hivefinance

Hive finance, UAB
Hive5 marketplace, d.o.o.
Argentum Capital, Sp. z o.o.

Quarterly Management Report, Financial Statements and Independent Auditor's Report for the Quarter ended 30 June 2023

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1. Quarterly Management Report

1.1 CEO‘s foreword

Dear investors,

I am pleased to present the quarterly financial management report for Q2 2023 of Hive finance, UAB and its subsidiary companies hive5 marketplace d.o.o. and Ekspres Pozyczka, operating under the legal name Argentum Capital Sp. z o.o.

During this period, Hive Finance consolidated revenue soared to 756,300 EUR, a testament to our dedication and hard work. Additionally, our EBITDA (Earnings Before Interest, Taxes, Depreciation, and Amortization) surged to 11,900 EUR, further showcasing our business strategies and operational management effectiveness.

We are excited to announce that in the second quarter of 2023, our subsidiary company hive5 continued to grow rapidly. By the end of the quarter, our platform achieved a cumulative portfolio exceeding 11.2 M Eur. Additionally, our investors earned a competitive average annual investment return of 15.84%.

Furthermore, our other company Ekspres Pozyczka, places a strong emphasis on accurate risk management, leveraging cutting-edge technology. The company stands out in the market by implementing a revolutionary AI-based decision-making engine. The unique scoring system for borrowers is continually enhanced, enabling the company to maintain a competitive default rate of approximately 9.5% of the entire portfolio, which is significantly lower than the market average. This demonstrates a major advantage and safety for our investors.

In the next quarter, we will keep growing and make our investment platform even easier to use. We will also improve the loan application process and overall user experience for our subsidiary, Ekspres Pozyczka. We are dedicated to being transparent, accessible, and convenient.

At Hive finance group, our mission is to provide our clients with profitable investments, the highest level of service, and the most innovative investment tools available. We remain steadfast in upholding our values of transparency, accessibility, and convenience, and we eagerly anticipate the continuation of our growth in the years to come.

Ričardas Vandzinskas,
CEO, hive5

1.2 Outstanding Portfolio

hive5 marketplace, d.o.o.

Cumulative portfolio, k EUR	**11 282**
Number of active investors	**2 836**
Investment portfolio outstanding, k EUR	**3 143**
Investor's markets	**18**
Listed loans, k EUR	**13 816**
Average annual investment return	**15,84%**
Number of loans listed	**23 895**

Argentum Capital, Sp. z o.o.

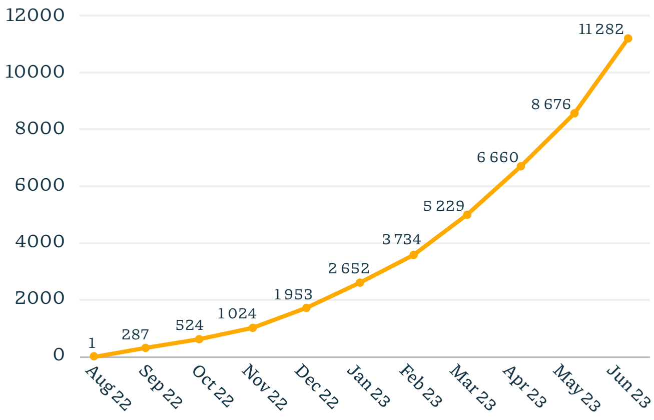
Number of customers	**22 463**
Loans granted	**7 441**
Volume of loans granted, k EUR	**3 464**
Net impairment, k EUR	**184**
Default rate	**9,5%**

Hive finance, UAB consolidating entity

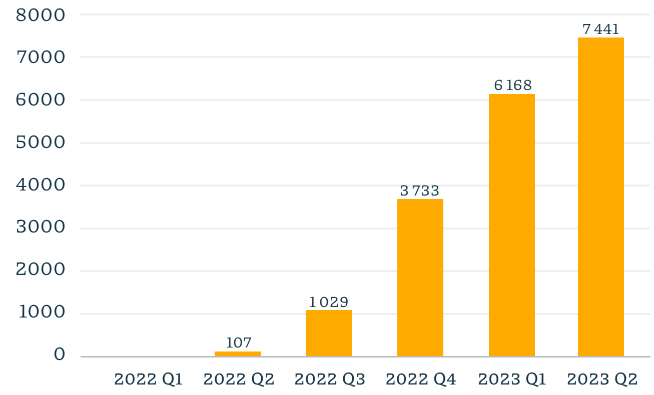
Revenue, k EUR	**756,3**
EBITDA, k EUR	**11,9**
Net profit (loss), k EUR	**-23**
FTE, #	**26**

