

MOGO IFN S.A.

**FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022
PREPARED IN ACCORDANCE WITH THE INTERNATIONAL FINANCIAL REPORTING STANDARDS
AS ADOPTED BY THE EUROPEAN UNION**

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Mogo IFN S.A.

Official head office: Bucuresti, Calea Mosilor street, No. 51, floor. 2

Fiscal registration number: 35917970

Report on the Audit of the Financial Statements

Opinion

1. We have audited the financial statements of **Mogo IFN SA** (the Company) which comprise the statement of financial position as at 31 December 2022, and statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

2. The financial statements as at and for the year ended December 31, 2022 are identified as follow:

➤ Total assets:	173,938,530 RON
➤ Net profit of the year:	9,940,301 RON

3. In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2022, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union.

Basis for opinion

4. We conducted our audit in accordance with International Standards on Auditing (ISAs), Regulation (EU) No. 537/2014 of the European Parliament and the Council (forth named The "Regulation") and Law 162/2017 ("the Law"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Individual financial statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), in accordance with ethical requirements relevant for the audit of the financial statements in Romania including the Regulation and the Law and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

5. Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter

How our audit addressed the key audit matter:

Expected losses related to loans and advances to customers

Refer to the following notes in the financial statements: Note 3.9. Accounting Policies - Financial Assets, Note 3.12. Accounting Policies - Impairment of Financial Assets, Note 4.2. Risk

Our audit procedures included, among others, assessing the Company's methodology for identifying impairment indicators and determining expected losses, including determining macroeconomic scenarios and their associated



Key Audit Matter

Management - Credit Risk, Note 10. Expected Credit Losses, and Note 16. Loans and Advances to Customers.

The net carrying value of receivables from loans and advances to customers, amounting to 143,798 thousand RON, represents a significant percentage (83%) of the total assets of the Company as of December 31, 2022.

As described in Note 3.12 Accounting Policies - Impairment of Financial Assets, the expected losses related to receivables from loans and advances to customers represent management's best estimate of the expected credit losses ("ECL") for loans and advances to customers measured at amortized cost as of the reporting date.

Expected credit losses are determined using modeling techniques based on key parameters: the probability of default (PD), exposure at default (EAD), and loss given default (LGD), taking into account historical experience, identification of exposures with a significant increase in credit risk ("SICR"), forward-looking information, and management's rationale.

Given the proportion of loans and advances to customers in the company's assets, uncertainty in estimation and the complexity of estimation techniques, we consider the estimation of expected losses related to credits granted to customers a key audit matter.

How our audit addressed the key audit matter:

weights, criteria for determining the credit stages, and models for determining credit risk parameters, such as the probability of default, exposure at default, and loss given default.

We assessed the design and operational effectiveness of internal controls related to monitoring the quality of loans and advances to customers, models for determining parameters, macroeconomic scenarios and their associated weights, calculation of Expected Credit Losses, as well as controls over data quality underlying the calculations and relevant systems.

For the credit portfolio, collectively assessed in Stage 1, Stage 2, or Stage 3, we tested key risk parameters, checked the classification into Stages for a sample of contracts, and verified the calculations made regarding expected losses.

We also evaluated whether the information presented by the Company in the financial statements regarding expected credit losses and credit risk is adequate.

Emphasis of matter

6. We draw attention to Note 31 "Subsequent Events" in the financial statements, according to which the Company is currently undergoing a thematic audit by the Regional Directorate General of Public Finance Bucharest regarding the verification of certain elements of the tax base for the period 2017-2022. Until the completion of the tax audit, the outcome is uncertain and cannot be reasonably quantified. Our opinion is not modified in respect of this matter.

Other matters

7. This set of informative financial statements is prepared as a result of the requirements of NBR Order 8/2019. The company has prepared and submitted statutory financial statements prepared in accordance with the provisions of NBR Order 6/2015.

8. The financial statements of the Company for the financial year ending on December 31, 2021, were audited by another auditor who expressed an unmodified opinion on those financial statements on June 29, 2022.

This is a translation of the Romanian original performed by BDO Audit SRL. In case of any differences, the Romanian version will prevail

9. This report of the Independent Auditor is addressed exclusively to the Company's shareholders, as a body. Our audit was undertaken in order to report to the Company's shareholders all those aspects that we are required to state to them in a financial audit report and for no other purposes whatsoever. To the extent permitted by law, we do not accept or take responsibility to anyone other than the Company and its shareholders, as a body, for our audit work, for the report on the individual financial statements, or for the opinion we have formed.

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

10. Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

11. In preparing the individual financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Individual financial statements

13. Our objectives are to obtain reasonable assurance about whether the individual 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, consolidated or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these individual financial statements.

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

- Identify and assess the risks of material misstatement of the individual financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the individual financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.



➤ Evaluate the overall presentation, structure and content of the individual financial statements, including the disclosures, and whether the individual financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

15. 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.

16. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

17. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the individual financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

18. We have been appointed by the General Assembly of Shareholders on October 21, 2022 to audit the individual and consolidated financial statements of Mogo IFN S.A. for the financial year ended December 31, 2022. The uninterrupted total duration of our commitment is 1 year, covering the financial year 2022.

We confirm that:

- Our audit opinion is consistent with the additional report submitted to the Audit Committee of the Company that we issued the same date we issued and this report. Also, in conducting our audit, we have retained our independence from the audited entity.
- We have not provided for the Company the non-audit services referred to in Article 5 (1) of EU Regulation No.537 / 2014

For and behalf of BDO Audit SRL

Registered in the Public Electronic Report of financial auditors and
audit firms with no. FA18

Partner's name: Vasile Bulată

Registered in the Public Electronic Report of financial auditors and
audit firms with no. AF1480

Bucharest, Romania

Autoritatea pentru Supravegherea Publică
a Activității de Audit Statutar (ASPAAS)

Firma de Audit: BDO AUDIT SRL
Registrul Public Electronic: FA18

Autoritatea pentru Supravegherea Publică
a Activității de Audit Statutar (ASPAAS)

Auditor financiar: VASILE BULATA
Registrul Public Electronic: AF1480

27 June 2023

MOGO IFN S.A.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

(all amounts are expressed in lei, unless otherwise specified)

