the period in which the employees render services. Benefits include salaries, social security benefits, bonuses and holiday pay.

Income

Services are deemed to have been rendered when all of the following conditions are met:

- The amount of revenue can be reliably estimated;
- The transaction is completed or the degree of completion can be measured reliably by the balance sheet date;
- It is probable that the economic benefits associated with the service transaction will flow.

Under IFRS 9, interest income for financial assets measured at amortised cost is recognised using the effective interest rate. Interest expense is also calculated using the effective interest rate for all financial liabilities measured at amortised cost. The effective interest rate is the rate at which the value of future cash flows is discounted to the present value of financial assets and financial liabilities over their expected lives or, if applicable, shorter periods.

An entity recognises interest income using the interest rate that best reflects the return expected to be received over the expected life of the loan.

Net interest income comprises interest income and interest expense calculated using the effective interest rate and other methods. Such interest is disclosed separately in the income statement in order to provide clear comparative information.

Other income are recognised on an accrual basis, i.e. they are recorded when earned, irrespective of when cash is received. Advances and other prepayments are not recognised as revenue. Proceeds received during the reporting period that are not recognised as revenue are shown as liabilities of the Company in the balance sheet. Other revenue is defined as variable revenue that is earned from transactions with related parties in accordance with agreed and approved Transfer pricing.

Revenue is recognised only as an increase in the economic activity of Company, whether in the form of an increase in assets or a decrease in liabilities (excluding additional ontributions from owners). Amounts collected on behalf of third parties, including value added tax, reimbursements or refunds, are not recognised as revenue because they do not represent an economic benefit to the Company and do not add to the shareholders' equity.

Income from financing activities comprises the result of changes in the fair value of investment securities and interest on receivables from financing activities.

Foreign exchange gains or losses on financial assets and financial liabilities are presented net as finance income or expense, depending on whether the foreign exchange movements are in the net profit or net loss position.

Expense

Expenses are reduction in the economic benefits resulting from the impairment of an asset or the reduction in its value or the recognition of a liability during the reporting period that results in a reduction in equity, other than a direct reduction.

Only that portion of an expense that is incurred in generating income in the period or that can be related to the generation of income in future periods is recognised as an expense. Costs that are allocated to different periods are attributed to those periods in which they will provide economic benefits to the Company.

Expenses are recognised on accruals and comparative basis in the period in which the related revenue is earned, irrespective of the timing of cash outflows.

Finance and operating lease

The determination of whether a contract is a lease is based on the date on which the contract was signed. It is assessed whether the contract relates to the use of a specific asset and whether the contract gives the right to use the asset.

Finance lease

Company account for finance leases as assets and liabilities in the statement of financial position at the lower of following: the fair value of the leased asset at the inception of the lease or the present value of the minimum lease payments. The discount rate used in calculating the present value of the minimum lease payments is the interest rate on the lease payments when it is distinguishable, otherwise the Company's general borrowing rate. Direct initial costs are included in the value of the asset. Finance lease payments are split between interest expense and reduction of outstanding liabilities. Interest is determined so that its percentage of the outstanding balance of the finance lease liability at the time of each payment is constant over the term of the lease.

Assets acquired under finance leases and lease liabilities held are depreciated and finance charges are incurred each period in respect of finance leases. The depreciation treatment for assets acquired under finance leases is similar to that for own assets, but such assets may not be depreciated over the term of the lease unless the agreement provides for the transfer of ownership to the Company at the expiry of the lease term.

If a sale and leaseback transaction results in a finance lease, any gain on the sale in excess of the carrying amount is not recognised immediately in income. It is deferred and amortised over the term of the finance lease.

Income tax

The calculation of income tax is based on the annual profit for the year, after taking into account deferred income tax. Corporate income tax is calculated in accordance with the requirements of the tax laws of the Republic of Lithuania.

Tax losses can be carried forward indefinitely, except for losses resulting from the disposal of securities and/or derivatives. Such carry-forward shall cease if the Company ceases to continue the activity giving rise to the losses, unless the Company ceases to continue the activity for reasons beyond its control. Losses on the disposal of securities and/or derivatives may be incurred for a period of 5 years and shall be covered only by gains from transactions of the same nature.

Starting from 1 January 2014, tax loss carry-forwards can cover a maximum of 70% of the taxable profits for the current tax year.

Deferred income tax

Deferred income tax reflects the net tax effect of temporary differences between the carrying amounts of assets and liabilities and their tax bases. Deferred tax assets and liabilities are measured at the tax rate that is expected to apply in the period in which the asset is realised or the liability settled, taking into account tax rates that have been enacted or substantively enacted by the balance sheet date.

Contingent liabilities

Contingent liabilities are not recognised in the financial statements. However, they are disclosed in the notes to the financial statements when it is probable that revenue or economic benefits will be available.

