Financial Statements and
Independent Auditor's Report
Kredo Finance SH.P.K.

31 December 2021

CONTENTS

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Independent Auditor's Report

To the owners of Kredo Finance sh.p.k.,

Opinion

We have audited the financial statements of Kredo Finance sh.p.k., (hereafter referred as the "Entity") which comprise the statement of financial position as at 31 December 2021, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the 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, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as of 31 December 2021, its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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 Entity in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Albania, and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

This version of our report/the accompanying documents is a translation from the original, which was prepared in Albanian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

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 IFRSs, and for such internal control as management determines is necessary to enable the preparation of 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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity'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.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We are 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 Entity'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 Enity'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 Entity 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 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.

Grant Thornton sh.p.k.

Tirana, Albania
March 30, 2022

Kledian Kodra, FCCA

Grant Thornton Sh.p.k. NIPT K 91923007 N Tirana ALBANIA

This version of our report/the accompanying documents is a translation from the original, which was prepared in Albanian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

Kredo Finance sh.p.k
Statement of Financial Position - 31 December 2021

In thousands of Albanian Lek	Note	31 December 2021	31 December 2020
ASSETS			
Cash and cash equivalents	6	70,773	49,167
Loans and advances to customers	7	2,298,757	1,043,438
Other assets	8	119,660	84,093
Deferred income tax asset		7,597	4,139
Premises and equipment	9	77,223	73,978
Intangible assets	10	90,908	46,245
TOTAL ASSETS		**2,664,918**	**1,301,060**
LIABILITIES			
Loans and borrowings	11	1,513,087	692,608
Other liabilities	12	183,435	106,983
TOTAL LIABILITIES		**1,696,522**	**799,591**
EQUITY			
Share capital	13	508,936	508,936
Retained earnings		459,460	(7,467)
TOTAL EQUITY		**968,396**	**501,469**
TOTAL LIABILITIES AND EQUITY		**2,664,918**	**1,301,060**

The financial statements were approved by the Administrator of Kredo Finance SH.P.K and Chief Accountant on March 11, 2022, by:

Arlinda Muja
Chief Executive Officer

Sonila Kaimi
Chief Accountant

Kredo Finance sh.p.k
Kredo.al
NUIS: L71610009A
Serial Nr.0191

*The notes set out on pages **5 to 34** form an integral part of these financial statements.*

In thousands of Albanian Lek	**Note**	**2021**	**2020**
Interest income calculated using the effective interest method	14	1,342,206	1,198,402
Interest expense	14	(128,200)	(163,767)
Net margin on interest and similar income		**1,214,006**	**1,034,635**
Credit loss allowance		(445,218)	(507,899)
Net margin on interest and similar income after credit loss allowance		**768,788**	**526,736**
Fee and commission income	15	181,868	171,632
Other operating income	16	237,846	22,946
Personnel expenses	17	(189,412)	(146,004)
Amortization and depreciation	9,10	(86,762)	(69,364)
Foreign exchange translation gains less losses		(17,546)	(36,514)
Administrative and other operating expenses	18	(324,518)	(149,517)
Loss before tax		**570,263**	**319,915**
Income tax (expense)/credit	19	(103,337)	(54,575)
LOSS FOR THE YEAR		**466,927**	**265,340**
Other comprehensive income / (loss) for the year		-	-
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		**466,927**	**265,340**

Kredo Finance sh.p.k
Statement of Changes in Equity - 31 December 2021

In thousands of Lek	Paid-in capital	Accumulated Losses	Total Equity
Balance as of 31 December 2019	**294,827**	**(272,255)**	**22,572**
Effects of adoption of IFRS 16		(552)	**(552)**
Profit of the year		265,340	**265,340**
Other comprehensive income		-	-
Total comprehensive loss		264,788	**264,788**
Increase of capital	214,109	-	**214,109**
Balance as of 31 December 2020	**508,936**	**(7,467)**	**501,469**
Balance as of 1 January, 2021	508.936	(7,467)	**501,469**
Effect of IFRS 16	-	-	-
Profit for the year	-	466,927	**466,927**
Other comprehensive income	-	-	-
Total comprehensive loss	-	466,927	**466,927**
Increase of capital	-	-	-
Balance as of 31 December 2021	**508,936**	**459,457**	**968,396**

*The notes set out on pages **5 to 34** form an integral part of these financial statements.*

Kredo Finance sh.p.k
Statement of Cash Flows - 31 December 2021

In thousands of ALL	Note	2021	2020
Cash flows from operating activities			
Loss before tax		**570,263**	**319,915**
Adjustments for:			
Losses from impairment of loans	7	445,218	507,899
Depreciation and amortization	9,10	86,762	69,363
Interest expense	14	128,200	163,767
Interest income	14	(1,342.206)	(1,198,402)
Fee income	15	(181,868)	(171,632)
Increase of loan receivables		(1,671,176)	(48,984)
Increase of other current assets		(35,567)	(49,768)
Increase of trade payables and other liabilities		89,100	(144,996)
Received interest		1,494,713	1,177,418
Paid interest		(42,004)	(170,959)
Rent payments		(119,442)	(50,189)
Net cash flows used in operating activities		**(578,007)**	**403,434**
Cash flows from investing activities			
Purchase of equipment and intangible asset		(135,811)	(54,221)
Disposals of equipment and intangible assets		1,141	2,536
Net cash flows used in investing activities		**(134,670)**	**(51,685)**
Cash flows from financing activities			
Inflows from borrowings received		734,283	1,228,405
Outflows from borrowings paid		-	(1,783,094)
Increase of paid-in capital		-	214,109
Net cash flows from financing activities		**734,283**	**(340,580)**
Increase in cash and cash equivalents during the period		21,606	11,169
Cash and cash equivalents at the beginning of the period		49,167	37,998
Cash and cash equivalents at the end of the period	**6**	**70,773**	**49,167**

1. General Information

Kredo Finance (further referred as the "Entity") is a microcredit financial institution established and registered in the National Registration Centre (NRC) dated 28 March 2017. It is registered as an Entity in Tirana District with Identification Number of Taxable Person L71610009A.

The Entity's principal activity is based on the Law no. 9901, dated 14 April 2008 "On Entrepreneurs and Companies" and as well from its establishment act. The Entity is subject of the law 8269 dated December 1997 "On the Bank of Albania" and as well of the regulations and limits imposed by the Bank of Albania for the licensing and functioning of the microcredit financial institutions. Its main activity comprises: Financing of Micro loans, licensed from Central Bank with licence nr 42 on 17.11.2017.

On September 9, 2020, the transfer of 100% of the Entity's shares was approved from "AS Finitera" in favour of AS "NF Capital" with the parent entity AS Mogo Consumer Finance (today called AS Eleving Group), a registered joint stock entity in Riga, Latvia. This transfer was approved by the Bank of Albania on February 17, 2021. The Entity's paid-up capital on December 31, 2021, consists of 1 quota estimated at 508,936,362 ALL. Ms. Arlinda Muja has been appointed Administrator of the Entity.

The central office of the Entity and the main place of activity is "Muhamet Gjollesha" Street, Tirana Ring Centre Building, No. 8, Floor 9, Tirana, Albania. Also, the Entity operates in 44 branches on December 31, 2021 (2020: 36).

The Entity on 31 December 2021 had 204 employees (31 December 2020: 153 employees).

2. Basis of Preparation

a) Statement of Compliance with IFRS

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") under the historical cost convention. The principal accounting policies applied in the preparation of these financial statements are set out below. Financial statements for year ended 31 December 2021 have been approved from management on March 11, 2022.

b) Going concern

The Entity's financial statements have been prepared on a going concern basis, which assumes that the Entity will continue to operate for at least 12 months from the date of the financial reporting. The Entity conducts the resistance tests according to the scenarios, to further assess the need to implement recovery plans or take precautionary liquidity management measures.

The microcredit activity has continued to be affected by the pandemic situation and the Entity has continued to take concrete measures for the management of the microcredit portfolio, the identification of cases in repayment difficulties, irrecoverable loans, etc.

Specifically, during the year, the Entity has taken measures:

- Based on the application in June 2021, the entity benefited from the government aid packages created in the context of the COVID19 pandemic
- Increasing the network of branches with 8 branches and agencies
- The re-employment of a good part of the staff during the first year of the pandemic
- The re-organization the working timetable as before the pandemic
- Return of advertising and marketing expenses
- Reimbursement of management expenses of various types of work received by the shareholder.
- Reinstating and expanding their incentive and reward packages for employees

In view of all the above-mentioned factors and measures, the Entity's Management has assessed the Entity's ability to continue its operations on a going concern basis and has concluded that the Entity has sufficient resources to continue its operations for a period of at least 12 months from date of financial reporting. Also, based on these estimates, Management is not aware of any material uncertainties that may cast doubt on the Entity's ability to continue operating.

2 Basis of Preparation (continued)

c) Basis of measurement

The Entity's financial statements have been prepared on a historical cost basis with the exception of debt instruments at fair value through comprehensive income, which are measured at fair value, assets held for sale, which are measured at fair value minus cost to sell, and inventory, which is measured at the lower of cost and net realizable value.

d) Functional and presentation currency

Financial statements of the Entity are presented in "Lek", which is the functional and reporting currency of the Entity. All information presented in "Lek" is rounded to the nearest thousand, unless stated otherwise. All amounts are in "Lek" unless stated otherwise.