	Note	Year ended 31.12.2022	Year ended 31.12.2021 Restated
Interest revenue calculated using the effective interest method	6	62.480.597	48.368.713
Interest expense calculated using the effective interest method	6	(16.203.215)	(11.801.218)
Net interest income		46.277.382	36.567.495
Fee and commission income	7	234.073	190.821
Fee and commission expenses	7	(518.508)	(842.788)
Net fee and commission income		(284.435)	(651.967)
Net gain/(loss) from derecognition of financial assets measured at amortized cost	8	804.387	488.022
Other operating income	9	576.321	1.282.778
		1.380.708	1.770.800
Total operating income		47.373.655	37.686.328
Expected impairment losses*	10	(12.913.578)	(10.412.154)
Personnel expenses	11	(7.628.834)	(6.094.431)
Other operational expenses	12	(13.264.950)	(11.077.999)
Net gain from foreign currency translation	13	76.113	(1.202.549)
		(33.731.251)	(28.787.135)
Profit / (loss) before tax		13.642.404	8.899.193
Income tax expense	14	(3.702.103)	(2.607.561)
Net profit for the year		9.940.301	6.291.632
Other elements of comprehensive income		-	-
Total net comprehensive income for the year		9.940.301	6.291.632

* For more details on the restatement of the respective items see Note 3.2 Corrections of accounting policies and disclosures.

The financial statements were approved by the Board of Directors on 14 June 2023 and were signed on its behalf by:

Managing Director,
BADIU Ionuț

Chief Financial Officer,
TETICI MARILENA

MOGO IFN S.A.

STATEMENT OF FINANCIAL POSITION

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

(all amounts are expressed in lei, unless otherwise specified)

		31 December 2022	31 December 2021	01 January 2021
	Note		Restated	Restated
ACTIVE				
Cash and cash equivalents	15	4.344.863	3.730.508	11.266.591
Receivables from sale in instalments contracts*	16	18.246.756	35.956.562	63.429.445
Loans and advances granted to customers*	16	125.551.450	82.359.128	18.058.415
Loans to related parties	25	20.552.685	26.279.224	14.575.690
Other assets*	18	2.779.715	1.464.292	1.713.593
Assets held for sale	19	83.656	369.097	512.798
Intangible assets	20	92.811	73.408	39.332
Property, plant and equipment	21	1.706.658	1.923.072	1.486.769
Deferred tax	22	579.936	348.630	617.534
TOTAL ASSETS		173.938.530	152.503.921	111.700.167
LIABILITIES				
Borrowings	23	159.552.360	116.715.008	83.194.012
Liabilities relating to the right to use assets	24	1,472,787	1.698.367	1.341.537
Provisions for financial guarantees	26	-	2.707.833	2.105.612
Other liabilities	27	4.189.016	3.827.907	1.845.408
TOTAL LIABILITIES		165.214.163	124.949.115	88.486.569
EQUITY				
Share capital	28	924.000	924.000	924.000
Share premium	29	-	28.654.000	28.654.000
Legal reserves	26	184.800	184.800	161.427
Other reserves	26	-	(2.853.751)	(3.827.487)
Retained earnings *		7.615.567	645.757	(2.698.342)
TOTAL EQUITY		8.724.367	27.554.806	23.213.598
TOTAL LIABILITIES AND EQUITY		173.938.530	152.503.921	111.700.167

*For more details on the restatement of the respective items see Note 3.2 Corrections of accounting policies and disclosures.

The financial statements were approved by the Board of Directors on 14 June 2023 and were signed on its behalf by:

Managing Director,
BADIU Ionuț

Chief Financial Officer,
TETICI MARILENA

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2022

(all amounts are expressed in lei, unless otherwise specified)

	Note	31 December 2022	31 December 2021 Restated
Cash flows from the operating activity			
Profit/(loss) before tax*		13.642.404	8.899.193
<i>Adjustments for:</i>			
Amortization and depreciation	12	892.002	623.569
Interest expenses	7	16.203.215	11.801.218
Interest income	7	(62.480.597)	(48.079.050)
Disposals of non-current assets	9	-	35.075
Impairment of financial assets*		12.785.994	12.069.779
(Decrease) / increase in current provisions	12	(2.665.422)	(1.379.970)
(Gain)/loss from derecognition of financial assets	8	(804.387)	(488.022)
(Gain)/loss from currency exchange rate fluctuations	13	113.534	1.202.549
Operating profit before the change in working capital		(22.313.254)	(15.315.659)
Change in working capital			
(Increase)/decrease of current assets*		(24.297.426)	(53.974.953)
Increase / (decrease) of current liabilities		(3.443.723)	800.299
Cash from operating activity		(50.054.403)	(68.490.313)
Interest received		55.829.310	42.544.549
Interest paid		(21.816.788)	(6.377.592)
Corporate income tax paid		(3.382.509)	(1.012.981)
Cash flows from the operating activity		(19.424.391)	(33.336.337)
Cash flows from investing activity			
Payments for purchases of tangible and intangible assets		(198.817)	(168.657)
Cash flows from investing activity		(198.817)	(168.657)
Cash flows from the financing activity			
Receipts from borrowings		104.790.867	141.280.206
Borrowings repayments		(83.779.428)	(114.699.883)
Payments for assets representing the right to use	24	(773.873)	(611.412)
Cash flows from the financing activity		20.237.566	25.968.911
Increase/(Decrease) net cash balance and cash equivalents		614.355	(7.536.083)
Cash and cash equivalents at 1 January	15	3.730.508	11.266.591
Cash and cash equivalents at 31 December	15	4.344.863	3.730.508

*For more details on the restatement of the respective items see Note 3.2 Corrections of accounting policies and disclosures.