In accordance with the applicable laws, the National Tax Authority may at any time examine the Company's books and records for the 5 years preceding the tax period under review and may assess additional taxes and penalties. The management of the Company is not aware of any circumstances that could result in the Company being subject to significant additional tax liabilities.

Subsequent events

The Company's financial statements are adjusted if post-statement events have a direct impact on the unaudited financial statements.

Related parties

Persons related to the Company during the year under review:

- **The parent company and shareholder of the Company:**
  - *Saldo Finance Oyj (Tact Finance Oy)* **until 2022-03-31**, registration code: 2360614-4, Address: Lemminkäisenkatu 46, 20520, Turku, Finland;
  - *Saldo Finance Oy* **from 2022-04-01**, registration code: 3246453-9, Address: Juhana Herttuan puistokatu 3, 20200 Turku, Finland. Controlled part – 100 percent.
- **Saldo Finance Oy subsidiaries:**
  - *Saldo Finance UAB*, registration code 305334925, Address: Žalgirio g. 94-1, LT-09300 Vilnius;
- **Saldo Finance UAB – Group companies:**
  - *Saldo Finance Oy*, registration code: 3246453-9, Address: Juhana Herttuan puistokatu 3, 20200 Turku, Finland;
  - *Saldo Finance UAB*, registration code: 305334925, Address: Žalgirio g. 94-1, LT-09300 Vilnius;
  - *Saldo Finance Finnish branch UAB*, registration code: 3273394-6, Address: Aleksanterinkatu 46C, 00100 Helsinki, Finland.
- **Company executives:**
  - Chief Executive Officer Jarkko Juhani Mäensivu (from 2020.01.01)

The impact of the application of new standards, amendments and new interpretations on the financial statements for IFRS adopted from 1 January 2022:

The following standards, amendments to the existing standards and interpretations issued by the International Accounting Standards Board (IASB) and adopted by the European Union (further – EU) are effective for the current period and were adopted by the Company:

- **Annual Improvements to IFRS:** 2018-2020 cycle, which issued minor amendments to IFRS 1 *First – time Adoption of International Financial reporting standards*, IFRS 9 *Financial Instruments*, IAS 41 *Agriculture and the Illustrative Examples accompanying* IFRS 16 *Leases* (effective for annual periods beginning on or after 1 January 2022).
- **Amendment to IFRS 3 *Business Combinations*** updated a reference to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations. The amendments introduce an exception to the general recognition requirement for liabilities and contingent liabilities acquired in a business combination that is within the scope of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and IFRIC 12 *Service Concession arrangements* (effective for annual periods beginning on or after 1 January 2022).
- **Amendments to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*** added paragraph 68A to specify which costs an entity includes in determining the cost of fulfilling a contract for the purposes of assess whether the contract is onerous (effective for annual periods beginning on or after 1 January 2022).
- **Amendments to IAS 16 *Property, Plant and Equipment*** prohibit from deducting amounts received from selling items produced while the asset is prepared for its intended use from the cost of property, plant and equipment. Instead, such sales proceeds should be recognised and any related costs in profit or loss rather than offset against the cost of the property (effective for annual periods beginning on or after 1 January 2022).

The application of these standards, amendments and interpretations had not a material impact on the Company's financial statements and so have not been discussed in detail in the notes to the financial statements.

At the date of authorisation of these financial statements, the Company has not early adopted the following new and revised IFRS standards, amendments and interpretations that have been issued but are not yet effective:

- **Amendments to IFRS 17 *Insurance Contracts*** introduces an internationally consistent approach to the accounting for insurance contracts. The new standard takes the view that insurance contracts combine features of a financial instrument and a service contract, and that many generate cash flows that vary substantially over time. It therefore takes the approach of:
  - Combining current measurement of future cash flows with recognising profit over the period that services are provided under the contract
  - Presenting insurance service results (including insurance revenue) separately from insurance finance income or expenses, and
  - Requiring an entity to make an accounting policy choice for each portfolio whether to recognise all insurance finance income or expenses for the reporting period in profit or loss, or to recognise some in other comprehensive income.