3. Changes in accounting policies

3.1 New and revised standards effective for annual periods beginning on or after January 1, 2021

Certain financial reporting standards that have become effective from January 1, 2021, and that have been approved do not have a significant impact on the Entity's financial results or position. For this reason, explanatory information related to these Standards has not been provided in the Entity's statements.

3.2 Standards, changes and interpretations of existing standards that are not yet effective and have not been previously approved by the Entity

Other standards and amendments that are not yet effective and have not been early adopted by the Entity include:

- IFRS 17 Insurance Contracts
- Amendments to IFRS 17 Insurance Contracts (Amendments to IFRS 17 and IFRS 4)
- References in the Conceptual Framework
- Revenues before intended use (Amendments to IAS 16)
- Construction contracts - Cost of fulfilling a contract (Amendments to IAS 37)
- Annual improvements to IFRS standards 2018-2020 (Amendments to IFRS 1, IFRS 9, IFRS 16, IAS 41)
- Classification of liabilities as current or non-current (amendments to IAS 1)
- Deferred tax related to Assets and Liabilities from a single transaction

These amendments are not expected to have a significant impact on the financial statements in the period of initial application and therefore the explanatory information is not presented.

4. Summary of the most important accounting policies

4.1 Financial instruments – key measurement terms

The effective interest method is a method of allocating interest income or interest expense over the relevant period, so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the gross carrying amount of the financial instrument.

The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date, except for the premium or discount, which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate. For assets that are purchased or originated credit impaired ("POCI") at initial recognition, the effective interest rate is adjusted for credit risk, i.e., it is calculated based on the expected cash flows on initial recognition instead of contractual.

4.1.1 Financial Assets

a) Initial Recognition

Financial instruments at Fair Value through Profit or Loss (FVTPL) are initially recorded at fair value. All other financial instruments are initially recorded at fair value adjusted for transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets. After the initial recognition, an ECL allowance is recognised for financial assets measured at AC and investments in debt instruments measured at Fair value through Other Comprehensive Income (FVOCI), resulting in an immediate accounting loss.

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date on which the Entity commits to deliver a financial asset. All other purchases are recognised when the entity becomes a party to the contractual provisions of the instrument.

b) Measurement categories

The Entity classifies financial assets in the following measurement categories: FVTPL, FVOCI and AC. The classification and subsequent measurement of debt financial assets depends on: (i) the Entity's business model for managing the related assets portfolio and (ii) the cash flow characteristics of the asset.

c) Business model

The business model reflects how the Entity manages the assets in order to generate cash flows – whether the Entity's objective is: (i) solely to collect the contractual cash flows from the assets ("hold to collect contractual cash flows",) or (ii) to collect both the contractual cash flows and the cash flows arising from the sale of assets ("hold to collect contractual cash flows and sell") or, if neither of (i) and (ii) is applicable, the financial assets are classified as part of "other" business model and measured at FVTPL.

The business model is determined for the financial assets (portfolio level) based on all the appropriate evidence for the activities that the Entity undertakes to achieve the objective set in achieving the portfolio's condition on the evaluation date. Factors considered by the Entity in determining the business model include, Refer to Note 3 for critical judgements applied by the Entity in determining the business models for its financial assets.

d) *Cash flow characteristics*

Where the business model is to hold assets to collect contractual cash flows or to hold contractual cash flows and sell, the Entity assesses whether the cash flows represent solely payments of principal and interest ("SPPI"). Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are consistent with the SPPI feature. In making this assessment, the Entity considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e., interest includes only consideration for credit risk, time value of money, other basic lending risks and profit margin.

4. Summary of the most important accounting policies (Continued)

4.1 Financial instruments – key measurement terms (Continued)

4.1.1 Financial Assets (Continued)

d) Cash flow characteristics (Continued)

Where the contractual terms introduce exposure to risk or volatility that is inconsistent with a basic lending arrangement, the financial asset is classified and measured at FVTPL. The SPPI assessment is performed on initial recognition of an asset, and it is not subsequently reassessed. Refer to Note 0**Error! Reference source not found.** for critical judgements applied by the Entity in performing the SPPI test for its financial assets.

e) *Reclassification*

Financial instruments are reclassified only when the business model for managing the portfolio as a whole changes. The reclassification has a prospective effect and takes place from the beginning of the first reporting period that follows after the change in the business model.

f) *Credit loss allowance for ECL*

The Entity assesses, on a forward-looking basis, the ECL for debt instruments measured at AC and FVOCI and for the exposures arising from loan commitments and financial guarantee contracts. The Entity measures ECL and recognises credit loss allowance at each reporting date. The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

Debt instruments measured at AC are presented in the statement of financial position net of the allowance for ECL. For financial instruments at FVOCI, changes in amortized cost, net value for ECL, are recognized in profit or loss and other changes in book value are recognized in OCI as the difference between profit and loss on debt financial instruments at FVOCI.

The Entity applies a three-stage model for impairment, based on changes in credit quality since initial recognition. A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1. Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity, if shorter ("12 Months ECL"). If the Entity identifies a significant increase in credit risk ("SICR") since initial recognition, the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis, that is, up until contractual maturity but considering expected prepayments, if any ("Lifetime ECL"). Assets are transferred to Stage 2 once their days past due exceed 30 days. If the Entity determines that a financial asset is credit-impaired, the asset is transferred to Stage 3 and its ECL is measured as a Lifetime ECL. Assets are transferred to Stage 3 once their days past due exceed 90 days. For financial assets that are purchased or originated credit-impaired ("POCI Assets"), the ECL is always measured as a Lifetime ECL.

g) *Write-off*

Financial assets are written-off, in whole, when the Entity exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. The write-off represents a derecognition event. Indicators that there is no reasonable expectation of recovery include lack of payment capacity, could not be contacted, the customer is deceased. The Entity may write-off financial assets that are still subject to enforcement activity when the Entity seeks to recover amounts that are contractually due, however, there is no reasonable expectation of recovery.

The Entity applies the write-off of financial assets after 365 days of delay. The Entity may write off financial assets that are subject to enforcement of the agreement when the Entity seeks to recover amounts that are receivable under the contractual terms, although there is no reasonable expectation of receiving them.

4. Summary of the most important accounting policies (Continued)

4.1 Financial instruments – key measurement terms (Continued)

4.1.1 Financial Assets (Continued)

h) Derecognition

The Entity derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expired or (b) the Entity has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement while (i) also transferring substantially all risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all risks and rewards of ownership, but not retaining control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose restrictions on the sale.

i) Modification

The Entity sometimes renegotiates or otherwise modifies the contractual terms of the financial assets. The Entity assesses whether the modification of contractual cash flows is substantial considering, among other, the following factors.

If the modified terms are substantially different, the rights to cash flows from the original asset expire and the Entity derecognises the original financial asset and recognises a new asset at its fair value. The date of renegotiation is considered to be the date of initial recognition for subsequent impairment calculation purposes, including determining whether a SICR has occurred. The Entity also assesses whether the new loan or debt instrument meets the SPPI criterion. Any difference between the carrying amount of the original asset derecognised and fair value of the new substantially modified asset is recognised in profit or loss, unless the substance of the difference is attributed to a capital transaction with owners.

In a situation where the renegotiation was driven by financial difficulties of the counterparty and inability to make the originally agreed payments, the Entity compares the original and revised expected cash flows to assets whether the risks and rewards of the asset are substantially different as a result of the contractual modification. If the risks and rewards do not change, the modified asset is not substantially different from the original asset and the modification does not result in derecognition. The Entity recalculates the gross carrying amount by discounting the modified contractual cash flows by the original effective interest rate (or credit-adjusted effective interest rate for POCI financial assets), and recognises a modification gain or loss in profit or loss.

4.1.2 Financial liabilities

a) Measurement categories

Financial liabilities are classified as subsequently measured at AC.

b) Derecognition

Financial liabilities are derecognised when they are extinguished (i.e., when the obligation specified in the contract is discharged, cancelled or expires).

An exchange between the Entity and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms and conditions of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

Modifications of liabilities that do not result in extinguishment are accounted for as a change in estimate using a cumulative catch-up method, with any gain or loss recognised in profit or loss, unless the economic substance of the difference in carrying values is attributed to a capital transaction with owners.

4. Summary of the most important accounting policies (Continued)

4.2 Cash and Cash Equivalents

Cash and cash equivalents are items which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents include cash in hand and in banks. Funds restricted for a period of more than three months on origination are excluded from cash and cash equivalents, both in the statement of financial position and for the purposes of the statement of cash flows. Cash and cash equivalents are carried at AC because: (i) they are held for collection of contractual cash flows and those cash flows represent SPPI, and (ii) they are not designated at FVTPL.

The payments or receipts presented in the statement of cash flows represent transfers of cash and cash equivalents by the Entity, including amounts charged or credited to current accounts of the Entity's counterparties held with the Entity, such as loan interest income or principal collected by charging the customer's current account or interest payments or disbursement of loans credited to the customer's current account, which represents cash or cash equivalent from the customer's perspective.

4.3 Loans and advances to customers

Loans and advances to customers are recorded when the Entity advances money to purchase or originate a loan due from a customer. Based on the business model and the cash flow characteristics, the Entity classifies loans and advances to customers as carried at AC. Loans are held for collection of contractual cash flows and those cash flows represent SPPI.

4.4 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and provision for impairment, where required.

Costs of minor repairs and day-to-day maintenance are expensed when incurred. Costs of replacing major parts or components of premises and equipment items are capitalised, and the replaced part is retired.