1.3 Operations

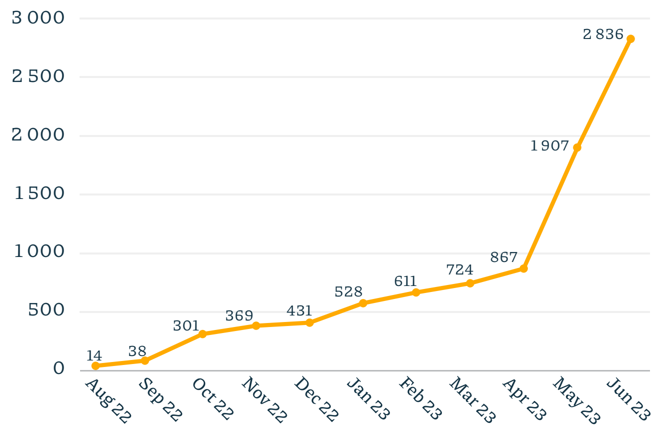
Cumulative portfolio, k EUR



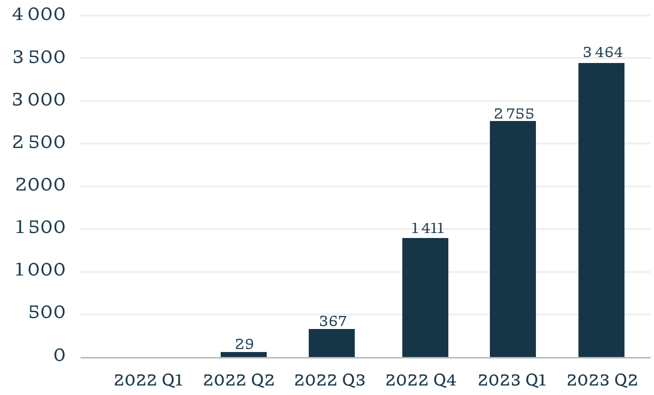
Loans granted



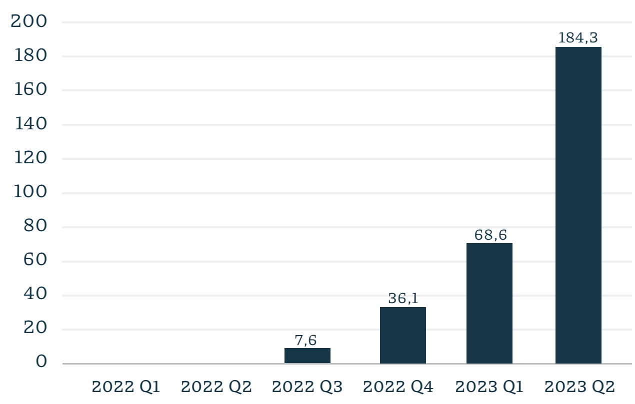
Numbers of active investors



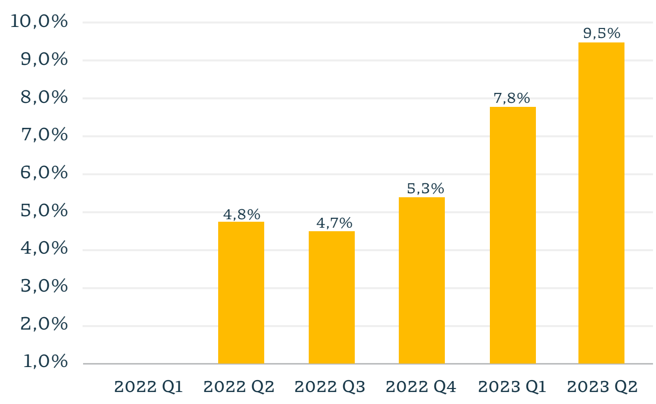
Volume of loans granted, k Eur



Net impairment, k Eur



Default rate



1.4 Business model

Hive finance group is a global-scale-oriented ESG business of innovative digital loan providers established in 2021. Hive finance group operates in Lithuania (headquarters – Vilniaus g. 33-201, Vilnius), and its subsidiaries hive5 operate in Croatia (ul. Račkoga 8, Zagreb) and Ekspres Pozyczka in Poland (ul. Konstruktorska 11, 02-673 Warsaw).

The Hive finance group operates in two main business segments:

ekspres pożyczka.pl – a consumer microlending organization that operates under a classical license. It is a registered limited liability company and 100% owned subsidiary of Hive finance, UAB. Ekspres Pozyczka offers short-term investments in consumer loans through the hive5 investment marketplace. All loans are secured with a Buyback Obligation.

hive5 – main business activity - online loan marketplace platform for lenders and borrowers. Registered limited liability company and 100%-owned subsidiary of Hive finance, UAB. Loans issued by Hive finance group Subsidiary Companies are available for investors via fully digitalized and secure investment platform.

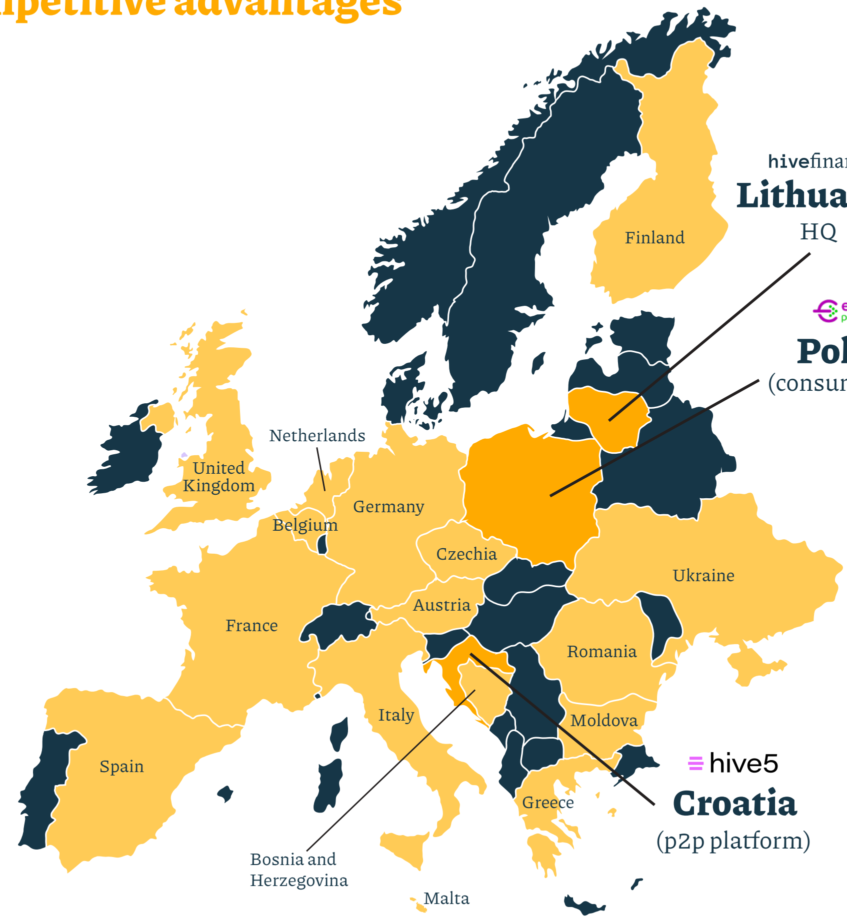
Business model

1. Borrower Ekspres Pozyczka (Argentum Capital Sp. z o.o.) receives funding from investors by selling the rights of claim to their loan agreements for interest through hive5 marketplace;
2. Investors - private persons or companies buy rights of claim to loan agreements of Ekspres Pozyczka (Argentum Capital Sp. z o.o.) through hive5 marketplace and earn interest on the loan payments.
3. Hive5 marketplace - a matchmaking platform for borrowers and investors. Earns commission fee from borrowers for listing its rights of claim to their loans on a marketplace.