  IFRS 17 is effective for annual periods beginning on or after 1 January 2023.
- **Amendments to IAS 1 *Presentation of Financial Statements* and IFRS Practice Statement 2 *Disclosure of Accounting Policies.*** Amendments to IAS 1 change the disclosure requirements with respect to accounting policies from 'significant accounting policies' to 'material accounting policy information'. The amendments provide guidance on when accounting policy information is likely to be considered material. The amendments to IAS 1 are effective for annual reporting periods beginning on or after 1 January 2023, with earlier application permitted. As IFRS Practice Statements are non-mandatory guidance, no mandatory effective date has been specified for the amendments to IFRS Practice Statement 2;
- **Amendments to IAS 8 *Accounting Policies: Definition of Accounting Estimate*** added the definition of Accounting Estimates in IAS 8. The amendments also clarified that the effects of a change in an input or measurement technique are changes in accounting estimates, unless resulting from correction of prior period errors (effective for annual periods beginning on or after 1 January 2023);
- **Amendments to IAS 12 *Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction*** which clarify whether the initial recognition exemption applies to certain transactions that result in both an asset and a liability being recognised simultaneously. The amendments introduce an additional criterion for the initial recognition exemption under IAS 12.15, whereby the exemption does not apply to the initial recognition of an asset or liability which at the time of the transaction, gives rise to equal taxable and deductible temporary differences (effective for annual periods beginning on or after 1 January 2023);

The Company is currently assessing the impact of these new accounting standards and amendments. The management of Company does not expect that the adoption of these standards, amendments and interpretations listed above will have a material impact on the financial statements of the Company in future periods.

IFRSs currently endorsed by EU are not significantly different from the standards, endorsed by IASB, except the standards, amendments and interpretations that were not endorsed by EU (the effective dates are applicable to IFRS to full extent). These standards, amendments and interpretations are listed below:

- **Amendments to IFRS 16** *Leases: Lease Liability in a Sale and Leaseback* provide a requirement for the seller-lessee to determine 'lease payments' or 'revised lease payments' in a way that the seller-lessee would not recognise any amount of the gain or loss that relates to the right of use retained by the seller-lessee (effective for annual periods beginning on or after 1 January 2024);
- **Amendments to IAS 1 *Presentation of Financial Statements: Classification of Liabilities as Current or Non-Current*** require that an entity's right to defer settlement of a liability for at least twelve months after the reporting period must have substance and must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement for at least twelve months after the reporting period (effective for annual periods beginning on or after 1 January 2024);
- **Amendments to IAS 1 *Presentation of Financial Statements Non-current Liabilities with Covenants.*** If an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, such conditions affect whether that right exists at the end of the reporting period, if the entity is required to comply with the condition on or before the end of the reporting period and not if the entity is required to comply with the conditions after the reporting period. The amendments also provide clarification on the meaning of 'settlement' for the purpose of classifying a liability as current or non-current (effective for annual periods beginning on or after 1 January 2024);

The Company is currently assessing the impact of these new accounting standards and

amendments. The management of Company does not expect that the adoption of these standards, amendments and interpretations listed above will have a material impact on the financial statements of the Company in future periods.

3. Notes

1 note. Risk management

Company defines risk as the likelihood of an adverse deviation from expected financial performance and the negative impact on the Company's performance or value. One of the consequences of assuming risk is the possibility of incurring losses. The Company seeks to minimise expected losses by ensuring adequate internal risk controls over business processes, a sound system of internal controls and by hedging risks.

The main financial risks to which the Company is exposed are: Credit Risk, Liquidity Risk, Market Risk and Operational Risk. This note provides information on the impact of these risks on the Company, the objectives, policies and processes related to the assessment and management of these risks, and information on capital management.

The Board is responsible for establishing and overseeing the risk management framework. The Company's risk management policy is designed to identify and analyse the risks to which the Company is exposed and to establish and maintain appropriate limits and controls. The risk management policy and risk management frameworks are regularly reviewed to reflect changes in market conditions and Company's operations. The Company aims to create a disciplined and constructive risk management environment in which all employees are aware of their roles and responsibilities.

The Company's risk management is based on the concept of three lines of defence: The First Line of Defence is all risk management activities carried out by the business operations and the functions that support them; The Second Line of Defence is the Risk Management and Compliance functions, reporting to the CEO; and The Third Line of Defence is the Internal Audit function, managed by the Supervisory Board.

Credit Risk

Credit risk is the risk that the Company will incur financial losses if another party fails to meet its obligations. The Company intends to have measures in place to ensure that transactions are entered into with reputable customers on an ongoing basis and that the amount of transactions does not exceed an approved credit risk limit. The Company does not grant any guarantees for the obligations of other parties.

The maximum exposure to credit risk is the carrying amount of each financial asset, including derivative financial instruments in the statement of financial position, if any. Therefore, the Company's management considers the maximum exposure to be the amount of receivables less any impairment losses recognised at the statement of financial position date.

Loans to customers

The Company's main activity is to provide consumer credit to private individuals and business loans. In order to get to know the credit quality behaviour of the customer, the Company looks at the previous payment history, income and obligations. The breakdown of loans receivable from customers by days past due is shown in the following table.