At the end of each reporting period management assesses whether there is any indication of impairment of premises and equipment. If any such indication exists, management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell and its value in use. The carrying amount is reduced to the recoverable amount and the impairment loss is recognised in profit or loss for the year. An impairment loss recognised for an asset in prior years is reversed if there has been a change in the estimates used to determine the asset's value in use or fair value less costs to sell.

Gains and losses on disposals determined by comparing proceeds with carrying amount are recognised in profit or loss for the year (within other operating income or expenses).

Depreciation. Land and construction in progress are not depreciated. Depreciation of other items of premises and equipment and right-of-use assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives:

	Useful lives in years
Property	[20]
Office equipment	[3]
Computer equipment	[4]
Right-of-use assets	Lease term of the underlying lease
Leasehold improvements	Remaining term of lease agreement

The residual value of an asset is the estimated amount that the Entity would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

4. Summary of the most important accounting policies (Continued)

4.5 Intangible assets

The Entity's intangible assets other than goodwill have definite useful life and primarily include capitalised computer software. Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Development costs that are directly associated with identifiable and unique software controlled by the Entity are recorded as intangible assets if the inflow of incremental economic benefits exceeding costs is probable. Capitalised costs include staff costs of the software development team and an appropriate portion of relevant overheads. All other costs associated with computer software, e.g., its maintenance, are expensed when incurred. Capitalised computer software is amortised on a straight-line basis over expected useful lives of 7 years.

4.6 Leased assets

The Entity as a lessee

The Entity signs rental agreements, mainly for the premises where the activity takes place, equipment and related furniture, IT equipment and motor vehicles (although currently the Entity does not use rental vehicles). The rental contracts for offices are typically negotiated for terms of 5 years The Entity does not enter into sale and leaseback arrangements. The entity does not enter into agreements for the sale and return of leased facilities. All leases are negotiated on an individual basis and contain a wide variety of terms and conditions such as payment terms, contract termination and escalation clauses.

The Entity assesses whether a contract is or contains a lease at inception of the contract. A lease conveys the right to direct the use and obtain substantially all of the economic benefits of an identified asset for a period of time in exchange for consideration. Some leases may contain both lease and non-lease components.

Some lease contracts contain both lease and non-lease components. These non-lease components are usually associated with facilities management services at offices and servicing and repair contracts in respect of motor vehicles. The Entity has elected to not its leases for offices into lease and non-lease components and instead accounts for these contracts as a single lease component. For its other leases, the lease components are split into their lease and non-lease components based on their relative stand-alone prices.

Measurement and recognition of leases as a lessee

At lease commencement date, the Entity recognizes a right-of-use asset and a lease liability in its consolidated statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Entity, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Entity depreciates the right-of-use asset on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Entity also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Entity measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the Entity's incremental borrowing rate because as the lease contracts are negotiated with third parties it is not possible to determine the interest rate that is implicit in the lease. The incremental borrowing rate is the estimated rate that the Entity would have to pay to borrow the same amount over a similar term, and with similar security to obtain an asset of equivalent value. This rate is adjusted should the lessee entity have a different risk profile to that of the Entity. Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced by lease payments that are allocated between repayments of principal and finance costs. The finance cost is the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability.

4. Summary of the most important accounting policies (Continued)

4.6 Leased assets (Continued)

The lease liability is reassessed when there is a change in the lease payments. Changes in lease payments arising from a change in the lease term or a change in the assessment of an option to purchase a leased asset. The revised lease payments are discounted using the Entity's incremental borrowing rate at the date of reassessment when the rate implicit in the lease cannot be readily determined. The amount of the remeasurement of the lease liability is reflected as an adjustment to the carrying amount of the right-of-use asset. The exception being when the carrying amount of the right-of-use asset has been reduced to zero then any excess is recognized in profit or loss.

Payments under leases can also change when there is either a change in the amounts expected to be paid under residual value guarantees or when future payments change through an index or a rate used to determine those payments, including changes in market rental rates following a market rent review. The lease liability is remeasured only when the adjustment to lease payments takes effect and the revised contractual payments for the remainder of the lease term are discounted using an unchanged discount rate. Except for where the change in lease payments results from a change in floating interest rates, in which case the discount rate is amended to reflect the change in interest rates.

To respond to business needs particularly in the demand for office space, the Entity will enter into negotiations with landlords to either increase or decrease available office space or to renegotiate amounts payable under the respective leases. In some instances, the Entity is able to increase office capacity by taking additional floors available and therefore agrees with the landlord to pay an amount that is commensurate with the stand-alone pricing adjusted to reflect the particular contract terms. In these situations, the contractual agreement is treated as a new lease and accounted for accordingly.

In other instances, the Entity is able to negotiate a change to a lease such as reducing the amount of office space taken, reducing the lease term or by reducing the total amount payable under the lease. Both of which were not part of the original terms and conditions of the lease. In these situations, the Entity does not account for the changes as though there is a new lease. Instead, the revised contractual payments are discounted using a revised discount rate at the date that the lease is effectively modified. For the reasons explained above, the discount rate used is the Entity's incremental borrowing rate determined at the modification date, as the rate implicit in the lease is not readily determinable.

The remeasurement of the lease liability is dealt with by a reduction in the carrying amount of the right-of-use asset to reflect the full or partial termination of the lease for lease modifications that reduce the scope of the lease. Any gain or loss relating to the partial or full termination of the lease is recognized in profit or loss. The right-of-use asset is adjusted for all other lease modifications.

The Entity has elected to account for short-term leases and leases of low-value assets using the practical expedients. These leases relate to items of office equipment such as desks, chairs, and certain IT equipment. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term.

As a lessor the Entity classifies its leases as either operating or finance leases. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset and classified as an operating lease if it does not.

Accounting of operating leases by the Entity as lessee before January 1, 2020

When the Entity is a lessee in a lease that does not transfer substantially all the incidental risks and rewards from the lessee to the Entity, operating lease payments are recognized as income or loss on a straight-line basis over the life of the lease (lease expense). Leases included in other arrangements are separated if (a) performance of the arrangement is dependent on the use of a specific asset or assets and (b) the contract conveys a right to use the asset.

4.7 Other borrowed funds

Other borrowed funds include loans taken from the parent entity and other financial entit.

4. Summary of the most important accounting policies (Continued)

4.8 Income Taxes

Income taxes have been provided for in the financial statements in accordance with legislation enacted or substantively enacted by the end of the reporting period. The income tax charge comprises current tax and deferred tax and is recognised in profit or loss for the year, except if it is recognised in other comprehensive income or directly in equity because it relates to transactions that are also recognised, in the same or a different period, in other comprehensive income or directly in equity.

Current tax is the amount expected to be paid to, or recovered from, the taxation authorities in respect of taxable profits or losses for the current and prior periods. Taxable profits or losses are based on estimates if the financial statements are authorised prior to filing relevant tax returns. Taxes other than on income are recorded within administrative and other operating expenses.

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit. Deferred tax balances are measured at tax rates enacted or substantively enacted at the end of the reporting period, which are expected to apply to the period when the temporary differences will reverse, or the tax loss carry forwards will be utilised.

Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised.

Uncertain tax positions. The Entity's uncertain tax positions are reassessed by management at the end of each reporting period. Liabilities are recorded for income tax positions that are determined by management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the end of the reporting period, and any known court or other rulings on such issues. Liabilities for penalties, interest and taxes other than on income are recognised based on management's best estimate of the expenditure required to settle the obligations at the end of the reporting period.

4.9 Share capital

Ordinary shares are classified as equity.

4.10 Interest income and expense recognition

Interest income and expense are recorded for all debt instruments, on an accrual basis using the effective interest method. This method defers, as part of interest income or expense, all fees paid or received between the parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Fees integral to the effective interest rate include origination fees received or paid by the entity relating to the creation or acquisition of a financial asset or issuance of a financial liability, for example fees for evaluating creditworthiness, evaluating and recording guarantees or collateral, negotiating the terms of the instrument and for processing transaction documents.

For financial assets that are originated or purchased credit-impaired, the effective interest rate is the rate that discounts the expected cash flows (including the initial expected credit losses) to the fair value on initial recognition (normally represented by the purchase price). As a result, the effective interest is credit-adjusted.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for (i) financial assets that have become credit impaired (Stage 3), for which interest revenue is calculated by applying the effective interest rate to their AC, net of the ECL provision, and (ii) financial assets that are purchased or originated credit impaired, for which the original credit-adjusted effective interest rate is applied to the AC.

4. Summary of the most important accounting policies (Continued)

4.11 Fee and commission income

Fee and commission income is recognised over time on a straight-line basis as the services are rendered, when the customer simultaneously receives and consumes the benefits provided by the Entity's performance. Such income includes early repayment fee, contract termination fee, processing fee, penalty fee and extension fee.

Other fee and commission income is recognised at a point in time when the Entity satisfies its performance obligation, usually upon execution of the underlying transaction. The amount of fee or commission received, or receivable represents the transaction price for the services identified as distinct performance obligations.

4.12 Foreign currency translation

The functional currency of the Entity is the national currency of Albania ("ALL").

Monetary assets and liabilities are translated into national currency at the official exchange rate at the end of the respective reporting period. Foreign exchange gains and losses resulting from the settlement of transactions and from the translation of monetary assets and liabilities into each entity's functional currency at year-end official exchange rates, are recognised in profit or loss for the year (as foreign exchange translation gains less losses). Translation at year-end rates does not apply to non-monetary items that are measured at historical cost. Non-monetary items measured at fair value in a foreign currency, including equity investments, are translated using the exchange rates at the date when the fair value was determined.

Effects of exchange rate changes on non-monetary items measured at fair value in a foreign currency are recorded as part of the fair value gain or loss.