Ruptela Loan Originator was introduced to the hive5 investors in 2023. This global telematics company specializes in developing GPS tracking devices and was founded in 2007 by Andrius Rupšys, who is also a co-founder of Hive finance group.

1.5 The Group's competitive advantages

All Hive finance group's companies and hive5 investors markets are shown on the map below:



Investors

Hive finance group companies

Diversification and global scale

Hive finance group aims to establish itself as a global enterprise by implementing a strategy that empowers hive5 investors to broaden their investment portfolios and set themselves apart from other P2P platforms that confine themselves to a single product or regional market.

Hive finance group strategy involves entering the subsequent markets and introducing these types of loans:

1. Geographic: expansion into three continents: Europe, Africa and Asia.
2. Loan types: Green loans, Equipment leasing, Real Estate projects and many more.

Team of professionals only

Hive finance group companies have assembled a team of more than 20 fintech professionals from 5 different countries, sourced from the top fintech companies, banks, and leading P2P platforms. Additionally, the hive5 team consists of full-time investors who possess an in-depth understanding of what is critical to investors.

Technology and risk management

The first Loan Originator, Ekspres Pozyczka, is among the few in the market who have implemented a revolutionary AI-based, multisource Big Data scorecard decision engine. It allows not only to filter the fraud but also correctly manage and plan the default rate and ensure a fast-forward scale of the quality loan portfolio in Poland.

1.6 Vision, mission, values

We are driven by a purpose to transform the financial industry through technology and customer-centric approaches.

Vision

To be the leading group of innovative digital loan providers and investment platform, leveraging technology to create seamless and inclusive financial experiences, while fostering financial empowerment and growth for our customers and partners.

Mission

To revolutionize the lending and investment industry by providing innovative digital loan solutions and a cutting-edge investment platform, empowering individuals and businesses to achieve their financial goals with ease and efficiency.

Values

Hive finance group is guided by the following values in its operations:

Innovation

We constantly strive to push boundaries and challenge the status quo in the lending and investment industry. We embrace new technologies, ideas, and approaches to deliver groundbreaking solutions that meet the evolving needs of our customers and enhance their financial journeys.

Trust and Transparency

We prioritize trust and transparency in all our interactions with customers, partners, and stakeholders. We believe in building long-lasting relationships based on honesty, integrity, and open communication. We ensure that our customers have a clear understanding of our processes, terms, and conditions, enabling them to make informed decisions.

Customer-Centricity

We place our customers at the heart of everything we do. We are committed to delivering exceptional customer experiences by understanding their unique needs, providing personalized solutions, and offering seamless digital platforms that are user-friendly and accessible. We continuously strive to exceed customer expectations and provide support throughout their financial journey.

1.7 Risk management

Debt recovery processes

Ekspres Pozyczka starts the debt recovery process 10 days after the loan's due date. Firstly, the borrower is offered to refinance the current loan with a payment of interest and commissions that accrued over the period of use.

The following stage is the soft-collection phase, during which the company employs various communication channels to reach out to its clients. On the 60th day past due, the loan agreement is transferred to the professional debt recovery agencies.

Then the debts 90 days past due are sold and written off from the Ekspres Pozyczka balance.

As a result, the company collects 75% of the overdue amount 5-90 days past due.

Risk mitigation and management

Ekspres Pozyczka is among the few in the market who have recently implemented a revolutionary AI-based, multisource Big Data scorecard decision engine. It allows not only to filter the fraud but also correctly manage and plan the default and ensure a fast-forward scale of the quality loan portfolio in Poland.

Target 3-layer liquidity buffer 2023

1 layer
Poland liquid cash reserve

• Purpose. Balance Poland consolidated production seasonality and p2p withdrawals servicing

• Target. 10% of monthly production volume (3 days production volume) consolidated (Poland+p2p) cash reserve

2 layer
Skin in the game

Shareholders consistently allocate a minimum of 10% of their funds for investment through hive5.

3 layer
Group Contingency reserve

• Purpose. Group contingency reserve for various liquidity distress event scenarios

• Target. 10% of quarterly profit allocation to non-distributable contingency reserve hivefinance

2. Independent Auditors report

Report on Review of Interim Financial Information

To the Shareholder of Hive finance, UAB:

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of Hive finance, UAB and its subsidiaries (the Group) as of 30 June 2023 and the related condensed consolidated statement of profit or loss and other comprehensive income for the six-month period then ended. Management is responsible for the preparation of this interim financial information in accordance with the recognition and measurement principles as at out by the International Financial Reporting Standards (IFRS's) as adopted by EU and presentation and disclosure requirements as set out by the management in the explanatory notes to this interim financial information.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with recognition and measurement requirements as set out by the International Financial Reporting Standards as adopted by the EU, and presentation and disclosure requirements as set out by the management in the explanatory notes to this interim financial information.