The financial statements were approved by the Board of Directors on 14 June 2023 and were signed on its behalf by:

Managing Director,
BADIU Ionuț

Chief Financial Officer,
TETICI MARILENA

MOGO IFN S.A.
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022

(all amounts are expressed in lei, unless otherwise specified)

	Share capital	Share premium	Legal reserves	Reserves for financial guarantees	Retained Earning	Total
Balance at 1 January 2021	924.000	28.654.000	161.427	(3.827.487)	(4.250.809)	21.661.131
Restatement*	-	-	-	-	1.438.218	1.438.218
Balance at 01 January 2021 restated	924.000	28.654.000	161.427	(3.827.487)	(2.812.591)	23.099.349
Comprehensive income						
Net profit for the year*	-	-	-	-	6.291.632	6.291.632
Legal reserves	-	-	23.373	-	(23.373)	-
Total comprehensive income	-	-	23.373	-	6.268.259	6.291.632
Transactions with shareholders						
Issuance of financial guarantees	-	-	-	973.738	(2.809.913)	(1.836.175)
Balance at 31 December 2021	924.000	28.654.000	184.800	(2.853.749)	645.755	27.554.806
Balance at 1 January 2022	924.000	28.654.000	184.800	(2.853.749)	645.755	27.554.806
Comprehensive income						
Net profit for the year	-	-	-	-	9.940.301	9.940.301
Total comprehensive income	-	-	-	-	9.940.301	9.940.301
Transactions with shareholders						
Modification of financial guarantees	-	-	-	2.853.749	(2.970.489)	(116.740)
Distribution of share premium	-	(28.654.000)	-	-	-	(28.654.000)
Balance at 31 December 2022	924.000	-	184.800	-	7.615.567	8.724.367

*For more details on the restatement of the respective items see Note 3.2 Corrections of accounting policies and disclosures.

The financial statements were approved by the Board of Directors on 07 June, 2023 and were signed on its behalf by:

Managing Director,
BADIU Ionuț

Chief Financial Officer,
TETICI MARILENA

1. COMPANY AND ITS OPERATIONS

The joint-stock company MOGO IFN (hereinafter referred to as the Company) was registered with the Trade Register Office attached to the Bucharest Tribunal on 06.04.2016, having the unique registration code 35917970 and order number in the Trade Register J40 / 5043/2016. The company is incorporated and operates for an unlimited period of time, in accordance with the legal provisions in force.

In 2022, the Company carried out its activity through its registered office, established in Bucharest, sector 3, 51 Calea Moșilor Street, 2nd floor.

The main field of activity of the company consists of: "Other activities of financial intermediation, excluding insurance activities and pension funds" (CAEN group 649), the main activity of the Company being "Other lending activities" (financing of commercial transactions, CAEN code 6492).

The company is registered in the General Register kept by the National Bank of Romania under the number RG-PJR-41-110316/ 09.11.2016. Since 16.02.2018 the Company has been registered in the Special Register of the National Bank of Romania under the number RS-PJR-41-110097/16.02.2018.

Until 29.06.2020 the majority shareholder with a holding percentage of 99.9904% of the shares was Mogo Finance S.A. (renamed Eleving Group S.A.), with headquarters on 8-10, Avenue de la Gare, 1610 Luxembourg. Based on the GMA from 31.03.2020, it was decided to sell the entire portfolio owned by Mogo Finance S.A. (renamed Eleving Group S.A.) in favor of AS Mogo Eastern Europe (renamed AS Eleving Stella), based in Skanstes iela, no.50, Riga, Latvia, so that with the date of 10.07.2020 (according to the registration certificate mentions) the majority shareholder becomes AS Mogo Eastern Europe (renamed AS Eleving Stella).

During 2022 and 2021 any changes occurred in the shareholding structure.

On 31.12.2022, the shareholding structure is as follows:

Shareholder	Country of origin	Number of shares held	Value of the share	Share in share capital
AS Eleving Stella	Latvia	10,499	923,912	99.9904%
UAB Eleving Stella (former AS Mogo)	Lithuania	1	88	0.0096%
Total		10,500	924,000	100%

On 31.12.2021, the shareholding structure is as follows:

Shareholder	Country of origin	Number of shares held	Value of the share	Share in share capital
AS Eleving Stella	Latvia	10,499	923,912	99.9904%
UAB Eleving Stella (former AS Mogo)	Lithuania	1	88	0.0096%
Total		10,500	924,000	100%

Average number of employees in the reporting year (persons):

2022	2021
61	55

AS Eleving Stella (renamed from Mogo Eastern Europe), established in Skanstes iela nr, 50, Rīga, Latvia, is the company that prepares the consolidated financial statements of the smallest group of entities to which the Company belongs.

Eleving Group S.A. (renamed from Mogo Finance S.A.), having its registered office at 8-10, Avenue de la Gare, 1610 Luxembourg, Grand Duchy of Luxembourg, registered with the Luxembourg Trade Register under no., B 174.457, is the company that prepares the consolidated financial statements of the largest group of entities (Eleving Group S.A.) to which the Company belongs. Consolidated annual financial statements are available on the official website of Eleving Group SA: [Investors - Eleving Group](#).

2. BASICS OF PREPARATION OF FINANCIAL STATEMENTS

2.1 Declaration of conformity

These financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as adopted by the European Union.

According to Order no. 8/30.10.2019 issued by the National Bank of Romania, the financial statements of companies in accordance with the International Financial Reporting Standards issued by the Committee for International Accounting Standards and adopted by the European Union are presented for informational purposes, as part of the transition to IFRS, as a legal basis of accounting as of January 1, 2023.

The present financial statements of the Company were approved by the Board of Directors on June 14, 2023.

The company prepares statutory financial statements in accordance with the provisions of the NBR Order 6/2015 for the approval of the Accounting Regulations in accordance with the European Directives, as subsequently amended and completed ("RAS financial statements"), based on which the result of the shareholders' distributions is established.

The major differences from the statutory financial statements prepared according to the Romanian legislation, so that they are aligned with IFRS, are:

- different methodology for calculating the impairment of the net investment in leasing and the loan portfolio;
- fair value and impairment measurements of other financial instruments in accordance with IFRS 9;
- the application of IFRS 16 "Leasing" with the related presentation requirements;
- recognition and measurement of deferred corporate tax;
- the classification of contracts following the principle of the prevalence of content over the form;
- presentation of the information required in accordance with IFRS.

The accounting policies of MOGO IFN SA are included in Note 3. The company has consistently applied accounting policies in the periods presented in these financial statements.

2.2 Basics of evaluation

This set of financial statements was prepared on the basis of the historical cost principle, unless financial instruments are measured at fair value.

2.3 Functional and presentation currency

The financial statements of the Company are prepared and presented in LEI (RON), this being the functional currency of the Company. The Management of the Company considers that this presentation provides reliable and relevant information for the users of the financial statements due to the fact that all the elements included in the financial statements are evaluated using the currency of the economic environment in which the Company operates.

2.4 Use of significant estimates and judgments

The preparation of financial statements in accordance with IFRS requires the use of accounting estimates with a significant impact. It also requires the management to exercise its judgment in the process of applying the accounting policies of the Company. The areas where a more advanced level of judgment and complexity is required, as well as the areas where the assumptions and estimates used are significant for the financial statements, are described in Note 5. Although these estimates are based on management's best knowledge of current events and happenings, the actual results may differ from these estimates.