On 31 December 2021, the principal rate of exchange used for translating foreign currency balances was:

	31-Dec-21	31-Dec-20
Euro (EUR)	120.76	123.70
US Dollar (USD)	106.54	100.84

4.13 Staff costs and related contributions

Wages, salaries, contributions and social insurance funds, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the year in which the associated services are rendered by the employees of the Entity. The Entity has no legal or constructive obligation to make pension or similar benefit payments beyond the compensation in employment agreement. During pandemic lock-down and moratorium, the Entity took measures for a change in structure, which effected the review of monthly salaries and termination of employment contract.

4.14 Presentation of statement of financial position in order of liquidity

The Entity does not have a clearly identifiable operating cycle and therefore does not present current and non-current assets and liabilities ly in the statement of financial position. Instead, assets and liabilities are presented in order of their liquidity. Refer to Note 20 for analysis of financial instruments by their maturity.

4. Summary of the most important accounting policies (Continued)

4.14 Presentation of statement of financial position in order of liquidity (Continued)

The following table provides information on amounts expected to be recovered or settled before and after twelve months after the reporting period for items that are not analysed in Note 7.

	31 December 2021			31 December 2020		
	Amounts expected to be recovered or settled			Amounts expected to be recovered or settled		
In thousands of ALL	Within 12 months after the reporting period	After 12 months after the reporting period	Total	Within 12 months after the reporting period	After 12 months after the reporting period	Total
ASSETS						
Intangible assets	-	90,908	**90,908**	-	46,245	**46,245**
Premises and equipment	8,376	18,361	**26,737**	2,826	43,447	**46,273**
Right of use assets	-	50,485	**50,485**	-	27,705	**27,705**
Other assets	74,052	45,608	**119,660**	35,388	48,705	**84,093**
LIABILITIES						
Other liabilities	135,265	-	**135,265**	77,772	-	**77,772**

4.15 Transactions with peer-to-peer platforms

The Entity, as a loan originator, has signed cooperation agreement with operator of a peer-to-peer (P2P) investment internet-based platform (Mintos Marketplace AS, hereinafter "Mintos"). Cooperation agreement and the related assignment agreements are in force until parties agree to terminate. Purpose of the cooperation agreement for the Entity is to attract funding through the P2P platform.

P2P platform makes possible for individual and corporate investors to obtain rights a fully proportionate interest cash flows and the principal cash flows from debt instruments (loans and advances to customers) issued by the Entity in exchange for an upfront payment. These rights are established through assignment agreements between investors and Mintos, who is acting as an agent on behalf of the Entity.

The Entity retains the legal title to its debt instruments (including payment collection) but transfers a part of equitable title and interest to investors through Mintos.

Mintos receivables and payables

Mintos is acting as an agent in transferring cash flows between the Entity and investors. Receivable for attracted funding from investors through P2P platform corresponds to the due payments from Mintos.

Receivable is arising from assignments made through P2P platform where the related investment is not yet transferred to the Entity (Note 11).

Funding attracted through peer-to-peer platform

Liabilities arising from assignments are initially recognized at cost, being the fair value of the consideration received from investors net of issue costs associated with the loan.

Liabilities to investors are recognized in statement of financial position caption Funding attracted through peer-to-peer platform (Note 11) and are treated as loans received.

After initial recognition, Funding attracted through peer-to-peer platform is subsequently measured at amortized cost using the effective interest rate method. Amortized cost is calculated by considering any issue costs, and any discount or premium on settlement. Gains and losses are recognized in the statement of profit or loss as interest income/ expense when the liabilities are derecognized.

The Entity has to repay to the investors the proportionate share of the attracted funding for each debt instrument according to the conditions of the respective individual agreement with Entity's client, which can be up to 24 months.

4. Summary of the most important accounting policies (Continued)

4.15 Transactions with peer-to-peer platforms (Continued)

Assignments with recourse rights (buy back guarantee)

Assignments with recourse rights provide for direct recourse to the Entity, thus do not meet the requirements to be classified as pass-through arrangement in accordance with IFRS 9.

Therefore, the Entity's respective debt instruments do not qualify to be considered for partial derecognition and interest expense paid to investors is shown in gross amount under Interest and similar expenses.

5. Significant accounting estimates and judgments in the application of accounting policies

The Entity makes estimates and assumptions that affect the amounts recognised in the financial statements, and the carrying amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in the financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

a) ECL measurement

Measurement of ECLs is a significant estimate that involves determination of methodology, models and data inputs. The following components have a major impact on credit loss allowance: definition of default, SICR, probability of default ("PD"), exposure at default ("EAD"), and loss given default ("LGD"). The Entity regularly reviews and validates the models and inputs to the models to reduce any differences between expected credit loss estimates and actual credit loss experience.

b) Determination of lease term

The Entity leases office buildings and commercial real estate from third parties under contracts which do not have contractual maturity dates and are automatically renewed unless either party submits a termination notice of 3 months. The Entity determines non-cancellable lease period for such leases, taking into consideration penalties that would be incurred upon termination, including economic disincentives such as leasehold improvements, cost of relocating or the importance of the premises to the Entity's operations. As a result, the lease term for most significant office buildings has been determined as a period of 2-3 years.

6. Cash and Cash Equivalents

Cash and cash equivalents on December 31, 2021, and 2020 are presented as follows:

In thousands of Albanian ALL	31 December 2021	31 December 2020
Cash on hand	17,055	8,870
Cash in bank in ALL	53,184	34,451
Cash in Bank in EUR	534	5,846
Total cash and cash equivalents	**70,773**	**49,167**

Cash at banks in ALL and EUR is kept in current accounts. For the purpose of ECL measurement cash and cash equivalents balances are included in Stage 1. The ECL for these balances represents an insignificant amount, therefore the Entity did not recognise any credit loss allowance for cash and cash equivalents.

The Entity's cash and cash equivalents are placed with financial institutions rated as follows

Rating	31 December 2021	31 December 2020
AA	41,473	31,242
B+	628	1,652
BBB	11,616	7,403
Total	**53,717**	**40,297**

The Entity operates with local banks which are mainly subsidiaries of international banking groups. Accounts with banks are not secured. Because few Albanian banks are rated by international rating agencies, the Reporting Entity uses the credit ratings of the banks' major shareholders in order to take its investment decisions as well as the Bank of Albania quarterly reports on the banks that operate in the Albanian market.

7. Loans and Advances to Customers

In thousands of ALL	31 December 2021	31 December 2020
Amount of loans and advances to customers	2,449,387	1,323,801
Interest accrued	359,938	330,577
Less credit loss allowance	(510,568)	(610,940)
Total loans and advances to customers	**2,298,757**	**1,043,438**

The Entity holds a portfolio of loans to customers, which based on their business model meet the SPPI requirement for AC classification under IFRS 9.

Loan amount and credit loss allowance amount for loans and advances to customers by classes on 31 December 2021 and 31 December 2020 are disclosed in the table below:

Credit loss allowance movement:

In thousands of ALL	2021
Net changes	(100,371)
Write-off expense	586,007
Recoveries	(40,418)
Total credit loss allowance	**445,218**

In thousands of ALL	2020
Net changes	127,327
Write-off expense	416,226
Recoveries	(35,654)
Total credit loss allowance	**507,899**

The credit loss allowance for loans and advances to customers recognised in the period is impacted by a variety of factors. Below main movements in the table are described:

- Transfers between Stage 1, 2 and 3 due to balances experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period, and the consequent "step up" (or "step down") between 12-month and Lifetime ECL.
- Additional allowances for new financial instruments recognised during the period, as well as releases for financial instruments derecognised in the period.
- Impact on the measurement of ECL due to changes to model assumptions, including changes in PDs, EADs and LGDs in the period, arising from update of inputs to ECL models.
- Unwinding of discount due to the passage of time because ECL is measured on a present value basis.
- Foreign exchange translations of assets denominated in foreign currencies and other movements; and
- Write-offs of allowances related to assets that were written off during the period.

The following tables contain analyses of the credit risk exposure of loans and advances to customers measured at AC and for which an ECL allowance is recognised. The carrying amount of loans and advances to customers below also represents the Entity's maximum exposure to credit risk on these loans.