FBP Advice, UAB
Audit Company's License No. 001518

Arūnas Užbalis
Auditor's License No. 000543

Vilnius, 28 August 2023

hivefinance

3. Financial Statements

(All amounts are in EUR, unless otherwise stated)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023

	The Group 30-06-2023	The Group 31-03-2023	The Group 31-12-2022
ASSETS			
Cash and cash equivalents	322 266	66 646	225 980
Loans receivable	1 654 330	1 261 742	680 398
Other receivables	187 000	118 207	98 153
Deferred tax asset	16 303	29 643	36 622
Intangible assets	257 684	226 298	189 244
Property, plant and equipment	1 769	1 993	2 216
Total assets	**2 439 352**	**1 704 529**	**1 232 613**
EQUITY			
Share capital	2 500	2 500	2 500
Currency translation reserve	(24 164)	1 691	-
Retained earnings	(804 485)	(777 752)	(756 907)
Capital and reserves attributable to owners of Hive Finance UAB	(826 149)	(773 561)	(754 407)
Non-controlling interest	(26 265)	(29 073)	-
Total equity	**(852 414)**	**(802 634)**	**(754 407)**
LIABILITIES			
Notes payable	2 207 843	1 804 018	1 335 776
Other financial borrowings	874 523	451 360	456 828
Trade and other payables	138 532	174 310	114 170
Other liabilities	70 868	77 475	80 246
Total liabilities	**3 291 766**	**2 507 163**	**1 987 020**

The summary interim financial information was approved and signed on 28 August 2023:

Ričardas Vandzinskas
General Director

Vida Krivickiene
Chief Accountant

(All amounts are in EUR, unless otherwise stated)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSINVE INCOME FOR THE 3 MONTHS PERIOD ENDED 30 JUNE 2023

	The Group 30-06-2023	**The Group 31-03-2023**	**The Group 31-12-2022**
Revenue from operations	1 325 307	568 674	134 925
Total revenue	**1 325 307**	**568 674**	**134 925**
Operating expenses	(835 938)	(453 852)	(848 669)
Depreciation & amortization	(36 642)	(18 321)	(23 132)
Loan loss provisions	(313 108)	(77 899)	(53 671)
Other income and losses	(127 816)	(380)	4 009
Financial income	103 492	7 186	2 422
Financial expenses	(190 045)	(88 566)	(83 555)
Income before tax	**(74 750)**	**(63 158)**	**(867 671)**
Income tax	4 180	15 540	111 853
Net income	**(70 570)**	**(47 618)**	**(755 818)**
Profit is attributable to			
Owners of Hive Finance UAB	(76 227)	(50 530)	(755 818)
Non-controlling interests	5 657	2 912	-
Additionally disclosed KPI's:			
EBITDA	48 445	36 543	(763 352)

**The corresponding comparative financial information for the year 2022 is presented for the 12 months period ended 31 December 2022 and is derived from the audited financial statements of 2022 financial year.*

The summary interim financial information was approved and signed on 28 August 2023:

Ričardas Vandzinskas
General Director

Vida Krivickienė
Chief Accountant

(All amounts are in EUR, unless otherwise stated)

1. General information

Hive finance, UAB (thereinafter – the Company) is a private limited liability company registered in the Republic of Lithuania. The company began its activity on 23 November 2021. The address of its registered office is Vilniaus g. 33-201, LT-01402, Vilnius, Lithuania.

The Company is engaged in holding and micro lending activities. The Company's subsidiaries are engaged in micro lending, marketing and other activities.

The shareholders of the Company are private persons owning 65 and 35 percent of the Company shares respectively.

As at 30 June 2023, the Group consisted of the Hive finance UAB and the following subsidiaries (hereinafter – the Group):

Company's name	Registration address	Acquisition date	Share of the stock held by the Group	Cost of investment (EUR)	Main activities
Argentum Capital Sp.z.o.o	Konstruktorska 11 02-673 Warsaw, Poland	28 March 2022	95%	1 000	Micro lending
Hive5 Marketplace d.o.o	Ulica Račkoga 8, Zagreb, Croatia	11 May 2022	100%	2 654	Micro lending, priomotion
Total				**3 654**	

On December 15, 2022, the sole shareholder of Argentum Capital Sp. z o.o., i.e., UAB "Hive Finance", agreed to sell 211 shares (5 percent) of Argentum Capital Sp. z.o.o. to Mr. Wojciech Homan by concluding a donation agreement for the above-mentioned shares without the right of pre-emptive buyout. The registration of the capital increase took place on January 2, 2023.

2. Basis of preparation and significant accounting policies

2.1. Statement of compliance

The interim financial information has been prepared in accordance with the recognition and measurement principles of International Financial Reporting Standards as adopted by European Union, and disclosure requirements as set out by the Company's management for the interim reporting. The accounting policies are consistent to those applied by the Group for the preparation of the annual financial statements for 2022 and should be read in conjunction with them.

2.2. Basis of measurement

The consolidated interim financial information has been prepared on the historical cost basis except for the certain properties and financial instruments that are measured at revalued amount or fair values at the end of each reporting period as explained in the accounting policies below.

2.3. Functional and presentation currency

The financial information is presented in EUR, which is the Group's functional currency unless otherwise stated.

2.4. Basis of consolidation

Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognized in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognized in profit or loss.

Subsidiaries

Subsidiaries are investees controlled by the Group. The Group controls an investee if it is exposed to, 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. The Group reassess whether it has control if there are changes to one or more of the elements of control. This includes circumstances in which protective rights held (e.g. those resulting from a lending relationship) become substantive and lead to the Group having power over an investee.

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Non-controlling interests

At the date of acquisition, non-controlling interests (NCIs) are measured at their proportionate share of the acquiree's identifiable net assets. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Loss of control

When the Group loses control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognized in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Inter-company transactions between the Group companies are eliminated

Subsidiaries in the separate financial statements are accounted at cost, less impairment. That means the income from the investment is recognized only to the extent that the Bank receives distributions from accumulated profits of the investee arising after the date of acquisition. Distributions received in excess of such profits are regarded as a recovery of investment and are recognized as a reduction of the cost of the investment.