2.5 The principle of going concern

These financial statements were prepared using the principle of going concern, which assumes that the Company will continue its activity in the near future. In carrying out this judgment, the management of the Company takes into account the current performance of the Company and the access to financial resources. Thus, on 31.12.2022, the Company recorded a net profit in the amount of 10,079,079 lei (2021: 6,567,533 lei), the net assets of the Company represent 8,724,367 lei (2021: 27,635,887 lei), and the own funds - 91,099,951 lei.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Newly issued standards and new or revised interpretations

A series of new standards in force for annual periods beginning on or after 1 January 2022 and in which early application is allowed.

A. Onerous Contracts — Cost of fulfilling a contract (Amendments to IAS 37)

IAS 37 defines a contract for pecuniary interest as a contract in which the unavoidable costs (costs that the Company has incurred under the contract) of performing the obligations under the contract outweigh the economic benefits expected to be received under it.

The amendments to IAS 37.68A clarify that the costs directly related to the contract consist of both:

1. Incremental costs of fulfilling that contract – for example, labour and direct material; and
2. An allocation of other costs that relates directly to the fulfilment of contracts: for example, the allocation of depreciation charges to property, plant and equipment used in the performance of the contract.

The company, as of 31.12.2022, does not have onerous contracts.

B. Property, plant and equipment: income before the intended use (amendments to IAS 16)

The amendment to IAS 16 prohibits an entity from deducting from the cost of an item of property, plant and equipment any income received from the sale of items produced while the entity prepares the asset for its intended use (eg the proceeds from the sale of samples produced during the testing phase, of a production unit after construction but before the commencement of commercial production). The proceeds from the sale of such samples, together with the costs of producing them, are now recognised in profit or loss.

These changes had no impact on the Individual Financial Statements of the Company as there were no sales of such items produced by property, plant and equipment made available for use at or after the beginning of the first period presented.

C. Annual improvements to IFRS 2018-2020 Standards (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41)

1. IFRS 1: First-time adopter (FTA) subsidiary
2. IFRS 9: Fees in the "10 percent" test for derecognising financial liabilities
3. IAS 41: Taxation in fair value measurements

D. References to the Conceptual Framework (Amendments to IFRS 3)

In May 2020, the IASB issued amendments to IFRS 3, which updates a reference to the Financial Reporting Conceptual Framework without changing the accounting requirements for business combinations.

There are a number of standards, amendments to standards and interpretations that have been issued by the IASB that are effective in future accounting periods that the Company has decided not to adopt in advance.

The following changes shall enter into force for the period beginning on 1 January 2023:

1. Presentation of accounting policies (Amendments to IAS 1 and IFRS Practice Statement 2);
2. Definition of Accounting Estimates (Amendments to IAS 8); and
3. Deferred tax on assets and liabilities arising from a single transaction (amendments to IAS 12).

The following changes shall enter into force for the period beginning 1 January 2024:

1. IFRS 16 Leases (Amendment – Liability in a Sale and Leaseback)
2. IAS 1 Presentation of Financial Statements (amendment — Classification of liabilities as current or long-term)
3. IAS 1 Presentation of Financial Statements (Amendment — Non-current Liabilities with Agreements)

The company is currently assessing the impact of these new accounting standards and changes. The company does not believe that the changes to IAS 1 will have a material impact on the classification of its liabilities because it does not hold instruments with the option of conversion to share capital.

The Company does not expect that other standards issued by the IASB, but which are not yet in force, will have a significant impact on the Company.

3.2 Corrections of accounting policies and disclosures

The Company in 2022 in order to ensure a better presentation of the Financial Results of the Company and to provide additional information on the receivables and income recorded by the Company from late payment penalties and re-invoicing has modified the recognition accounting policy for income from penalties, expenses and receivables related to re-invoiced costs.

Thus, the following corrections were made:

Category	Accounting policy applied until 2022	Accounting policy applied from 2022 onwards
Penalties	<p>The income is recognised using the cash method, only at the time of collection of the calculated penalties.</p> <p>The calculated penalty claim is not recognised.</p> <p>Provisioning/Expenses/Revenue on credit risk adjustments are not recognised.</p>	<p>The revenue is recognised using the accruals method at the time of their calculation irrespective of the time of their receipt.</p> <p>Claims are recognised at the time of the calculation of late payment penalties.</p> <p>Provisioning/Expenses/Income on credit risk adjustments are recognised in accordance with the requirements of IFRS 9 Financial Instruments.</p>
Recharges	<p>The receivable balance for re-invoiced costs is not recognised, only the VAT claim related to the re-invoiced cost is recognised.</p> <p>Provisioning/Expenditure/Revenue on credit risk adjustments is recognised only for VAT on the re-invoiced cost.</p>	<p>All the receivables relating to re-invoiced costs is recognised, including the related VAT.</p> <p>Provisioning/Expenses/Income on credit risk adjustments is recognised for all receivables under the Simplified Approach, IFRS 9 Financial Instruments.</p>

The corrections made to the accounting policy in 2022 were applied retrospectively, as a result of the Statement of Profit or Loss and other items of the overall result, the Financial Statement, the Statement of Changes in Equity and the Statement of Cash Flows for 2021 have been corrected.

The impact of corrections in accounting policies on the elements of financial statements is as follows:

Statement of profit or loss and other comprehensive income:

	31-Dec-21	Adjustments	31-Dec-21 restated
Interest revenue calculated using the effective interest method	46.580.215	1.788.498	48.368.713
Net interest income	46.580.215	1.788.498	48.368.713
Fee and commission income	290.505	(99.684)	190.821
Fee and commission expenses	(500.943)	(341.845)	(842.788)
Penalty income	289.663	(289.663)	-
Net fee and commission income	79.225	(731.192)	(651.967)
Expected credit losses	(8.594.608)	(1.817.546)	(10.412.154)
Other operational expenses	(11.117.259)	39.259	(11.077.999)
Profit / (loss) before tax	(19.711.867)	(1.778.287)	(21.490.153)
Total comprehensive income	26.947.573	(720.981)	26.226.593

- (a) Penalties calculated in the amount of 1.827.758 lei, and (39.256 lei) expenses which represent an EIR element reclassified from other operational expenses were recorded in interest revenue calculated using effective interest method.