Classification of loans and advances to customers in long term and short term

In thousands of ALL	31 December 2021
Long term	**556,970**
Long term loans due from customers	614,357
Impairment of long-term loans due from customers	(57,386)
Short term	**1,741,787**
Short term loans due from customers	2,194,969
Impairment of short-term loans due from customers	(453,182)
Total carrying amount of net receivables due from customers	**2,298,758**

7. Loans and Advances to Customers (Continued)

In thousands of ALL	**31 December 2020**
Long term	**40,923**
Long term loans due from customers	53,793
Impairment of long-term loans due from customers	(12,870)
Short term	**1,002,515**
Short term loans due from customers	1,600,584
Impairment of short-term loans due from customers	(598,069)
Total carrying amount of net receivables due from customers	**1,043,438**

Movements in the allowance for doubtful debts for the respective period are as follows:

In thousands of ALL	**31 December 2021**
Opening balance 01.01.2021	**610,940**
Origination	383,381
Repayment	(159,709)
Charges	73,857
Releases	(19,176)
Write-offs	(378,724)
Closing balance 31.12.2021	**510,569**
Balance at the period end	**510,569**

In thousands of ALL	**31 December 2020**
Opening balance 01.01.2020	**483,612**
Origination	301,688
Repayment	(135,464)
Charges	260,603
Releases	(12,650)
Write-offs	(286,849)
Closing balance 31.12.2020	**610,940**
Balance at the period end	**610,940**

Loans and advances to customer according to loan types are:

			31 December 2021
In thousands of ALL	**Gross carrying amount**	**Credit loss allowance**	**Carrying amount**
SPL loans	393,007	(89,312)	303,695
INST loans	2,416,319	(421,257)	1,995,062
Total loans and advances to customers	2,809,326	(510,569)	2,298,757

Loans and advances to customer according to loan types are:

			31 December 2020
In thousands of ALL	**Gross carrying amount**	**Credit loss allowance**	**Carrying amount**
SPL loans	294,537	(112,973)	**181,564**
INST loans	1,359,840	(497,966)	**861,874**
Total loans and advances to customers	**1,654,377**	**(610,939)**	**1,043,438**

	31 December 2021			**31 December 2020**		
In thousands of ALL	**Gross carrying amount**	**Credit loss allowance**	**Carrying amount**	**Gross carrying amount**	**Credit loss allowance**	**Carrying amount**
Stage 1	2,368,561	(207,060)	2,161,500	1,064,171	(149,502)	914,669
Stage 2	84,757	(51,710)	33,046	88,660	(65,516)	23,144
Stage 3	356,008	(251,798)	104,210	501,547	(395,921)	105,626
Total net receivables due from customers	**2,809,326**	**(510,568)**	**2,298,756**	**1,654,378**	**(610,939)**	**1,043,439**

7. Loans and Advances to Customers (Continued)

SPL Loans

			31 December 2021
In thousands of ALL	Gross carrying amount	Credit loss allowance	Carrying amount
Stage 1	293,488	(24,655)	268,833
Stage 2	18,782	(11,672)	7,110
Stage 3	80,736	(52,985)	27,751
Total net receivables due from customers	**393,006**	**(89,312)**	**303,694**

			31 December 2020
In thousands of ALL	Gross carrying amount	Credit loss allowance	Carrying amount
Stage 1	164,290	(15,784)	148,506
Stage 2	22,569	(16,276)	6,293
Stage 3	107,678	(80,913)	26,765
Total net receivables due from customers	**294,537**	**(112,973)**	**181,564**

INSTA Loans

			31 December 2021
In thousands of ALL	Gross carrying amount	Credit loss allowance	Carrying amount
Stage 1	2,075,072	(182,406)	1,892,666
Stage 2	65,974	(40,038)	25,936
Stage 3	275,272	(198,813)	76,459
Total net receivables due from customers	**2,416,318**	**(421,257)**	**1,995,061**

			31 December 2020
In thousands of ALL	Gross carrying amount	Credit loss allowance	Carrying amount
Stage 1	899,880	(133,718)	766,162
Stage 2	66,091	(49,240)	16,851
Stage 3	393,869	(315,008)	78,861
Total net receivables due from customers	**1,359,840**	**(497,966)**	**861,874**

Economic sector risk concentrations within the customer loan portfolio are as follows:

	31 December 2021		31 December 2020	
In thousands of Albanian ALL	Amount	%	Amount	%
Individuals	2,298,757	100	1,043,438	100
Total loans and advances to customers carried at AC and at FVTPL	**2,298,757**	**100**	**1,043,438**	**100**

On 31 December 2021 the Entity had 39,352 borrowers (2020: 33,609 borrowers).

The Entity's policy regarding collateral is that the portfolio is not collateralized.

The following tables disclose the changes in the credit loss allowance and gross carrying amount for loans and advances to customers carried at amortised cost between the beginning and the end of the reporting and comparative periods.

7. Loans and Advances to Customers (Continued)

Loans and prepayments from customers	Gross carrying amount Stage 1	Stage 2	Stage 3	Total
On 1 January 2021	**1,032,992,950**	**91,807,587**	**503,419,271**	**1,628,219,808**
Transfers Stage 1	3,319,202	(1,836,570)	(1,482,631)	-
Transfers Stage 2	(9,904,079)	9,997,923	(93,844)	-
Transfers Stage 3	(158,447,329)	(6,336,173)	164,783,501	-
New originated	1,803,868,618	68,343,746	539,066,968	**2,411,279,333**
Receivables paid	(634,526,673)	(25,479,043)	(53,572,241)	**(713,577,957)**
Receivables write off	(28,101,226)	(57,735,019)	(444,371,808)	**(530,208,054)**
Receivables partially paid	(1,933,307)	(2,575,988)	12,168,274	**7,658,980**
Movement from exchange rate	-	-	-	-
On 31 December 2021	**2,007,268,156**	**76,186,463**	**719,917,491**	**2,803,372,110**

Provision	Gross carrying amount Stage 1	Stage 2	Stage 3	Total
On 1 January 2021	**(116,585,993)**	**(65,574,263)**	**(395,926,697)**	**(578,086,953)**
Transfers Stage 1	(2,402,778)	1,254,098	1,148,680	-
Transfers Stage 2	1,304,925	(1,376,220)	71,295	-
Transfers Stage 3	19,166,833	4,355,483	(23,522,316)	-
Provision for new originated	(147,786,422)	(40,714,914)	(181,312,202)	**(369,813,538)**
Reversal of provision for receivables paid	66,349,340	18,202,180	41,905,266	**126,456,785**
Reversal of provision for write off	10,250,525	41,471,932	349,762,428	**401,484,886**
Loss from provision reverse, net	7,222,952	(2,700,306)	(78,721,773)	**(74,199,127)**
Movement from exchange rate	-	-		
On 31 December 2021	**(162,480,618)**	**(45,082,011)**	**(286,595,318)**	**(494,157,947)**

The above data are net of rollover fees included in amortized cost.

The following tables provide a summary of the Entity's forborne exposures as of 31 December 2021:

Loans & advances to customers	**Gross carrying amount**	**31 December 2021** Performing Portfolio: **Modification to T&Cs**	**efinancin**	**Total performing forborne loans**	Non-Performing Portfolio: **Modification to T&Cs**	**efinancin**	**Total non-performing forborne loans**	**Total Forborne loans**	**Forbeara nce ratio**
Personal loans	2,809,325	5,551	-	5,551	7,337	-	7,337	12,888	0.5%
Total	**2,809,325**	**5,551**	-	**5,551**	**7,337**	-	**7,337**	**12,888**	**0.5%**

Loans & advances to customers	**31-Dec-20** Gross amount of forborne loans: **Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**ECL allowance Total**
Consumer loans	4,942	609	7,337	12,888	(637)	(372)	(5,300)	(6,310)
Total	**4,942**	**609**	**7,337**	**12,888**	**(637)**	**(372)**	**(5,300)**	**(6,310)**

8. Other Assets

In thousands of Albanian ALL	31 December 2021	31 December 2020
Receivables from the sale of written-off loans	64,677	-
Deposit in banks	38,643	-
Rent prepayment	8,356	8,060
Deferred expenses	4,020	3,995
Loans to related parties	2,553	40,828
Other receivables	1,411	2,570
Prepayment for system	-	25,122
Receivable from P2P platform	-	3,518
Total other assets	**119,660**	**84,093**

Other prepayments represent annual prepayments made for cash and staff insurance, annual service fees, other prepayments to suppliers, etc. All of the above assets are expected to be recovered more than twelve months after the year-end, except for prepayments for services of ALL 5,431 thousand (2020: ALL 6,565 thousand). Information on related party balances is disclosed in Note 23.

The deposit in second level banks represents the placement of a deposit of 320,000 Euros with Tirana Bank Tirana as financial collateral for the loan received according to the agreement dated 23/12/2021 Note 11.

9. Premises and Equipment

In thousands of Albanian ALL	Electronic equipment	Office Equipment	Leasehold Improvements	Right of use	Total
Carrying amount on 1 January 2020	**33,366**	**30,153**	**14,364**	**24,578**	**102,461**
Transfers upon adoption of IFRS 16, *Leases*					
Additions	1,312	33	516	34,964	**36,825**
Depreciation charge	(16,742)	(7,398)	(6,796)	(31,838)	**(62,774)**
Other	(2,485)	(51)	-	-	**(2,536)**
Carrying amount on 31 December 2020	**(17,915)**	**(7,416)**	**(6,280)**	**3,126**	**(28,485)**
Cost on 31 December 2020	49,635	36,688	19,481	86,362	**192,166**
Accumulated depreciation	(34,184)	(13,951)	(11,397)	(58,656)	**(118,188)**
Carrying amount on 31 December 2020	**15,451**	**22,737**	**8,084**	**27,706**	**73,978**
Additions	1,425	337	1,942	63,430	**67,134**
Depreciation charge	(11,684)	(7,244)	(3,170)	(40,650)	**(62,748)**
Other	-	(1,141)	-	-	(1,141)
Carrying amount on 31 December 2021	**5,192**	**14,689**	**6,856**	**50,486**	**77,223**
Cost on 31 December 2021	51,060	37,025	21,423	**149,792**	**259,300**
Accumulated depreciation	(45,868)	(22,336)	(14,567)	(99,306)	**(182,077)**
Carrying amount on 31 December 2021	**5,192**	**14,689**	**6,856**	**50,486**	**77,223**

10. Intangible Assets

In thousands of Albanian ALL	Acquired software licences	Total
Cost on 1 January 2020	51,277	**51,277**
Accumulated depreciation	(15,838)	**(15,838)**
Carrying amount on 1 January 2020	**35,439**	**35,439**
Additions	17,396	**17,396**
Depreciation charge	(6,590)	**(6,590)**
Carrying amount on 31 December 2020	**46,245**	**46,245**
Cost on 31 December 2020	68,673	**68,673**
Accumulated depreciation	(22,428)	**(2,428)**
Carrying amount on 31 December 2021	**46,245**	**46,245**
Additions	68,677	**68,677**
Depreciation charge	(24,014)	**(24,014)**
Carrying amount on 31 December 2021	**90,908**	**90,908**
Cost on 31 December 2021	137,350	**137,350**
Accumulated depreciation	(46,442)	**(46,442)**
Carrying amount on 31 December 2021	**90,908**	**90,908**

11. Other Borrowed Funds

Long-term borrowings

In thousands of ALL	31 December 2021	31 December 2020
Long-term liabilities third parties	845,320	-
Long-term liabilities P2P platform investors	60,987	182,122
Long-term liabilities banks	65,667	-
Total borrowed funds	**971,974**	**182,122**

Short-term borrowings

In thousands of ALL	31 December 2021	31 December 2020
Business loan 1, 13.33% p.a., 31.12.2021	-	-
Short-term liabilities P2P platform investors	508,190	510,486
Short-term liabilities banks	32,923	-
Total borrowed funds	**541,113**	**510,486**

Related party borrowing is a financing from the group in the form of a loan line with 13% interest.