2.5. Financial assets

The Group recognize financial assets and liabilities in their statement of financial position when, and only when, the Group become a party to the contractual provisions of the instrument.

Under IFRS 9 Financial Assets - cash and cash equivalents, contractual rights to receive cash or another financial asset, contractual rights to exchange financial instruments with another party on terms that are potentially favorable, equity instruments of other entities, and contracts that will or may be settled themselves with company equity instruments.

Financial assets are classified:

- Financial assets that are subsequently measured at amortized cost.
- Financial assets that are measured at fair value in subsequent periods by recognizing a change in fair value through comprehensive income.
- Financial assets at fair value through profit or loss recognized in subsequent periods.

Financial assets are measured at amortized cost if both conditions are met:

- Financial assets are hold according to the business model - designed to hold financial assets to collect contractual cash flows.
- Due to contractual terms of the financial asset, cash flows that occur only on the principal amount and on the principal amount outstanding may arise on specified dates.

Financial assets are measured at fair value, the change of which is recognized in other comprehensive income if both of the following conditions are met:

- Financial assets are held according to a business model whose purpose is to achieve the contractual cash flows and to sell the financial assets.
- Due to contractual terms of the financial asset, cash flows that occur only on the principal amount and on the principal amount outstanding may arise on specified dates.

Financial assets at fair value through profit or loss include those financial assets that are not classified as financial assets at amortized cost and as financial assets at fair value through profit or loss, for which changes are recognized in other comprehensive income. At initial recognition, a financial asset may be irrevocably classified as a financial asset measured at fair value through profit or loss, if such assignment eliminates or diminishes the inconsistency of the measurement and recognition of financial instruments (accounting inconsistencies). These financial assets cannot subsequently be transferred to another group of financial assets.

The category of financial assets is determined at the time of acquisition of these assets.

(All amounts are in EUR, unless otherwise stated)

Impairment of loans

The Impairment Model (Expected Credit Loss Calculation Model) will be applied to financial assets at amortized cost or fair value, excluding equity investments.

Lending positions, irrespective of whether special provisions are set for a homogeneous group or individually, are regrouped to respond consistently to credit risk factors as macroeconomic conditions change. After the regrouping of lending positions, the amounts of special provisions are recalculated accordingly.

Lending positions, after assessing their credit risk from initial recognition, are classified into one of three risk levels:

- Risk level 1 includes those exposures that have not significantly increased credit risk, i.e. no credit risk indicator or loss event has been recorded after the initial loan recognition.
- Risk level 2 includes exposures with a credit risk indicator or significant credit risk increase.
- Risk level 3 includes non-performing loans and other exposures that are expected to be defaulted.

Collectively rated lending exposures are assessed by the ECL using a model developed by the Group that calculates internal risk parameters for each homogeneous group according to the applicable scenario..

ECL for collectively assessed lending positions is calculated according to formula:

EAD x PD x LGD = ECL

Where: PD – probability default
LGD - loss given default
EAD – position for the period of ECL calculation

The assumptions on which ECL calculations are based, are reviewed periodically (at least once a year), supplemented by historical data and taking into account current economic forecasts.

The carrying amount of the loans is reduced using an impairment account and the amount of impairment is included in the profit (loss) statement. For all financial instrument, after initial recognition, the lending positions are reviewed, and detailed assessment of the change in the customer's risk profile is carried out at least once a year, to determine the increase in the significance of credit risk. Every month, and assessment of the indicators determining the decrease (increase) in the credit risk of lending position is carried out, based on which the previously recognized decrease in value is recovered or increased by adjusting the impairment account. Impairment losses related to the initial application of IFRS 9 are accounted directly through equity.

Lending positions, regardless of whether special provisions are set for a homogeneous group or individually, are regrouped to continuously respond to credit risk factors in the same way as macroeconomic conditions change. After regrouping lending positions, the amounts of special provisions are also recalculated accordingly.

Write-offs

When the loans and advances cannot be recovered and all collateral has been realized, they are written-off and charged against impairment for incurred credit losses. The management of the Group makes the decision on writing-off loans. Recoveries of loans previously written-off are credited to the profit or loss.

Partial write-off may be applicable only for clients having the status of defaulted clients, if there is no evidence that full or partial Group claim (principal, accrued interest and other charges) towards the client will be covered (e.g. the client has the status of bankrupt procedure, or the Group has initiated legal procedure and there is not enough collateral and no expected cash flow or any other property to fully cover part of the claim).

2.6. Financial liabilities

Financial liabilities - contractual obligations to transfer cash, other financial assets or financial instruments under potentially unfavorable conditions and contracts that will or may be settled by the Group's own equity instruments. Financial liabilities are classified into:

- Financial liabilities at amortized cost.
- Valued at fair value through profit or loss.

Financial liabilities are classified as financial liabilities at amortized cost, except for:

- measured at fair value through profit or loss and derivative financial instruments.
- financial liabilities that arise when the transfer of financial assets does not meet the criteria for derecognition or if a follow-up approach is applied.
- financial guarantee contracts.
- commitments to grant a loan with a lower than market interest rate.
- contingent consideration recognized in a business combination.

Financial liabilities measured at fair value through profit or loss include those financial liabilities that are not classified as financial liabilities at amortized cost in the category of financial liabilities. Financial liabilities at initial recognition may be irrevocably attributable to fair value through profit or loss, provided that:

- The group of financial liabilities or financial assets and financial liabilities is managed, and its results are measured at fair value based on a documented risk management or investment strategy;
- Such an assignment eliminates or reduces the inconsistencies between the measurement and recognition of financial instruments (accounting discrepancies).

These financial liabilities cannot subsequently be transferred to another group of financial liabilities.

The Group has not classified any financial liabilities at fair value through profit or loss.

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, and the difference in the respective carrying amounts is recognized in profit or loss.