As of December 31, 2022

Distribution of loans by days overdue	Gross loan portfolio	Expected credit losses (ECL)			Net loan portfolio	Impairment coverage (%)
		Stage 1	Stage 2	Stage 3		
Not overdue	206 499	(6 833)	(2 146)	(1 183)	196 336	0.05
1-30 days	53 589	(1 508)	(1 288)	(158)	50 635	0.06
31-98 days	77 724	-	(4 164)	(1 408)	72 152	0.07
90 days and more	45 354	-	(360)	(17 924)	27 070	0.40
TOTAL LOANS TO CUSTOMERS	**383 166**	**(8 343)**	**(7 959)**	**(20 724)**	**346 140**	**0.10**

As of December 31, 2021

Distribution of loans by days overdue	Gross loan portfolio	Expected credit losses (ECL)			Net loan portfolio	Impairment coverage (%)
		Stage 1	Stage 2	Stage 3		
Not overdue	130 552	(5 286)	(122)	0.00	125 144	4.14
1-30 days	14 833	(561)	(152)	0.00	14 120	4.80
31-98 days	7 183	0.00	(240)	0.00	6 943	3.34
90 days and more	7 518	-	-	-	-	-
TOTAL LOANS TO CUSTOMERS	**230 505**	**(5 847)**	**(703)**	**(52 628)**	**163 809**	**26.54**

No consumer loans were issued to individuals and businesses in 2020.

Calculation of impairment of loans to customers

The measurement of the provision for expected losses under the general model depends on whether the credit risk has increased significantly since initial recognition. The expected credit loss model has a three-stage approach based on changes in credit risk. When a financial asset is first recognised and there has been no significant increase in risk since initial recognition, a provision is made for 12 months of expected losses and the financial asset is recognised in Stage 1. Twelve-month expected losses are losses that are expected to be incurred over the life of the loan, but can be related to events within the next 12 months. Stage 2 includes financial assets for which the credit risk has increased significantly since initial recognition, but there is no objective evidence of a loss. Stage 3 (in default) includes assets for which the credit risk has increased significantly since initial recognition and there is objective evidence of loss events at the balance sheet date.

At the end of each reporting date, credit risk is considered to increase significantly 30 days after the initial recognition of the loan. A non-performing loan is a loan that is past due 90 days or more or the borrower meets the 'unlikely to pay' criteria, including significant borrower difficulties, bankruptcy, death, legal proceedings and other 'unlikely to pay' criteria.

The parameters required for the expected credit loss model, such as probability of default, loss given default and exposure at default, are based on historical data from risk assessment service providers and judgements of the governing bodies. Expected impairment losses on loans to customers are calculated on an individual basis taking into account the probability of default.

In addition, Company has adopted a debt collection strategy.

Liquidity, market and interest rate risks

Funds in bank accounts accounted for the majority of the Company's balance sheet in 2021/2022 (loan portfolio accounted for 1-2.2% of total assets), as the Company had limited availability of funds prior to the incorporation of the Bank. At the same time, this meant that liquidity risk was not an issue for the Company. The Company's lending was made from equity, at fixed rates and in local currency, and therefore market or interest rate risks were not material to the Company.

2 note. Cash and cash equivalents in credit institutions

Article	2022	2021	2022
Current account in Revolut	11 999 038	15 198 758	-
Current (cumulative) account in Šiaulių Bankas	50 094	50 094	50 094
Current account in Trustly Group AB	26 504	37 757	0.07
Current account for loan payments in Revolut	594 608	130 123	-
Current account in Trustly Group AB (SEK)	21	-	-
Current account in Revolut (USD)	1 529	-	-
Current account in Ålandsbanken	121 643	-	-
TOTAL	**12 793 437**	**15 416 732**	**50 094**

3 note. Credit portfolio

3.1 Maturity distribution of the loan portfolio in 2022:

Article	2022	up to 1 year	1-2 years	2-3 years	3 years
Value of loans granted	360 987	8 450	5 562	346 975	-
Value of interest on loans granted	15 499	91	50 094	15 210	-
Value of administrative fees for loans granted	6 000	66	65	5 869	-
Value of penalties on overdue loans granted	680	-	7	673	-
Credit portfolio (gross) TOTAL	**383 166**	**8 608**	**5 832**	**368 727**	**-**
Impairment of loans granted (-)	(36 972)	(114)	(1 056)	(35 803)	-
TOTAL	**346 195**	**8 494**	**4 775**	**332 924**	**-**

3.2 Maturity distribution of the loan portfolio in 2021:

Article	2021	up to 1 year	1-2 years	2-3 years	3 years
Value of loans granted	214 211	1 455	3 325	4 953	204 472
Value of interest on loans granted	13 386	303	99	38	12 472
Value of administrative fees for loans granted	2 317	119	65	23	2 711
Value of penalties on overdue loans granted	592	7	4	1	458
Credit portfolio (gross) TOTAL	**230 505**	**1 885**	**3 493**	**5 014**	**220 113**
Impairment of loans granted (-)	(59 178)	(594)	(383)	(126)	(58 076)
TOTAL	**171 327**	**1 291**	**3 110**	**4 889**	**162 037**