- (b) Revenues in the net amount of 731.192 lei were reversed from net income/(expenses) from fees and commissions, of which 99.683 lei are income from recharges recognised on cash method, income from penalties – 289.663 lei recognised on cash method and expenses related to expenses and commissions in the amount of 341.845 lei, previously netted-off with cash income from recharges.
- (c) In Expected credit losses, expenses related to adjustments related to provisions for credit risk losses were recorded in the amount of 1.817.546 lei, of which 710.255 lei related to penalties and 1.107.291 lei related to receivables from re-invoiced costs.

Statement of Financial Position:

	31-Dec-21	Adjustments	31-Dec-21 restated
Receivables from sale in instalments contracts	35.615.279	341.283	35.956.562
Loans and advances granted to customers	82.226.780	132.348	82.359.128
Other current assets	1.220.685	243.607	1.464.292
TOTAL ASSETS	119.062.744	717.238	119.779.982
Legal Reserves	-	184.800	184.800
Retained Earnings	113.317	532.438	645.755
TOTAL EQUITY	113.317	717.238	830.555

- (a) Penalties in the net amount of 341.283 lei were recorded in receivables from sale in instalments contracts, out of which 1.538.644 lei are calculated penalties and 1.197.361 lei are provision on expected credit losses.
- (b) There were recorded in loans and advances granted to customers, penalties in the net amount of 132.348 lei, out of which 474.054 lei represent calculated penalties and 341.706 lei represent provision on the expected losses from the related credit risk.
- (c) There were registered in other assets receivables, receivables from re-invoicing in the net amount of 324.688 lei, out of which 1.516.526 lei represent recognized receivables and 1.191.838 lei represent provision on expected credit losses.
- (d) In the retained earnings, the amount of 717.238 lei was recorded, out of which – 720.978 lei is recorded in the profit before tax for 2021 and 1.438.218 lei in the retained earnings for previous years.
- (e) In Legal reserves was reclassified from retained earnings the amount of 184.000 lei, which represents the reserve for 20% from share capital.

	31-Dec-20	Adjustments	01-Jan-21 restated
Receivables from sale in instalments contracts	63.247.940	181.504	63.429.444
Other current assets	342.630	1.370.963	1.713.593
TOTAL ASSETS	63.590.570	1.552.468	65.143.038
Retained Earnings	-	161.427	161.427
	(4.089.383)	1.391.041	(2.698.342)
TOTAL EQUITY	(4.089.383)	1.552.468	(2.536.915)

- (a) Penalties in the net amount of 181.504 lei were recorded in receivables from sale in instalments contracts, out of which 771.305 lei are calculated penalties and 589.800 lei are provision on expected credit losses.
- (b) There were registered in other assets receivables, receivables from re-invoicing in the net amount of 1.370.963 lei, out of which 1.516.526 lei represent recognized receivables and 145.563 lei represent provision on expected credit losses.

- (c) In Legal reserves was reclassified from retained earnings the amount of 161.427 lei, which represents the reserve for 20% from share capital.

In the Statement of Changes in Equity, the amount of 1.552.468 lei was recorded as a result of the retreatments due to corrections in accounting policies

Statement of Changes in Equity:

In the Statement of Changes in Equity, the amount of 1.438.218 lei was recorded as a result of the retreatments due to corrections in accounting policies.

Cash Flow Statement:

In the Cash Flow Statement, the change in profit before tax was recorded in amount of 720.982 lei, a change in depreciation expenses for financial assets of 3.475.171 lei and a change in the change in assets and operating liabilities of – 1.498.835 lei and 2.754.189 lei. The other elements of the cash-flow statement were not affected by the changes in accounting policies.

3.3 Related parties

One entity is affiliated with another when one of them, by means of acts of ownership, contractual rights, family relations, has the possibility to control the other entity or to significantly influence it in making financial or operational decisions.

As defined in IAS 24 "Disclosure of Related Entities", the Company identified the following related entities both in the current and prior periods: Eleving group entities, members of the Board of Directors, management of the Company as well as close members of their families. The composition and transactions with related parties are set out in Note 25.

3.4 Conversion to foreign currency

Foreign currency transactions are converted into functional currency at exchange rates valid on the date of transactions. Gains and losses on exchange differences resulting from the conclusion of these transactions and the conversion of monetary assets and liabilities denominated in foreign currency using year-end exchange rates are shown in the profit and loss account.

The exchange rates for the most important currencies were:

	<u>31 December 2022</u>	<u>31 December 2021</u>
EUR	4.9474	4.9481
USD	4.6346	4.3707

3.5 Recognition of interest income and interest expense

Interest income and interest expense are recorded in the profit and loss account for all instruments measured at amortised cost using the effective interest method.

Interest income includes income from sale in instalments contracts as well as interest on loan agreements and is recognised in the profit or loss statement over the term of the contract, reflecting a periodic constant return on the remaining net investment from sale in instalments contracts and loan contracts, calculated using the effective interest rate method. Income from sale in instalments contracts and income from loans with pledge contracts include the amortisation of the issuance fee capitalised on the date of commencement of the sale in instalments contract and of loan contract, as well as the proceeds from handling fees.

Interest expense shown in the profit or loss statement relates to financial liabilities measured at amortised cost.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or expense over a relevant period of time. The effective interest rate is the exact rate that discounts the estimated future flows of cash payable or receivable over the life of the financial instrument, or, where appropriate, for a shorter period, to the net reported value of the financial asset or liability.

When determining the effective interest rate for financial instruments, the Company estimates future cash flows considering the contractual conditions of financial instruments. The calculation of the effective interest rate shall include transaction costs, commissions paid or received which form an integral part of the effective interest rate. Transaction costs include incremental costs that can be directly attributed to the acquisition or issuance of a financial asset or financial liability.

3.6 Income and expenses from fees and commissions

Fee and commission income includes net fee income related to early repayments, revenues received for re-invoiced services, penalties received.

Charges on charges and commissions mainly comprise the cost of re-invoiced services and other expenses related to lending activity.

3.7 Net trading income

Net trading income is represented by the net gain/(loss) from exchange differences resulting from the conversion of assets and liabilities into foreign currency, as well as the net gain/(loss) on exchange rate differences resulting from transactions.

3.8 Other operating income

The category "Other operating income" mainly includes income related to the depreciation of financial guarantees, income from compensation received from insurance companies for damage to guarantees (vehicles), as well as other types of income not specified in other categories.