2.7. Offsetting

Financial assets and liabilities are set off and the net amount presented in the statement of financial position when, and only when, the Group have a currently enforceable legal right to set off the amounts and intend either to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.8. Employee benefits

Short-term employee benefits

Short-term employee benefits are recognized as a current expense in the period when employees render services. These include salaries and wages, social security contributions, bonuses, paid holidays and other benefits. There are no significant long-term employee benefits.

Social security contributions

The Company pays social security contributions to the State Social Security Fund (hereinafter referred to as the Fund) on behalf of its employees in accordance with the local legal requirements. The social security contributions are recognized as an expense on an accrual basis and are included within personnel expenses.

2.9. Foreign currency

Transactions in foreign currencies are translated to EUR at the official exchange rate of the Bank of Lithuania (spot exchange rate) prevailing at the dates of the transactions. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in currencies other than EUR are recognized in the profit or loss.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the spot exchange rate prevailing at the date of the statement of financial position. Gains and losses resulting from the translation of items of the statement of financial position are recognized in the profit or loss. Non-monetary items carried at cost are translated using the exchange rate at the date of the transaction, while non-monetary assets carried at fair value or revalued amounts are translated at the exchange rate when the fair value was determined.

2.10. Interest revenue and expenses

Interest revenue and expense are recognized in the profit or loss on an accrual basis using the effective interest rate method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. Loan origination fees for loans issued to customers are deferred (together with related direct costs) and recognized as an adjustment to the effective yield of the loans.

The calculation of the effective interest rate includes all fees and points paid or received, transaction costs and discounts or premiums that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability.

Fees and commission

Fees and commission revenue and expenses that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

Other fees and commission revenue, including account servicing fees, investment management fees, sales commission, placement fees and others are recognized on an accrual basis as the related services are performed. When a loan commitment is not expected to result in the draw-down of a loan, loan commitment fees are recognized on a straight-line basis over the commitment period.

Other fees and commission expense relate mainly to the transaction and service fees, which are expensed as the services are received.

2.11. Expenses

Other expenses are recognized based on accrual and revenue and expense matching principles in the reporting period when the income related to these expenses was earned, irrespective of the time the money was spent. In those cases when the costs incurred cannot be directly attributed to the specific income and they will not bring income during the future periods, they are expensed as incurred. The amount of expenses is usually accounted for as the amount paid or due.

2.12. Dividends

Dividend revenue is recognized when the right to receive payment is established.

2.13. Cash and cash equivalents

Current accounts with banks due to their high liquidity with maturity up to three months from the date of placement are accounted for as cash and cash equivalents in the statement of cash flows. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.14. Intangible assets

Initially intangible assets acquired by the Group are stated at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. The Group do not have any intangible assets with indefinite life.

Intangible assets with finite lives are amortized over the useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Amortization periods and methods for intangible assets with finite useful lives are reviewed at least at each financial year-end.

Subsequent expenditure on intangible assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful life of the intangible assets, from the date that it is available for use. The estimated useful life of software is 3 years.

2.15. Property and equipment

Items of property and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalized as a part of that equipment. The cost of replacing part of an item of property or equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property and equipment are recognized in the profit or loss incurred.

2.16. Fair values of financial assets and liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Group have access at that date. The fair value of a liability reflects its non-performance risk.

When applicable, the Group measure the fair value of an instrument using quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

For financial instruments traded in active financial markets the fair value is determined by reference to quoted market prices. Bid prices are used for assets and ask prices are used for liabilities. In the absence of an active market the fair value of interest-bearing financial instruments is estimated based on discounted cash flows using the interest rates for items with similar terms and risk characteristics. For unquoted equity investments fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions, reference to the current market value of another instrument, which is substantially the same, and discounted cash flow analysis.

Measurement of fair values

When measuring the fair value of an asset or a liability, the Group use market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e. derived from prices);
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

2.17. Share capital

Share capital is presented in the statement of financial position at the amount subscribed.

2.18. Income tax

Income tax on the profit for the year comprises current and deferred tax. Income tax is calculated based on the local tax legislation.

In accordance with the Law on Corporate Income Tax of the Republic of Lithuania, the current income tax rate is 15 percent on taxable income. Expenses related with taxation charges and included in these financial statements are based on calculations made by the management in accordance with Lithuanian tax legislation.

Deferred taxes are calculated using the liability method. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax assets and liabilities are measured using the tax rates expected to apply to taxable income in the years in which those temporary differences are expected to reverse based on tax laws that have been enacted or substantively enacted at the date of the statement of financial position.

Deferred tax assets have been recognized in the statement of financial position to the extent the management believes they will be realized in the foreseeable future, based on taxable profit forecasts. If it is believed that part of the deferred tax asset is not going to be realized, this part of the deferred tax asset is not recognized in the financial statements.

2.19. Off-balance sheet items

All liabilities that may be recognized in the statement of financial position in the future are accounted for as off-balance sheet liabilities. This allows the Group to assess capital requirement and to attract the necessary funding to cover these liabilities.

2.20. Related parties

Parties are related if one party can unilaterally or jointly control the other party or exercise significant influence over the other party in making financial or operational decisions, or where parties are under common control. In addition, members of key management personnel as well as their close family members and entities are controlled by them, and close family members of individuals that unilaterally or jointly control the Bank or exercise significant influence over it. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

2.21. Provisions

Provisions are recognized when the Group and the Bank have a present obligation (legal or constructive) because of a past event, if it is probable that an outflow or recourses embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The expense relating to any provision is presented in the profit or loss. If the effect of the time value of money is material, provisions are discounted using the current pre-tax rate that reflects the risks specific to the liability. Where discounting is used the increase in the provision due to the passage of time is recognized as a borrowing cost.

2.22. Contingencies

Contingent liabilities are not recognized in financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognized in the financial statements but disclosed when an inflow or economic benefits is probable.

2.23. Subsequent events

Subsequent events that provide additional information about the Group's position at the statement of financial position date (adjusting events) are reflected in the financial statements. Post balance sheet events that are not adjusting events are disclosed in the notes when material.