Long-term liabilities P2P is related with AS Mintos Marketplace finance instalments. AS Mintos Marketplace is a marketplace for loans, where different investors from around the world could finance for specific loans.

11. Other Borrowed Funds (Continued)

Changes on borrowed funds are mainly related with Liabilities P2P platform investors.

In thousands of ALL	31 December 2021	31 December 2020
Business loan 1, 13.33% p.a., 04.10.2022	845,320	-
Loan Tirana Bank s.a 4.6757% p.a., 24.12.2021	98,590	-
Liabilities P2P platform investors	(202,264)	(358,079)
Business Loan 1, 13.33% p.a., 31.12.2021	-	(205,245)
Change of liabilities P2P platform investors	**741,646**	**(563,324)**

12. Other Liabilities

Other liabilities comprise the following:

In thousands of Albanian ALL	31 December 2021	31 December 2020
Accounts payable	49,493	3,706
Taxes payable	27,191	39,839
Other liabilities	30,765	12,050
Accrued expenses	16,632	16,461
Deferred income	7,726	5,716
Lease liabilities	51,628	29,211
Total other liabilities	**183,435**	**106,983**

13. Share Capital

As of December 31, 2021, the paid-in and registered capital of the Entity amounts to ALL 508,936 (31.12.2020 ALL 508,936). The Entity's paid-in capital is 100% owned by AS NF Capital, today named As Eleving Consumer Finance Holding, in Riga, Latvia. A shares purchase agreement is approved from Bank of Albania on 17.02.2021.

As of the date of approval of these financial statements, the Entity is represented and managed by Arlinda Muja.

Based on the Shareholder Resolution dated 06.07.2020, a capitalisation of total outstanding debt was performed, resulting in an increase in capital by 214,109 ALL.

In thousands of ALL	31 December 2021	31 December 2020
Paid-in capital	508,936	508,936
Total paid-in capital	**508,936**	**508,936**

The total share capital had a value of ALL 508,936 (2021: ALL 508,936).

14. Interest Income and Expense

In thousands of Albanian ALL	2021	2020
Interest on Loans and advances to customers	1,089,027	953,518
Extension Fees	253,179	244,884
Total interest income	**1,342,206**	**1,198,402**
Interest and other similar expense		
Other borrowed funds	(12,102)	(3,557)
P2P interest expense	(113,564)	(157,682)
Interest expense from lease liabilities	(2,534)	(2,528)
Total interest expense	**(128,200)**	**(163,767)**

15. Fee and Commission Income and Expense

In thousands of Albanian ALL	2021	2020
Fines and collection fees	178,643	166,955
Early repayment fees	1,851	468
Other fees	1,374	4,209
Total fee and commission income	**181,868**	**171,632**

16. Other operating income

In thousands of Albanian ALL	2021	2020
Income from sale of write off portfolio	244,015	7,645
Income from payment of write off loans	28,812	11,592
Income from interest on loans issued to related parties	7,675	3,709
Provision of other receivables	(42,656)	-
Total salaries and related taxes	**237,846**	**22,946**

17. Salaries and related taxes

In thousands of Albanian ALL	2021	2020
Salaries	161,280	130,558
Taxes for salaries	22,392	19,599
Other salaries cost	5,741	(4,153)
Total salaries and related taxes	**189,412**	**146,004**

Other salaries cost reflects the expense for vacation reserve for unpaid holidays on last 3-year period, accrued bonus.

18. Administrative and Other Operating Expenses

In thousands of Albanian ALL	2021	2020
Professional services	160,379	-
Advertising, marketing	52,970	8,306
Communication and data costs	43,088	32,281
Other operating costs	30,729	22,465
Rent and similar	18,875	21,448
IT costs	18,477	65,017
Total administrative and other operating expenses	**324,518**	**149,517**

19. Income Taxes

(a) Components of income tax

Income tax for the year is presented as follow:

	2021	2020
Current tax expense	106,794	58,714
Deferred Income Tax	(3,458)	4,139
Income tax	**103,336**	**54,575**

19. Income Taxes (Continued)

(a) Components of income tax (Continued)

The reconciliation of effective income tax rate is summarized as follows:

	2021	2020
Income before income tax	**570,289**	**319,915**
Non-deductible expenses	141,672	99,046
Fiscal Income	**711,961**	**418,961**
Carried forward loss	**-**	**(27,534)**
Total Fiscal Income	**711,961**	**391,427**
Income tax expense	106,794	58,714
Income of the year	**605,167**	**332,713**

(b) Reconciliation between the tax expense and profit or loss multiplied by applicable tax rate

The income tax rate applicable to the entity in 2021 income is 15% (2020: 15%). A reconciliation between the expected and the actual taxation charge is provided below.

In thousands of Albanian Lek	2021	2020
Profit/(loss) before tax	**711,961**	**391,428**
Theoretical tax charge at statutory rate (2021: 15%; 2020: 15%)		
Profit before tax	570,289	319,915
Loss transferred from previous periods	-	(27,534)
Tax effect of items which are not deductible or assessable for taxation purposes:		
- Income which is exempt from taxation	-	-
- Non-deductible expenses	157,082	117,514
Financing costs	71,317	106,396
Provisions	42,656	-
Accrued Foreign exchange effect	13,534	(12,817)
Accrued Salaries and related taxes	5,191	(4,150)
Depreciation and amortization	38,732	45,366
Other operating costs	6,609	4,818
Other	(20,958)	(22,098)
Accrued expenses as end 2020	(15,410)	(18,467)
Income tax expense/(credit) for the year	**106,794**	**58,714**

(c) Tax loss carry forwards

The Entity does not have unrecognised potential deferred tax assets in respect of unused tax loss carry forwards.

(d) Deferred taxes

The Entity has recorded a deferred tax liability related to the temporary differences.

20. Financial Risk Management

The risk management function within the Entity is carried out with respect to financial risks, operational risks and legal risks. Financial risk comprises market risk (including currency risk, interest rate risk and other price risks), credit risk and liquidity risk. The primary function of financial risk management is to establish risk limits and to ensure that any exposure to risk stays within these limits. The operational and legal risk management functions are intended to ensure the proper functioning of internal policies and procedures in order to minimise operational and legal risks.

20. Financial Risk Management (Continued)

a) Credit risk

Credit Risk Measurement

Credit risk arises from money and cash, deposits with banks and financial institutions, as well as from credit exposure to corporate and retail clients, including receivables and liabilities. The exposure of the Entity to credit risk arises from the inability to collect the placements and receivables in a timely manner. The Entity has no significant concentration of credit risk. The Entity has policies to ensure that service sales are made to customers with adequate credit history and pre-defined criteria that ensure a regular collection of receivables.

Risk Limitation Controls and Management Policy
The Entity applies limits and controls for areas and items where a large concentration of credit risk is identified and in particular to individual customers or group of customers, trade counterparts, industries and regions, which are formed on the basis of the geographical regions in the countries where the entity operates.

Maximum Credit Risk Exposure
The maximum credit risk exposure equals the carrying amount of Cash and cash equivalents and Loans and advances to customers in Statement of Financial Position.

Expected credit loss (ECL) measurement

ECL is a probability-weighted estimate of the present value of future cash shortfalls (i.e., the weighted average of credit losses, with the respective risks of default occurring in a given time period used as weights). An ECL measurement is unbiased and is determined by evaluating a range of possible outcomes. ECL measurement is based on four components used by the Entity:

Probability of Default ("PD"), Exposure at Default ("EAD"), Loss Given Default ("LGD") and Discount Rate.

EAD is an estimate of exposure at a future default date, taking into account expected changes in the exposure after the reporting period, including repayments of principal and interest, and expected drawdowns on committed facilities (if any). PD an estimate of the likelihood of default to occur over a given time period. LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from any collateral. It is usually expressed as a percentage of the EAD. The expected losses are discounted to present value at the end of the reporting period. The discount rate represents the effective interest rate ("EIR") for the financial instrument or an approximation thereof.

Expected credit losses are modelled over instrument's *lifetime period*. The *lifetime period* is equal to the remaining contractual period to maturity of debt instruments, adjusted for expected prepayments, if any.

Management models *Lifetime ECL*, that is, losses that result from all possible default events over the remaining lifetime period of the financial instrument. The *12-month ECL*, represents a portion of lifetime ECLs that result from default events on a financial instrument that are possible within 12 months after the reporting period, or remaining *lifetime period* of the financial instrument if it is less than a year.