4 note. Tangible assets

Article	2022	2021	2020
RESIDUAL VALUE AT THE END OF THE PREVIOUS FINANCIAL YEAR	**12 939**	**10 654**	-
Acquisition cost			
At the end of the previous financial year	24 060	13 327	-
Changes during the financial year:			
- Acquisition of assets	64 813	10 734	13 327
- Assets disposed of or written off (-)	-	-	-
- Transfers from one item to another +/(-)	-	-	-
AT THE END OF THE FINANCIAL YEAR	**88 873**	**24 061**	**13 327**
Depreciation			
End of previous financial year	11 122	2 673	-
Changes in the financial year:			
- Depreciation for the financial year	17 734	8 449	2 673
- Reversing entries (-)	-	-	-
- Of assets transferred to other parties	-	-	-
Depreciation of assets transferred to other parties and written off (-)			
- Transfers from one item to another +/(-)	-	-	-
AT THE END OF THE FINANCIAL YEAR	**28 856**	**11 122**	**2 673**
RESIDUAL VALUE AT THE END OF THE FINANCIAL YEAR (a)-(b)	**60 017**	**12 939**	**10 654**

5 note. Intangible assets

Article	2022	2021	2020
RESIDUAL VALUE AT THE END OF THE PREVIOUS FINANCIAL YEAR			
Acquisition cost			
At the end of the previous financial year	-	-	-
Changes during the financial year:			
- Acquisition of assets	263 912	-	-
- Assets disposed of or written off (-)	-	-	-
- Transfers from one item to another +/(-)	-	-	-
AT THE END OF THE FINANCIAL YEAR			
Depreciation			
End of previous financial year	-	-	-
Changes in the financial year:			
- Depreciation for the financial year	-	-	-
- Reversing entries (-)	-	-	-
- Of assets transferred to other parties	-	-	-
Depreciation of assets transferred to other parties and written off (-)			
- Transfers from one item to another +/(-)	-	-	-
AT THE END OF THE FINANCIAL YEAR	**-**	**-**	**-**
RESIDUAL VALUE AT THE END OF THE FINANCIAL YEAR (a)-(b)	**263 912**	**-**	**-**

6 note. Other assets (assets managed by right of use)

Article	2022	2021	2020
RESIDUAL VALUE AT THE END OF THE PREVIOUS FINANCIAL YEAR	**293 448**		
Acquisition cost	**305 606**		
At the end of the previous financial year	-	-	-
Changes during the financial year:			
- Acquisition of assets	-	305 606	-
- Assets disposed of or written off (-)	-	-	-
- Transfers from one item to another +/(-)	-	-	-
AT THE END OF THE FINANCIAL YEAR	**305 606**	**305 606**	**-**
Depreciation			
End of previous financial year	(12 159)	-	-
Changes in the financial year:			
- Depreciation for the financial year	(61 121)	(12 159)	-
- Reversing entries (-)	-	-	-
- Of assets transferred to other parties	-	-	-
Depreciation of assets transferred to other parties and written off (-)			
- Transfers from one item to another +/(-)	-	-	-
AT THE END OF THE FINANCIAL YEAR	**(73 280)**	**(12 159)**	**-**
RESIDUAL VALUE AT THE END OF THE FINANCIAL YEAR (a)-(b)	**232 327**	**293 448**	**-**

7 note. Other current assets

Article	2022	2021	2020
Advances paid to suppliers	22 594	22 633	1 336
Deposits	-	-	682
Trade receivables	1 839 592	-	-
Value added tax (VAT) receivable	105 025	42 895	-
Prepaid income tax	2 248	1 124	-
Value of receivables due from debtors	506	-	-
Deferred expenses	37 646	6 248	2 909
Accrued income	-	1 289 104	664 235
Value added tax (VAT) payable	-	18 817	19 090
TOTAL	**2 007 611**	**1 388 822**	**688 252**

8 note. Accounts payable

Article	2022	2021	2020
Other liabilities	10 325	-	-
Payables to suppliers	94 698	19 565	3 567
Other payables to Parent Company (loan)	-	52 035	602 734
Amounts payable to the Parent Company	18 803	83 668	51 637
TOTAL	**123 826**	**155 268**	**657 938**