3.9 Financial assets

a) Financial assets - initial recognition

Date of recognition

Loans and advances to clients as well as receivables from instalment sales contracts are recognised when funds are transferred to client accounts. Other assets are recognised on the date on which the Company enters into the contract generating the financial instruments.

Initial assessment

The classification of financial instruments at their initial recognition depends on the contractual terms and the business model for managing these instruments, as described in accounting policies. Financial instruments are initially measured at their fair value and, with the exception of financial assets and financial liabilities recorded at fair value through profit or loss (FVPL), transaction costs are added to or subtracted from that amount. Other receivables are valued at the transaction price.

b) Classification of financial assets

The company measures loans and advances to clients, receivables from instalment sales contracts, loans to related parties, cash equivalents and other loans and receivables at amortised cost only if both of the following conditions are met:

- it is held within the framework of a business model the objective of which is achieved by holding assets and collecting contractual cash flows, and
- its contractual conditions give rise, on specified dates, to cash flows representing exclusively payments of principal and interest ('SPPI').

Reclassification of financial assets

The company does not reclassify financial assets after initial recognition.

Financial liabilities are never reclassified, the Company has not reclassified any of its financial assets or liabilities in 2022 or 2021.

c) Derecognition of financial assets

The provisions on derecognition below apply to all financial assets measured at amortised cost.

Derecognition due to substantial changes in terms and conditions

The company derecognises the loan granted to a customer or a receivable from a sale in instalments contract, when the terms and conditions have been renegotiated to the extent that they become, substantially, a new loan or sale in instalments contract, the difference being recognised as a gain or loss from derecognition, unless an impairment loss has already been recorded. Newly recognised loans with pledge/receivables from sale in instalments contracts are classified in Stage 1 for the purposes of the ECL valuation, unless the new financial asset is deemed to be originated or impaired.

When valuing a financial asset in order for it to be derecognised or not, inter alia, the Company takes into account the following qualitative factors:

- Change of counterparty
- If the change is such that the instrument no longer meets the SPPI criterion
- If the legal obligations have been extinguished.

Moreover, in the case of loans and advances to customers and receivables from sale in instalments contracts, the Company specifically takes into account the purpose of the changes. It is assessed whether the change was introduced for commercial (business) reasons or for the purpose of credit restructuring. The management conducted an analysis of the changes made for business reasons and assessed that those changes resulted in substantial changes to the terms and conditions. This is in line with the objective of this change, which is to create a new asset with substantially different terms. If the number of DPD (past due days) of the contract immediately before the change is less than 5 and the characteristics of the financial asset are substantially changed, that modification is considered to be obtained for commercial reasons and has the consequence of derecognition of the original receivables from a sale in instalments contract/loan receivable.

Other changes to the terms of the agreement are treated as changes that do not lead to derecognition (see the section on Changes below).

Derecognition for reasons other than substantial changes

A receivable from loan with pledge contracts or receivable from a sale in instalments contracts is derecognised when the cash-flow rights relating to the financial asset have expired. The Company also derecognises the financial asset if the contractual rights have been transferred/assigned in order to receive cash flows from the financial asset.

d) Amendments

Sometimes, the Company intervenes rather with changes in the initial conditions regarding the loans/sale in instalments contracts, in response to the financial difficulties encountered by the borrower, does not repossess the collateral and does not require their collection. The Company considers a restructured from sale in instalments/loan agreement when these changes are provided as a result of the borrower's present or expected financial difficulties and the Company would not have agreed on them if the borrower's financial situation had been sound. Indicators of financial hardship include non-reimbursement or an increase in the number of days of delay before changes. Such changes may involve extending the payment modalities and agreeing on the new loan terms.

If the change does not result in substantially different cash flows, as shown above, the asset will not be derecognised. Based on changes in discounted cash flows to the initial effective interest rate (EIR). The company records a gain or loss in the interest/expense income calculated according to the effective interest method.

3.10. Financial liabilities

a) Initial recognition and measurement

Financial liabilities are classified, at the initial recognition stage, as financial liabilities at fair value through profit or loss, or liabilities at amortised cost, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans, loans and liabilities, less directly attributable transaction costs. An entity's financial liabilities include trade and other liabilities, bank and other borrowings.

b) Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

- Financial liabilities at fair value through profit or loss (FVTPL)

A financial liability is classified under FVTPL if it is held for trading, is a derivative or is designated as such at initial recognition. Net gains or losses, including any interest expense, on liabilities held at FVTPL are recognised in the statement of financial performance.

The company has not designated any financial liability measured at fair value through profit or loss.

- Financial liabilities at amortised cost (bank and other borrowings)

After initial recognition, interest-bearing borrowings are then measured at amortised cost using the effective interest method.

Gains and losses are recognised in the statement of comprehensive income when the liabilities are derecognised, as well as by the amortisation of effective interest.

The amortised cost shall be calculated by taking into account any discount or premium on purchase and commissions or costs which form an integral part of the effective interest. Amortisation of effective interest is included in financial costs in the statement of comprehensive income.

c) Modification of financial liabilities

In the case of financial liabilities, the Company considers a change as material based on qualitative factors and whether it results in a difference between the present value and the initial carrying amount of the financial liability equal to or greater than ten percent. If the change is significant, then at derecognition there is a gain or loss of derecognition. If the change does not generate substantially different cash flows, the change does not result in derecognition. Based on the change in cash flows discounted at the initial effective interest rate, the Company records a change in the form of a gain or loss.

d) Addressing insignificant changes

If the cash flow estimates for fixed-rate financial liabilities are revised, then changes to future contractual cash flows are updated at the original effective interest rate with an appropriate adjustment to the carrying amount. The difference from the previous carrying amount is recorded as a positive or negative adjustment to the carrying amount of the financial liability in the statement of financial position with a corresponding increase or decrease in interest income / expense calculated using the effective interest method.

e) Derecognition

A financial liability is derecognised when the obligation relating to the debt is paid, cancelled or expires. When an existing financial liability is replaced by another from the same creditor, in substantially different terms, or the conditions of an existing liability are significantly altered, such exchange or modification shall be treated as the derecognition of the original debt and the recognition of a new debt. The difference between those carrying amounts is recognised in the statement of comprehensive income.