3. Use of estimates and judgements in the preparation of financial statements

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingencies. The significant areas of estimation and judgements used in the preparation of the accompanying financial statements relate to evaluation of impairment losses for loans and other receivables, realization of deferred tax asset, finance leases and derecognition of financial assets and going concern.

Below are presented key assumptions concerning the future and other key sources of estimation uncertainty at the date of the statement of financial position that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment losses on loans and receivables

The Group regularly review their loans and receivables to assess impairment. The Group use their experienced judgment to estimate the amount of any impairment loss in cases where a borrower is in financial difficulties and historical data relating to similar borrowers is available. Similarly, the Group estimate changes in future cash flows based on the observable data indicating that there has been an adverse change in the payment status of borrowers in a group or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment like those in the group of loans and receivables when scheduling its future cash flows. The Group use their experienced judgment to adjust observable data for a group of loans or receivables to reflect current circumstances. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Deferred tax asset

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. A significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effect of any changes in estimates will be recorded in the financial statements, when determinable.

4. Revenue

Revenue consisted of the following:

	The Group 30 June 2023 (6 months)	**The Group 31 March 2023 (3 months)**	**The Group 31 December 2022 (12 months)**
Income from commissions and fees	983 046	479 324	124 529
Income from service fee	238 992	74 093	7 614
Other income	103 269	15 257	2 782
Total	**1 325 307**	**568 674**	**134 925**

5. Operating expenses

Operating expenses consisted of the following:

	The Group 30 June 2023 (6 months)	The Group 31 March 2023 (3 months)	The Group 31 December 2022 (12 months)
Salaries and related expenses	412 290	193 735	508 809
Loan origination expenses	356 768	182 278	173 803
Other operating expenses	66 880	77 839	166 057
Total	**835 938**	**453 852**	**848 669**

6. Financial instruments

The Company is exposed to the financial risk in its operations, i.e. credit risk, liquidity risk and market risk (foreign currency risk, fair value interest rate risk and cash flows interest rate risk, shares market value). To manage these risks, the Group and the Company seeks to minimize potential adverse effects which could negatively impact the financial performance of the Group and the Company.

6.1. Capital management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance. The Group is not subject to any externally imposed capital requirements.

6.2. Credit risk management

Due to the nature of its business – granting unsecured cash loans – the Group is exposed to credit risk, i.e. the risk that the client will not be able to repay in whole or in part its obligations to the Company on time. The risk of significant unexpected credit losses in relation to receivables from customers is medium due to the dispersion of credit risk - the Company lends low amounts practically for one term (30 days) to a diverse group of clients. The risk is also minimized since loans are granted only to those clients who, according to the techniques of assessing the Company's creditworthiness and creditworthiness, can afford their repayment. The Group grants loans only to persons with documented, stable sources of income; Natural persons conducting business activity and having the only source of income from this form of activity constitute a small group of customers. The amount of the loan granted to the client and the repayment period depend on the risk category assigned to the client in the process of assessing creditworthiness and creditworthiness using external sources of information CRIF, KBIG, KRD, Kontomatik.

6.3. Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the management board, which has established an appropriate liquidity risk management framework for the management of the Group's short-, medium- and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

The Company adheres to the principles of cash management to mitigate the liquidity risk by:
- preparing of daily cash reports consisting in the presentation of all movements on bank accounts,
- preparing of daily and summary monthly cash flow reports, analyzing cash flows for the Company's Management Board,
- financing a loan action through a P2P platform, thanks to which financing refers to a specific loan granted (1:1 model).

Most receivables from customers have payment terms of up to 30 days. Trade and service obligations are due within 30 days. The Company covers its current expenses with shareholder loans and fundraisers from loans granted. The investment needs related to the construction of the debt portfolio are financed mainly through long-term external financing. In 2022, there was no liquidity risk in the Group, the Group settled its internal (towards employees) and external liabilities on an ongoing basis. The Management Board of the Company is aware that the development of the Company and the achievement of business objectives require a significant investor contribution and external financing in the next few years of operation.

(All amounts are in EUR, unless otherwise stated)

6.4. Interest rate risk

The company is exposed to moderate interest rate risk. On the one hand, the Company offers products with a fixed interest rate, but for a very short period. On the other hand, the Company's operating and administrative activities are secured by financing from a related entity, characterized by a long maturity, while external financing of the loan action is financed mainly from loans secured by financed assets in a 1:1 model via a P2P platform.

6.5. Fair value measurements

The directors consider that the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements approximate their fair values.

7. Contingent liabilities and contingent assets

As at 31 December 2022 and 2021, the Group and the Company was not involved in any legal proceedings, which in the management opinion would have a material impact on the financial statements.

The provisions on value added tax, corporate income tax, personal income tax and social security contributions are subject to frequent changes, because of which there is often no reference to established regulations or legal precedents. The applicable regulations also contain ambiguities that cause differences in opinions as to the legal interpretation of tax regulations both between state authorities and between state authorities and enterprises. Tax and other settlements (e.g. customs or foreign exchange) may be subject to inspection by authorities that are entitled to impose high penalties, and the additional amounts of liabilities determined as a result of the inspection must be paid together with high interest. These phenomena cause that the tax risk in Poland and Lithuania is higher than that usually existing in other countries. Tax settlements can be audited for a period of five years. As a result, the amounts disclosed in the financial statements may change later after their final determination by the tax authorities.

8. Going concern

The Group has activated its lending activity in Q2 of 2022 and plans further development through expansion and, among others, introducing new products (credit card limit) and continuous improvement of the quality of the portfolio. development of credit risk assessment techniques. Less competition on the market (subsequent amendments to the Consumer Credit Act, which entered into force on December 18, 2022) should create a competitive advantage and the possibility of reselling loans on a large scale, even using a credit card, constituting the Group's core business. Further business development will also result from work to improve brand awareness (PR and marketing activities), and in the long term also through expansion into foreign markets. In 2023, the Group focuses its efforts on achieving a break-even result net financial statement in each subsequent month of operation. The Group also anticipates an increase in operating efficiency by searching for more effective channels and methods of acquiring customers and developing sales, including, among others, continuation of cooperation with brokers, new affiliates, and development in the area of sales via electronic channels (so-called 'digital').