9 note. Other liabilities

Article	2022	2021	2020
Revenue-related grants	(947)	-	-
Leases (finance leases) or similar obligations	183 730	240 056	-
Current year’s share of lease (finance lease) or smilar obligations	56 325	54 727	-
Amounts payable to Parent Company	1 190 010		
Advances received from customers	242	-	-
Payroll payable	1 352	51 638	20 764
Personal income tax payable	(1 131)	17 936	7 999
Other employee benefits	-	4	1 076
Accruals of annual leave pay	286 227	54 258	23 528
Accrued social security payable	16 963	960	416
Accrued expense	57 105	-	1 150
TOTAL	**2 007 611**	**1 388 822**	**688 252**

10 note. Tax obligations

Article	2022	2021	2020
Deferred income tax:			
Relates to the creation and reversal of temporary differences:	-	-	-
Profit (loss) before tax:	**(2 891 206)**	**(74 843)**	**37 494**
15% income tax (2022: 15%)	-	-	2 248
20% corporate tax in Finland (2022: 20%)	-	-	-
TOTAL	**-**	**-**	**2 248**

The Company invested in a bank readiness (staff, processes, systems) in 2020-2022, resulting in a loss in recent years. According to business plan profitable activity of the Company is expected already in 2024 Year, when will be finalized bank passporting to Finland and Sweden. Those processes involve cross-border approvals among regulators. As far as the scale of banking services in mentioned markets are critically important to ensure profitable activity, the Company following the conservatism principle did not yet recognize deferred tax assets in financial statements. It will be done as soon as passporting processes are finished in at least one of the mentioned countries.

11 note. Share capital

Article	2022	2021	2020
Ordinary shares	16 779 000	16 779 000	50 000
TOTAL	**16 779 000**	**16 779 000**	**50 000**

On March 4 2021 Company increased its share capital from EUR 50 000 to EUR 1 350 000.

On 6 October 2021, it was increased to EUR 16 779 000 divided into 16 779 000 thousand ordinary registered shares with a nominal value of EUR 1.

The share capital was increased by the issuing of 1 new ordinary registered share from additional shareholder contributions.

12 note. Retained earnings (loss)

Article	2022	2021	2020
Profit (loss) - at the end of the previous financial year	(97 998)	(23 155)	(60 650)
Transfers from other services	-	-	-
Dividends	-	-	-
Net profit (loss) for the year	(2 891 206)	(74 843)	37 494
Distributable result at the end of the financial year	-	-	-
Shareholders' contributions to cover losses	-	-	-
Transfers from services	-	-	-
Profit available for distribution	-	-	-
PROFIT (LOSS) - AT THE END OF THE FINANCIAL YEAR	**(2 989 204)**	**(97 998)**	**(23 155)**

13 note. Net interest income

Article	2022	2021
Interest income on other long-term investments and loans	94 852	30 973
Expenses from other long-term investments and interest on loans	(40 011)	-
TOTAL	**54 841**	**30 973**

14 note. Net commissions and fees income

Article	2022	2021
Administration fees income (contract fee)	31 637	7 001
Bank fee expenses	(2 366)	(2 053)
TOTAL	**29 271**	**4 948**

15 note. Other incomes

Article	2022	2021
Income from IT and evaluation services	512 442	857 520
Income from administrative and management services	120 600	431 584
Other sales income	345 939	976
TOTAL	**978 981**	**1 290 080**

Company from its establishment belonged to the Group which also involved parent Finnish company Saldo Finance OYJ, which offered consumer and SME loans in Finland, and Tact Finance AB, which offering consumer loans in Sweden. After the Company was submitted by a specialized banking licence, the Group entered a restructuring process, which ensured that future bank activity is separated from old lending companies. Saldo Finance Oy became a new parent entity of the Company, it was established as the Companies Finnish branch, which took over part of Saldo Finance OYJ employees and assets.

Lending activity of Saldo Finance OYJ took over a newly established Tact Finance Oy, while Tact Finance AB continued lending activity in Sweden. Neither Tact Finance Oy, nor Tact Finance AB after restructuring are part of UAB Saldo Finance Group and act separately from the Company. However, from a transfer pricing perspective both, Tact Finance Oy and Tact Finance AB, are still treated as related parties due to the same beneficial owners.

In 2021-2022 Years the Company provided IT & Scoring, also Administrative & Management services to related entities: Saldo Finance OYJ, Tact Finance AB ir Tact Finance Oy.