3.11. Net-off of financial instruments

Financial assets and liabilities are netted-off and net result is presented in the financial statements when there is a legal right to set off and if there is an intention to settle them on a net basis or if it is intended to realise the asset and settle the liability simultaneously.

3.12. Impairment of financial assets

The company recognises adjustments for expected credit losses ("ECL") related to the following financial instruments that are not measured at FVTPL:

- Receivables from sale in instalments contracts;
- Loans and advances to customers;
- Commercial receivables;
- Financing commitments.

The basic assets of the Company - the receivables from sale in instalments contracts, respectively the loans and advances to clients are classified for the collective calculation of ECL according to the number of days of delay for each of them and the presence of the related collateral (for pledged products). For the purpose of determining impairment rates, receivables from sale in instalments contracts and secured loans are combined due to the similar nature of the products.

The company always monitors all assets subject to impairment (ECL). To determine whether an instrument or portfolio of instruments is subject to 12-month ECLs or for the lifetime of the financial instrument ("LTECL"), Company assesses whether there has been a significant increase in credit risk since the initial recognition.

Under this approach, the Company determines whether the financial asset is in one of the following three stages to determine both the amount of ECL and how interest income should be recognised.

Stage 1: When loans/ sale in instalments contracts are initially recognised, the Company recognises a 12-month ECL provision. The Company classifies current sale in instalments contracts and loan agreements and with up to 30 due days in Stage 1.

A healing period of 2 months applies before an exposure, previously classified in Stage 2, is transferred to Stage 1 and such exposure must meet the general DPD criteria mentioned above. The concept of the healing period does not apply to unsecured loans (i.e. those that present unavailable guarantees – lost or sold; "unsecured"). Exposures are no longer classified in Stage 1 if they no longer meet the above criteria.

Stage 2:

The company measures the ECL for a financial asset at an amount equal to the expected lifetime credit losses if the credit risk of that financial asset, has increased significantly from the time of initial recognition. If at the reporting date, the credit risk did not significant increased compared to the initial recognition, the Company measures the credit losses for a financial instrument, i.e. net investment in sale in instalments contracts /pledge loan at an amount equal to the expected credit losses over a period of 12 months from the reporting date. Accordingly, the Company should be able to measure and assess a significant increase in credit risk by comparing the default risk on the "date of initial recognition" with the risk of default on the "reporting date".

When a loan/ sale in instalments contract has shown a significant increase in credit risk since initial recognition, the Company records a provision over the entire contractual period of the instrument ("LTECL").

Stage 3:

At each reporting date, the Company assesses whether the financial assets recorded at amortised cost and are impaired. A financial asset is impaired when one or more events have occurred that have a negative impact on the estimated future cash flows of the financial asset.

Evidence that a financial asset is impaired shall include the following observable data:

- significant financial difficulty of the debtor;
- a breach of contract terms, such as an event of default or delay; all contracts with DPD greater than 60 days are classified as impaired;
- restructuring a contract by accepting by the Company some clauses that it would not have considered in other conditions;
- it becomes probable that the debtor will go bankrupt or other financial reorganization;
- the disappearance of an active market for that financial asset due to financial difficulties;
- the purchase or issue of a financial asset with a significant reduction reflecting credit losses incurred.

A sale in instalments/loan contract that has been renegotiated due to a deterioration in the debtor's condition is usually considered to be impaired, unless there is evidence that the risk of not collecting the contractual cash flows has been significantly reduced and that there are no other impairment indicators.

Presentation of adjustments for expected credit losses in the statement of financial position

Adjustments for ECL are presented in the statement of financial position as follows:

- for financial assets measured at amortised cost: as a deduction from the gross carrying amount of assets;
- for loan commitments, financial collateral arrangements and other receivables: generally as a provision.

3.13. Provisions for financial guarantees

Where a contract meets the definition of financial collateral arrangement, the Company, as an issuer, applies the specific accounting and valuation requirements set out in IFRS 9. These IFRS 9 measurement requirements are applied to all collateral arrangements, including collateral issued between entities under common control, as well as collateral issued by a subsidiary on behalf of a parent entity. If a unit of the parent company issues a guarantee on behalf of an entity under common control, a provision to that effect is recognised in the financial statements. If the transaction is conducted by the Company's shareholders in their capacity as owners, the Company treats such transactions as an increase in provisions for financial guarantees and an equally opposite decrease in equity (distribution). Distributions of equity for the purposes of financial guarantees are recognised in "Other reserves".

Financial guarantees are recognised initially at fair value. Subsequently, unless the financial collateral arrangement is initially designated as the fair value through total comprehensive income, the Company's liability under each collateral is measured at the higher of the initially recognised amount less the cumulative amortisation recognised in the statement of comprehensive income and the provisions for the expected credit loss determined in accordance with IFRS 9. Depreciation is recognised in the statement of comprehensive income on a straight-line basis over the term of the guarantee and is classified under the line "Other operating income".

Financial guarantees are derecognised if the terms of the guarantee are significantly changed. Changes to the guaranteed limit are treated as derecognition. In this case, the initial guarantee is derecognised, and a new guarantee is recognised at fair value. A change in fair value is recognised as a decrease or increase in provisions for financial guarantees and an equal-to-the-opposite decrease or increase in "Other reserves". Other reserves shall be transferred to gains on the extinguishment of bonds under the financial guarantee.

3.14. Intangible assets

Recognition and evaluation

Intangible assets are software and development costs that are recognised at cost less accumulated depreciation and impairment.

Depreciation

Intangible assets are depreciated linearly over the useful life of the asset. All intangible assets are classified in the following depreciation groups:

- Licenses – during the period of validity of the license;
- Software – 7 years;
- Other intangible assets – 5 years.

3.15. Property, plant and equipment

Recognition and evaluation

Buildings, office equipment and other equipment, as well as vehicles are measured at cost less the accumulated depreciation and impairment. Repair and maintenance expenses are recorded in the profit and loss account at the time they occurred. The cost of replacing the major parts or components of buildings and equipment is capitalized and the replaced part is scrapped.

Gains and losses on the sale of fixed assets is determined by reference to their book value at the time of sale and is recognised in profit and loss.

Depreciation

Land and fixed assets under construction are not subject to depreciation. Depreciation is calculated on a straight-line basis over the estimated useful lifetime of each item in the category of property, plant and equipment and is recognised in the statement of financial performance. Leased assets are depreciated for the shortest period between the lease term and the useful life of underlying asset.