The management of the Group believes there are no significant issues related to the Group’s ability to continue as a going concern.

9. Events after the reporting period

No significant events have occurred after the date of the reported summary interim financial information.

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APPENDIX 1

(All amounts are in EUR, unless otherwise stated)

SUMMARY INFORMATION ON STAND ALONE PERFORMANCE OF THE GROUP COMPANIES

(Before eliminating of intercompany balances and operations)

HIVE FINANCE, UAB

STATEMENT OF FINANCIAL POSITION	**30-06-2023**	**31-03-2023**	**31-12-2022**
ASSETS			
Cash and cash equivalents	8 322	1 152	2 597
Loans receivable	101 116	261 270	377 926
Other receivables	52 027	913	10 743
Deferred tax asset	16 303	29 643	14 103
Investments	3 654	3 654	3 654
Intangible assets	257 684	226 298	189 244
Property, plant and equipment	1 769	1 993	2 216
Total assets	**440 875**	**524 923**	**600 484**
EQUITY			
Share capital	2 500	2 500	2 500
Retained earnings	(319 219)	(235 108)	(145 072)
Total equity	**(316 719)**	**(232 608)**	**(142 572)**
LIABILITIES			
Other financial borrowings	711 202	712 630	688 268
Trade and other payables	46 392	27 321	36 642
Other liabilities	-	17 580	18 146
Total liabilities	**757 594**	**757 531**	**743 056**

STATEMENT OF PROFIT OR LOSS	**30-06-2023**		**31-03-2023**	**31-12-2022***
Revenue from operations	48 078		-	25 050
Total revenue	**48 078**		**-**	**25 050**
Operating expenses	(178 531)		(81 758)	(265 545)
Other gains and losses	-		-	124 150
Financial income	10 364		6 444	16 680
Financial expenses	(56 265)		(27 962)	(58 421)
Income before tax	**(176 354)**	**-**	**(103 276)**	**(158 086)**
Income tax	4 180		15 540	14 103
Net income	**(172 174)**	**-**	**(87 736)**	**(143 983)**

**The corresponding comparative financial information for the year 2022 is presented for the 12 months period ended 31 December 2022 and is derived from the audited financial statements of 2022 financial year.*

(All amounts are in EUR, unless otherwise stated)

ARGENTUM CAPITAL SP.Z.O.O

STATEMENT OF FINANCIAL POSITION	30-06-2023	31-03-2023	31-12-2022*
ASSETS			
Cash and cash equivalents	98 444	52 443	162 754
Loans receivable	1 654 330	1 260 710	679 186
Other receivables	181 064	116 737	87 228
Deferred tax asset	-	-	22 519
Property, plant and equipment	-	-	-
Total assets	**1 933 838**	**1 429 890**	**951 687**
EQUITY			
Share capital	42 728	42 728	42 728
Currency translation reserve	(24 164)	3 940	-
Retained earnings	(525 294)	(581 467)	(637 463)
Total equity	**(506 730)**	**(534 799)**	**(594 735)**
LIABILITIES			
Notes payable	2 207 843	1 702 341	1 335 776
Other financial borrowings	-	101 677	72 085
Trade and other payables	161 857	102 916	81 828
Other liabilities	70 868	57 755	56 733
Total liabilities	**2 440 568**	**1 964 689**	**1 546 422**

STATEMENT OF PROFIT OR LOSS	30-06-2023	31-03-2023	31-12-2022*
Revenue from operations	1 315 277	566 443	133 713
Total revenue	1 315 277	566 443	133 713
Operating expenses	(723 650)	(350 079)	(611 157)
Other gains and losses	(127 816)	(21 699)	15 010
Loan loss provision	(313 108)	(77 899)	(53 671)
Financial income	103 473	7 186	2 075
Financial expenses	(141 035)	(65 708)	(41 055)
Income before tax	**113 141**	**58 244**	**(555 085)**
Income tax	-	-	96 779
Net income	**113 141**	**58 244**	**(458 306)**

**The corresponding comparative financial information for the year 2022 is presented for the 12 months period ended 31 December 2022 and is derived from the audited financial statements of 2022 financial year.*

HIVE5 MARKETPLACE D.O.O

STATEMENT OF FINANCIAL POSITION	30-06-2023	31-03-2023	31-12-2022
ASSETS			
Cash and cash equivalents	215 500	13 051	60 629
Loans receivable	-	6 729	7 526
Other receivables	23 862	557	181
Total assets	**239 362**	**20 337**	**68 336**
EQUITY			
Share capital	2 654	2 654	2 654
Retained earnings	(27 965)	(34 227)	(16 428)
Total equity	**(25 311)**	**(31 573)**	**(13 774)**
LIABILITIES			
Notes payable	-	-	-
Other financial borrowings	264 437	51 910	82 110
Trade and other payables	236	-	-
Total liabilities	**264 673**	**51 910**	**82 110**

STATEMENT OF PROFIT OR LOSS	30-06-2023	31-03-2023	31-12-2022
Revenue from operations	65 423	16 073	7 526
Total revenue			
Operating expenses	(73 870)	(32 532)	(23 210)
Financial income	-	-	16
Financial expenses	(3 090)	(1 340)	(760)
Income before tax	**(11 537)**	**(17 799)**	**(16 428)**
Income tax	-	-	-
Net income	**(11 537)**	**(17 799)**	**(16 428)**

**The corresponding comparative financial information for the year 2022 is presented for the 12 months period ended 31 December 2022 and is derived from the audited financial statements of 2022 financial year.*