16 note. Personnel expenses

Article	2022	2021
Mobile device costs	(15 269)	(877)
Benefits for employees	(43 951)	-
Salary and related expenses	(2 203 751)	(888 735)
Social security contributions are paid by the employer	(125 487)	(15 724)
Accrual of annual leave	(123 843)	(30 729)
Accrual of social contributions for annual leave	(1 090)	(544)
TOTAL	**(2 513 391)**	**(936 609)**

17 note. IT expenses

Article	2022	2021
Software costs	(7 927)	(5 471)
Costs of computer equipment	2 875	(6 137)
IT expenses	(363 351)	(12 145)
TOTAL	**(368 403)**	**(23 754)**

18 note. Marketing expenses

Article	2022	2021
Advertising costs	-	(1 106)
Online advertising	-	-
Google ads	(50 351)	(58 215)
SEO/CRO	(8 732)	(25 573)
Google Ads, Analytics and DV agency services	-	(992)
Facebook	(3 041)	-
LinkedIn Marketing	-	(6 442)
Marketing costs	-	(25 694)
Newsletters for clients	-	(609)
Other selling expenses	(158 877)	(15 877)
TOTAL	**(221 001)**	**(134 508)**

19 note. Other operating expenses

Article	2022	2021
Costs of services provided	-	-
Cost of renting premises	(66 959)	(17 088)
Repair and maintenance costs	-	(89)
Translation costs	-	(369)
Stationery costs	-	(361)
Business trips costs	(61 258)	(9 892)
Representations (allowable deductions)	-	(47)
Representations (non-allowable deductions)	(23 244)	(10 121)
Accounting costs	(49 605)	(23 037)
Shipping costs	-	(21)
IT costs	-	-
Audit costs	(9 000)	-
Transportation costs	-	(8)
Legal counsel costs	(156 145)	(75 636)
Recruiting costs	(94 234)	(36 284)
Telephone costs	(4 592)	(1 648)
Office equipment	-	(24 214)
Business gifts	-	(186)
Gifts for employees	-	(534)
Events for employees	-	(1 000)
Trainings costs	(14 558)	(871)
Internet costs	(1 813)	(543)
Insurance costs	(12 470)	(6 503)
Depreciation expense on tangible fixed assets	(17 734)	(8 449)
Non-deductible expenses	(54 495)	(117)
Costs of non-deductible VAT (non-allowable deductions)	-	(1 676)
Cost of non-deductible VAT (allowable deductions)	-	(175)
Other tax expense	(101)	(4)
Fines and penalties	-	(4)
Other general and administrative expenses	(84 585)	(8 468)
Other non-allowable deductions	-	(1 219)
Other expenses	(47 897)	(3 469)
Impairment expense on non-current financial assets	(38 915)	(12 159)
Negative effect of exchange rate changes	-	-
Interest expense on assets acquired under finance leases	(8 106)	(1 675)
Other finance and investment costs	(19 725)	-
Income tax and similar taxes for the year	(210)	-
TOTAL	**(778 462)**	**(246 795)**

20 note. Credit portfolio impairment

Article	2022	2021
Other finance and investment costs	(73 042)	(59 178)
TOTAL	**(73 042)**	**(59 178)**

21 note. Transactions with related parties

Related parties are defined as shareholders, employees, members of the board of directors, their close family members, and entities that they directly or indirectly, through one or more intermediaries, control or are controlled by, or are under common control with, the Company, and that have a relationship that enables one party to exercise control over, or to exercise significant influence over, the other party's financial and operational decisions.

Transactions with the Company's shareholders and their related parties are presented below:

Company name	Sales		Purchases	
	2022	2021	2022	2021
Saldo Finance Oyj (Tact Finance Oy)	2 451 808	664 235	2 575	32 031
Tact Finance AB	159 521		-	
TOTAL	**2 611 329**	**664 235**	**2 575**	**32 031**

Amounts owed by related parties at the end of the reporting period:

Company name	Receivable amounts			Payable amounts		
	2022	2021	2020	2022	2021	2020
Saldo Finance Oyj (Tact Finance Oy)	1 334 935	-	-	2 575	83 668	51 637
Tact Finance AB	159 521	-	-	-	-	-
TOTAL	**2 611 329**	**-**	**-**	**2 575**	**83 668**	**51 637**

Management remuneration during the financial year:

Article	2022	2021
Management remuneration	292 480	279 337
TOTAL	**292 480**	**279 337**

22 note. Restructuring of comparative information

In 2022 the preparation of the financial statements was changed to reflect the fact that the Company was registered as a Bank on 7 February 2023. Article 60(1) of the Law on Banks of the Republic of Lithuania No. IX-2085 (30 March 2004) states that *Bank shall keep accounting records in accordance with the laws and regulations of the Republic of Lithuania, as well as with the accounting policy chosen by the Bank, which shall be implemented taking into account the specific conditions, the nature of the business, and in accordance with the international accounting standards.*