The ECL modelling does not differ for Purchased or Originated Credit Impaired ("POCI") financial assets, except that (a) gross carrying value and discount rate are based on cash flows that were recoverable at initial recognition of the asset, rather than based on contractual cash flows, and (b) the ECL is always a lifetime ECL. POCI assets are financial assets that are credit-impaired upon initial recognition, such as impaired loans acquired in a past business combination.

For purposes of measuring PD, the Entity defines default as a situation when the exposure meets one or more of the following criteria:

- the borrower is more than 90 days past due on its contractual payments.
- the Entity has sold the borrower's debt or its portion at a loss due to credit deterioration.
- the borrower meets the unlikeliness-to-pay criteria listed below:
    - the Entity was forced to restructure the debt.
    - the borrower is deceased/insolvent.

20. Financial Risk Management (Continued)

a) Credit risk (Continued)

Expected credit loss (ECL) measurement (Continued)

- the borrower was classified in risk categories according to "Regulation on the procedure for making loan loss provisions and provisions for loan debts and similar debts by credit institutions".
- the loans were purchased or originated at a deep discount that reflects the incurred credit losses.

For purposes of disclosure, the Entity fully aligned the definition of default with the definition of credit-impaired assets. The default definition stated above is applied to all types of financial assets of the Entity.

An instrument is considered to no longer be in default (i.e., to have cured) when it no longer meets any of the default criteria.

The assessment whether or not there has been a significant increase in credit risk ("SICR") since initial recognition is performed on a portfolio basis. The presumption, being that there have been significant increases in credit risk since initial recognition when financial assets are more than 30 days past due on report date.

The level of ECL that is recognised in these financial statements depends on whether the credit risk of the borrower has increased significantly since initial recognition. This is a three-stage model for ECL measurement. A financial instrument that is not credit-impaired on initial recognition and its credit risk has not increased significantly since initial recognition has a credit loss allowance based on 12-month ECLs (Stage 1). If a SICR since initial recognition is identified, the financial instrument is moved to Stage 2 but is not yet deemed to be credit-impaired and the loss allowance is based on lifetime ECLs. If a financial instrument is credit-impaired, the financial instrument is moved to Stage 3 and loss allowance is based on lifetime ECLs. The consequence of an asset being in Stage 3 is that the entity ceases to recognise interest income based on gross carrying value and applies the asset's effective interest rate to the carrying amount, net of ECL, when calculating interest income.

If there is evidence that the SICR criteria are no longer met, the instrument is transferred back to Stage 1.

ECL for POCI financial assets is always measured on a lifetime basis. The Entity therefore only recognises the cumulative changes in lifetime expected credit losses.

The Entity measures ECL on a portfolio basis. The Entity determines the staging of the exposures and measures the loss allowance on a collective basis. The Entity analyses its exposures by segments determined on the basis of shared credit risk characteristics, such that exposures within a group have homogeneous or similar risks. The different segments also reflect differences in credit risk parameters such as PD and LGD. The appropriateness of groupings is monitored and reviewed on a periodic basis.

The key principles of calculating the credit risk parameters

The EADs are determined based on the expected payment profile, that varies by product type. EAD is based on the contractual repayments owed by the borrower over a 12-month or lifetime basis for amortising products and bullet repayment loans. This will also be adjusted for any expected overpayments made by a borrower. Early repayment or refinancing assumptions are also incorporated into the calculation.

Two types of PDs are used for calculating ECLs: 12-month and lifetime PD. An assessment of a 12-month PD is based on the latest available historic default data and adjusted for supportable forward-looking information when appropriate. Lifetime PDs represent the estimated probability of a default occurring over the remaining life of the financial instrument and it is a sum of the 12 months PDs over the life of the instrument. For prudency reasons, the Entity applies minimum 12-month PD when remaining lifetime of the loan is less than 12. For every delinquency group PD is calculated by using Transition matrices (TM) which analyses the movement between the delinquency buckets in one-year period up to the reporting date.

LGD represents the Entity's expectation of what percentage of its outstanding defaulted loan amount it would not be possible to recover and thus this amount is considered as irrecoverable. It is calculated based on historical recovery of all defaulted loans and discounted using weighted average EIR for each of segments.

20. Financial Risk Management (Continued)

b) Credit risk (Continued)

Forward-looking information incorporated in the ECL models

The Entity estimates the impact of changing macro indicators over time and applies corrective factor to PD as the result of forward-looking adjustment. Only adverse effects of macroeconomic environment are incorporated in PD adjustments (i.e., no improvement in PD due to positive economic outlook is allowed).

c) Market risk

The Entity's activities are exposed primarily to the financial risks of changes in foreign currency exchange rates and interest rates. Market risk exposures are supplemented by sensitivity analysis. There has been no change to the Entity's exposure to market risks or the manner in which it manages and measures the risk.

d) *Currency risk*

In respect of currency risk, management sets limits on the level of exposure by currency and in total, which are monitored monthly.
Currency risk is monitored on monthly basis to address the regulatory requirements for EUR currency and total foreign currency exposures.

		2021		2020
In thousands of ALL	**Euro**	**ALL**	**Euro**	**ALL**
Assets				
Cash and cash equivalents	5,302	65,471	5,846	43,321
Loans and advances to customers	-	2,298,757	-	1,043,438
Other assets	43,114	76,546	70,404	13,689
Total assets	**48,416**	**2,440,774**	**76,250**	**1,100,448**
Liabilities				
Debt securities in issue	1,414,498	98,589	692,608	-
Lease liabilities	-	-	-	-
Other liabilities	27,155	104,653	3,568	74,204
Total liabilities	**1,441,653**	**203,242**	**696,176**	**74,204**
Currency gap	**(1,393,237)**	**2,237,530**	**(619,926)**	**1,026,244**

For complying with the currency gap for regulatory requirements, the entity has in place a forward non-deliverable contract that mitigates the large exposure due to other borrowed funds. The application of this contract results with a net gap below regulatory threshold. There is no outstanding open contract as at reporting date.

Sensitivity analysis for the year ended 31 December 2021:

	Impact	Amount
EUR increases by 10% against ALL	Loss	(139,324)
EUR decreases by 10% against ALL	Gain	139,324

Sensitivity analysis for the year ended 31 December 2020:

	Impact	Amount
EUR increases by 10% against ALL	Loss	(61,993)
EUR decreases by 10% against ALL	Gain	61,993

20. Financial Risk Management (Continued)

e) *Interest rate risk*

The Entity takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. Management monitors on a daily basis and sets limits on the level of mismatch of interest rate repricing that may be undertaken.

The Entity monitors interest rates for its financial instruments. The table below summarises interest rates at the respective reporting date based on reports reviewed by key management personnel.

For securities, the interest rates represent yields to maturity based on market quotations at the reporting date:

In thousands of Albanian ALL	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	More than 1 year	Non-monetary	Total
31-Dec-21						
Total financial assets	606,781	730,212	404,794	556,970	190,433	**2,489,190**
Total financial liabilities	228,304	90,523	88,248	1,106,011	131,807	**1,644,894**
Net interest sensitivity gap on 31 December 2021	**378,476**	**639,689**	**316,546**	**(549,041)**	**58,626**	**844,296**
31-Dec-20						
Total financial assets	282,554	501,977	206,495	52,413	133,259	**1,176,696**
Total financial liabilities	248,210	274,297	133,436	36,664	77,772	**770,380**
Net interest sensitivity gap on 31 December 2020	**34,344**	**227,680**	**73,059**	**15,749**	**55,487**	**406,316**

Sensitivity analysis for the year ended 31 December 2021:

	Impact	Amount
Interest rate increases by 10%	Gain	214
Interest rate decreases by 10%	Loss	(214)

Sensitivity analysis for the year ended 31 December 2020:

	Impact	Amount
Interest rate increases by 10%	Gain	255
Interest rate decreases by 10%	Loss	(255)

f) *Liquidity risk*

Liquidity risk is the risk that the Entity is unable to meet its payment obligations associated with its financial liabilities when they become due. The Entity is exposed to liquidity risk arising from objective mismatch of the maturities of its assets and liabilities.

The Entity follows the general principles of the Entity's liquidity policy and the Entity's management approves liquidity assessments and management procedures, determines liquidity requirements and sets the necessary minimum cash levels and liquid assets and maturity mismatches.

The main objective of Entity's liquidity risk management is to secure stable growth of its loan portfolio and to manage liquid efficiency by ensuring funds for the needs of its credit products and maintaining a minimum surplus of cash.

20. Financial Risk Management (Continued)

e) Liquidity risk (Continued)

The Entity's management estimates that the matching and the controlled mismatching of undiscounted cash flows and risk of change in the interest rate are significant for maximizing the return. It is usual for companies operating in consumer financing area to have good matching in cash flows in short-term periods due to the quick liquidity. The mismatching in cash flows and lack of surplus in cash potentially leads to increase in profitability, but also to increase in risk of loss. The mismatching of cash flows with surplus of cash decreases profitability due to the inefficient use of funds, but at the same time leads to stability in liquidity.

The liquidity management of the Entity requires consideration of the level of liquid assets necessary to settle obligations as they fall due; maintaining access to a range of funding sources; maintaining funding contingency plans; and monitoring liquidity ratios against regulatory requirements. The Entity calculates liquidity ratios on a monthly basis in accordance with the requirement of the Central Bank of Albania.

The table below shows liabilities on 31 December 2021 by their remaining contractual maturity. The amounts of liabilities disclosed in the maturity table are the contractual undiscounted cash flows, including gross finance lease obligations (before deducting future finance charges), gross loan commitments and financial guarantees.

Such undiscounted cash flows differ from the amount included in the statement of financial position because the amount in the statement of financial position is based on discounted cash flows.

The table below shows the maturity analysis of non-derivative financial assets at their carrying amounts and based on their contractual maturities, except for assets that are readily saleable if it should be necessary to meet cash outflows on financial liabilities. Such financial assets are included in the maturity analysis based on their expected date of disposal. Impaired loans are included at their carrying amounts net of impairment provisions and based on the expected timing of cash inflows.

When the amount payable is not fixed, the amount disclosed is determined by reference to the conditions existing at the end of the reporting period. Foreign currency payments are translated using the spot exchange rate at the end of the reporting period.

Marketplace repayments are directly connected with repayments received from loans to customers and are shown below:

Assets and Liabilities discounted						**2021**
In thousands of Albanian ALL	**Demand and less than 1 month**	**From 1 to 6 months**	**From 6 to 12 months**	**From 12 months to 5 years**	**Over 5 years**	**Total**
Assets						
Cash and cash equivalents	70,773	-	-	-	-	**70,773**
Loans and advances to customers	606,781	730,212	404,794	556,970	-	**2,298,757**
Other assets	4,835	25,174	44,043	45,608		**119,660**
Total	**682,389**	**755,386**	**448,837**	**602,578**	**-**	**2,489,190**
Liabilities						
Other borrowed funds	228,304	90,523	88,248	1,106,011	-	**1,513,087**
Other liabilities	96,735	18,015	17,057	-	-	**131,807**
Total potential future payments for financial obligations	**325,039**	**108,538**	**105,305**	**1,106,011**	**-**	**1,644,894**
Liquidity gap arising from financial instruments	**357,349**	**646,848**	**343,532**	**(503,433)**	**-**	**844,296**

20. Financial Risk Management (Continued)

e) Liquidity risk (Continued)

Liabilities undiscounted

In thousands of ALL	Less than 1 months	2-6 months	7 months to 1 year	1-5 years	Over 5 years	Total
Liabilities						
Fixed interest rate	-	-	-	-	-	-
Other liabilities (non-interest bearing)	96,735	18,015	17,057	-	-	131,807
Total potential future payments for financial obligations	**96,735**	**18,015**	**17,057**	**-**	**-**	**131,807**
Liquidity gap arising from financial instruments	**96,735**	**18,015**	**17,057**	**-**	**-**	**131,807**

2020

In thousands of Albanian ALL	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 12 months to 5 years	Over 5 years	Total
Assets						
Cash and cash equivalents	49,167	-	-	-	-	49,167
Loans and advances to customers	282,554	501,977	206,495	52,413	-	1,43,438
Other assets	6,727	67,087	1,157	9,120	-	84,092
Total	**338,448**	**569,064**	**207,652**	**61,533**	**-**	**1,176,697**
Liabilities						
Other borrowed funds	248,210	274,297	133,436	36,664	-	692,608
Other liabilities	69,905	4,294	3,573	-	-	77,772
Total potential future payments for financial obligations	**318,115**	**278,592**	**137,009**	**36,664**	**-**	**770,380**
Liquidity gap arising from financial instruments	**20,333**	**290,472**	**70,643**	**24,869**	**-**	**406,317**

Liabilities undiscounted

In thousands of ALL	Less than 1 months	2-6 months	7 months to 1 year	1-5 years	Over 5 years	Total
Liabilities						
Fixed interest rate	-	-	-	-	-	-
Other liabilities (non-interest bearing)	69,905	4,294	3,573	-	-	77,772
Total potential future payments for financial obligations	**69,905**	**4,294**	**3,573**	**-**	**-**	**77,772**
Liquidity gap arising from financial instruments	**69,905**	**4,294**	**3,573**	**-**	**-**	**77,772**

21. Management of Capital

The Entity manages its capital to ensure that the Entity will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance. The capital structure of the Entity consists of debt, which includes the borrowings, cash and cash equivalents and equity attributable to equity holders.

Under the current capital requirements set by the Bank of Albania, the Entity have to maintain a regulatory capital above a prescribed minimum level. Based on information provided internally to key management personnel, the amount of capital was ALL 1,159,273 thousand as of 31 December 2021 (2020: ALL 677,904 thousand).

The data reported as of 31 December 2021 reflect the effect of 3-month moratorium approved by BoA during March until May 2021 for Covid 19 pandemic.

Specifically, the capital as of 31 December 2021 and 31 December 2020 as required by BoA is presented below (SRU form 6.2):

31 December 2021	Capital requirements in thousands of ALL	Minimum amount	Amount for Kredo
1	Credit institutions	100,000	
2	Leasing, factoring, e-money, payment and transfer institutions	20,000	
3	Microcredit institutions	15,000	1,159,273
4	Advisory services institutions	10,000	

31 December 2020	Capital requirements in thousands of ALL	Minimum amount	Amount for Kredo
1	Credit institutions	100,000	
2	Leasing, factoring, e-money, payment and transfer institutions	20,000	
3	Microcredit institutions	15,000	677,904
4	Advisory services institutions	10,000	

22. Fair Value Disclosures

Fair value is the price that would be received for an asset sold 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 Entity has access at that date.

For illiquid financial assets and liabilities, including loans and advances to customers, there are no active markets. Accordingly, fair value for these has been estimated using appropriate valuation techniques.

The fair value of Cash and cash equivalents is their carrying amount as these balances may be withdrawn without notice and the valuation matches Level 1 inputs.

The fair value of loans and advances to customers is calculated by discounting expected future cash flows. Due to the simple nature of the loan portfolio the fair value of loans and advances to customers is carrying amount and the valuation matches Level 3 inputs.

Derivatives are valued using techniques based on observable market data. Fair value for Derivatives equals carrying amount and the valuation matches Level 2 inputs.

22. Fair Value Disclosures (Continued)

The fair value of borrowed funds is calculated by discounting expected future cash flows. The fair value of borrowed funds is carrying amount and the valuation matches Level 3 inputs.

	31 December 2021				31 December 2020			
In thousands of ALL	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets								
Loans to customers	-	-	3,004,488	**3,004,488**	-	-	1,279,180	**1,279,180**
Other assets	-	-	38,643	**38,643**	-	-	84,093	**84,093**
Liabilities								
Loans and borrowings	-	-	98,500	**98,500**	-	-	692,608	**692,608**
Accounts payable	-	-	-	-	-	-	3,706	**3,76**
Other liabilities	-	-	9,342	**9,342**	-	-	74,066	**74,066**

23. Related Party Transactions

Parties are generally considered to be related if the parties are under common control, or one party has the ability to control the other party or can exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

On 31 December 2021, the outstanding balances with related parties were as follows:

In thousands of ALL	Immediate parent entity	Other related parties
Other assets	-	2,553
Loans and borrowings	-	842,650
Other liabilities	13,636	9,438

Composition of Related Parties

The related parties of the Entity are as follows:

Company/Individual	Type of Relationship
Individual	Ultimate Owner
Entity (Eleving Consumer Finance Holding)	Shareholder
Related party 1 (Mogo Finance AS & Funderly Group AS)	Same ultimate beneficiary
Related party 2 (AS FINITERA)	Former shareholder of Kredo Finance
Related party 3 (AS MINTOS MARKETPLACE)	Same ultimate beneficiary

The volume of transactions with related parties of the Entity is as follows:

Related Party	Type of Transaction	31 December 2021	31 December 2020
Shareholder	Other liabilities	58,301	-
Related party 1	Loan issued	1,003,168	39,594
Related party 1	Expenses	9,438	3,175
Related party 1	Loans received	700,761	-
Related party 1	Income from loans	6,319	-
Related party 2	Development of software	12,357	10,545
Related party 2	Expenses	636	40,655
Related party 2	Expenses	545	25,672
Related party 3	Service fee	10,092	20,484

23. Related Party Transactions (Continued)

The balances of related party transactions of the Entity are as follows:

Related Party	Type of Transaction	31 December 2021	31 December 2020
Shareholder	Accrued expenses	13,636	-
Related party 1	Loan receivables	-	39,584
Related party 1	Interest receivables	2,553	1,244
Related party 1	Loan payables	845,320	-
Related party 1	Accrued expenses	9,438	3,573
Related party 2	Accrued expenses	-	3,702
Related party 2	Prepaid expenses	-	25,672
Related party 3	Accrued expenses	666	636

All transactions with related parties arise in the normal course of business at mutually agreed terms and their value is not materially different from the terms and conditions that would prevail in arm's length transactions.

The following have been the remuneration to the management of the Entity for the year ended 31 December 2021 and 31 December 2020:

In thousands of ALL	31 December 2021	31 December 2020
Salaries	9,480	9,880
Bonuses	8,653	-
Total	**18,133**	**9,880**

24. Legal litigation

During pandemic, Kredo Finance decided to close 21 branches, reduce working hours and shifts in other 35 branches and restructure Head Office units / departments respectively to entity size. These changes drove to a collective interruption of employee agreements.
There have been no litigations which could result in material liability for the entity.

25. Events after the reporting period

In January 2022, the registration of minority shareholders was carried out, as part of the implementation of the contract for the sale of shares to the managerial staff dated in December 2021, as part of the policies of the shareholder group for the motivation package of senior managers.

There are no other events after the reporting date that would require adjustments or additional disclosures in these financial statements.