Article	Sum	Reclassification	Article (IFRS)
Financial assets	461 867	227 597	Credit portfolio (gross)
		(59 178)	Credit portfolio impairment
		293 448	Other assets
Amounts receivable within one year	88 377	2 908	Credit portfolio (gross)
		85 469	Other current assets
Deferred expenses and accrued income	1 295 353	1 295 353	Other current assets
Accounts payable after one year and other non-current liabilities	240 056	240 056	Credit portfolio (gross)
Accounts payable within one year and other current liabilities	354 211	198 943	Credit portfolio (gross)
		155 268	Loan portfolio decrease
Sales revenue	1 327 079	1 289 104	Other income
		30 973	Interest income
		7 001	Commisions and fees income
Cost of sales	(1 252 197)	(23 754)	IT expenses
		(134 508)	Marketing expenses
		(157 326)	Other operating expenses
		(936 609)	Personnel expenses
General and administrative costs	(77 689)	(2 053)	Commissions and fees expense
		(75 636)	Other operating expenses
Results of other operations	976	976	Other income
Impairment of financial assets and short-term investments	(71 337)	(12 159)	Other operating expenses
		(59 178)	Credit portfolio impairment expenses
Interest and other similar costs	(1 675)	(1 675)	Other operating expenses

23 note. Subsequent events.

Saldo Finance UAB changed its name to Saldo Bank UAB on 7th February 2023 and officially launched its activity as a bank. In February 2022 Saldo submitted a passporting application to the Bank of Lithuania regarding banking activity in Finland via branch. In March 2023 Company submitted a passport notification regarding cross-border services, in particular deposit taking, in Germany and in April a positive decision was received. In April Company submitted a passport notification regarding cross-border services in Sweden. All the actions are according to the strategy.

There were no other post-accounting events that would have a material impact on the financial statements or should be disclosed in the financial statements.

24 note. Going Concern.

While starting banking operations Company is focused on controlled and profitable growth. Previous experience from the lending business creates a good knowledge base to start banking business in Finland and Sweden. Company is expected to reach profitability when the passporting of Finland and Sweden are concluded.

The impact of the war in Ukraine on the Company's operations was limited as the Company has no operations in Russia, Belarus and Ukraine and no related positions. Interest rate decisions by the European Central Bank have increased the burden on household budgets directly through the cost of housing loans and the cost of goods and services. The full impact on the overall economy and households will be visible in 2023.

Saldo Bank

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Saldo Finance UAB

Opinion

We have audited the financial statements of Saldo Finance UAB (the Company), which comprise the the statement of financial position as at 31 December 2022, and the statement of profit (loss) and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the European Union.

Basis for Qualified Opinion

We were not appointed to audit the Company's financial statements for the financial years ended 31 December 2021 and 2020, respectively. The data specified in the comparative balance sheet articles are used to determine the financial results and cash flows of the financial year ended 31 December 2022. For this reason, we could not determine whether it is necessary to adjust the Company's financial results and cash flows of the financial year ended 31 December 2022. Our opinion on the current period financial statements is also modified due to the potential impact on the comparability of current period data and related previous period data.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the requirements of the Law on Audit of Financial Statements of the Republic of Lithuania that are relevant to audit in the Republic of Lithuania, and we have fulfilled our other ethical responsibilities in accordance with the Law on Audit of Financial Statements of the Republic of Lithuania and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Emphasis of Matter – Changes in the Accounting Standards

We draw your attention to note 1 in part 2 of the accompanying notes to the financial statements which describes that the Company prepared its financial statements for the previous periods ending before 31 December 2022 in accordance with the Lithuanian financial reporting standards applied in the Republic of Lithuania. The reports for the period ending 31 December 2022 are prepared in accordance with the International Financial Reporting Standards (IFRS), as adopted by the European Union for the first time. Our opinion is not modified in respect of this matter.

Other Matters – Not Audited Financial Statments of FY 2021 and FY 2020

Financial statements of the Company for the year ended 31 December 2021 and 31 December 2020 were not audited by another auditor.

INDEPENDENT AUDITOR'S REPORT (continued)

Other Information

The other information comprises the information included in the Company's annual report, but does not include the financial statements and our auditor's report thereon. Management is responsible for the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon, except as specified below.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. 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.

In addition, our responsibility is to consider whether information included in the Company's annual report for the financial year for which the financial statements are prepared is consistent with the financial statements and whether annual report has been prepared in compliance with applicable legal requirements. Based on the work carried out in the course of audit of financial statements, in our opinion, in all material respects:

- The information given in the Company's annual report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- The Company's annual report has been prepared in accordance with the requirements of the Law on Entities Reporting of the Republic of Lithuania.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the 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 the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 ISAs 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 financial statements.

INDEPENDENT AUDITOR'S REPORT (continued)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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 Company'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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We shall 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.

BDO auditas ir apskaita, UAB
Audit Company Certificate No.001496

Rūta Jokimaitienė
Certified auditor of the Republic of Lithuania
Auditor Certificate No. 000524

Kaunas, the Republic of Lithuania
28 April 2023