Useful life period (years)

Computers	3
Furniture	5
Vehicles	7
Improvements to leased assets	over the lease period
Other equipment	2

3.16. Impairment of non-financial assets

Assets with an indefinite useful life are not depreciated and are reviewed annually for impairment losses. Assets that are subject to depreciation are revised to identify impairment losses whenever events or changes in circumstances indicate that the carrying amount can no longer be recovered. An impairment loss is recognised in the equivalent of the amount by which the carrying amount of an asset exceeds the recoverable amount.

The recoverable amount is the maximum between the fair value of the asset minus the costs of sale and the value of use. For the calculation of this loss, assets are grouped to the smallest level of detail for which independent cash flows (cash-generating units) can be identified. Non-financial assets, other than goodwill, that have recorded impairment are revised with a view to a possible reversal of impairment at the reporting date.

Impairment losses recognised in prior periods shall be assessed at each reporting date to observe whether there are indications that the loss has decreased or no longer exists. Impairment loss is reversed if there has been a change in the

estimates used to determine the recoverable amount. Impairment loss is only reversed to the extent that the carrying amount of the asset does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognised.

3.17. Assets available for sale

Long-term assets that are expected to be redeemed through sale rather than their continued use are classified as "available for sale" assets. These assets are those assets funded by loan agreements with sale in instalments by the Company which are recovered from customers in the event of termination of the agreements. These assets are recognised as company assets at the lowest of net carrying amount and fair value, less cost of resale.

3.18. Trade receivables and other receivables

Trade receivables and other receivables are measured at cost less impairment losses, determined in accordance with the same methodology of expected credit losses ("ECL") for loan agreements.

3.19. Leasing

At the beginning of a contract, the Company assesses whether a contract is or contains a lease. A contract is or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in return for consideration. To assess whether a contract transfers the right to control the use of an identified asset, the Company uses the definition of a lease in IFRS 16.

The company as lessor

A lease is classified as a finance lease when the terms and conditions of the lease include the substantially transfer of all risks and benefits of ownership to the lessee. Amounts owed by lessees under a finance lease are recognised as receivables.

The recognition of a lease is made on the date of its commencement. The commencement date is the date on which the lessee has the right to exercise his right to use the asset.

In the case of a finance lease, the gross investment is the sum of all minimum lease payments and any unsecured residual value. The difference between the gross investment in the lease and the net acquisition cost of the leased asset (the amount financed less taxes, advances and commissions fully received at the time of signing the contract) is recognised as unrealised lease income.

Financial lease income is allocated over accounting periods to reflect a consistent periodic return on the remaining net investment occasioned by the leases concluded.

The net investment in the finance lease falls within the scope of IFRS 9 for the purposes of impairment and derecognition; in this regard refer to the accounting policies 3.9 *Financial assets* and 3.12, *Impairment of financial assets*.

The company as lessee

The company recognises the right to use an asset and a lease liability at the commencement date of the lease agreement. The right to use the asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made on or before the commencement date, plus any initial direct costs incurred and an estimate of dismantling costs minus any improvements made to branches or office premises.

The right to use the asset is depreciated using the straight-line depreciation method from the commencement date to the end of the lease period. In addition, the right to use the asset is regularly reduced by impairment losses, if any, and adjusted for certain revaluations of the lease liability.

The lease liability is initially measured at the present value of lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be determined, with the Company's incremental borrowing interest rate. In general, the Company uses its incremental borrowing rate as its discount rate.

The company determines its incremental interest rate by analysing its loans from various external sources and makes certain adjustments to reflect the terms of the lease and the type of asset leased.

The lease payments included in the measurement of the lease liability comprise fixed payments.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change

in future lease payments resulting from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be due, if the Company changes its valuation to the effect that it will exercise a purchase option, extension or termination or where there is a substantive review of the lease payments.

When the lease liability is repaid in this way, an appropriate adjustment to the carrying amount of the right to use the asset is made or is recorded in the profit or loss account if the carrying amount of the right to use the asset has been reduced to zero.

The company presents the right to use the assets in "Property, plant and equipment" and "Liabilities regarding the right to use the assets" in the statement of financial position.

For the leasing contracts related to the branches and office spaces, the Company chose to separate the non-leasing components and to account for them in other operating expenses. The Company treated the VAT associated with the operating lease payments as a tax levied on the Company and collected by the lessor, acting as agent of the tax authority. Consequently, VAT is not a leasing payment, but a non-leasing component and is recorded by the Company as a debt to the State when the invoice containing the lease expense is received.

3.20. Cash and cash equivalents

Regarding the statement of cash flows, cash and cash equivalents include cash in bank accounts, highly liquid financial assets with an initial maturity of less than 3 months and loans and advances granted to banks for a period of less than 3 months. Company does not hold cash in the cashier.

3.21. Provisions

Provisions are recognised if, as a result of a past event, the Company has a legally present or constructive obligation that can reasonably be estimated, and it is probable that an outflow of economic benefits will be necessary to settle the obligation.

Where there are a certain number of similar obligations, the probability that an outflow of resources will be required for settlement is determined by taking into account the entire category of obligations.

Provisions shall be measured at the present value of the estimated expenses necessary to settle that obligation using a pre-tax rate that reflects current market valuations of the amount of money over time and the risks specific to the obligation.

3.22. Obligations relating to pensions and other post-retirement benefits

The company, in the normal course of its activity, makes payments to the pension fund of the Romanian states, health insurance and unemployment, for its employees in Romania. All employees of the Company are included in the state pension system. The Company does not maintain any other retirement plan and, therefore, has no other obligations regarding pensions. The company has no other obligation to provide other services to former or current employees.

3.23. Corporate income tax

(a) Current corporate income tax

The income tax for the year comprises the current tax and the deferred tax. Income tax is recognised in the profit and loss account, or in equity if the tax relates to capital items.

The current tax is the tax payable related to the taxable income realized in the current period, determined on the basis of the percentages applied at the balance sheet date and all the adjustments related to the previous periods. The company recognizes the taxable income on the basis of the statutory financial statements prepared in accordance with the Romanian accounting regulations and in accordance with the relevant legislation on corporate income tax. Corporate tax legislation is based on a tax year ending on December 31. At the time of registration of both the current income tax and the deferred tax for the year ended, the Company calculated the annual corporate income tax, based on the Romanian legislation on the corporate income tax in force (or substantially adopted) on the date of reporting.

(b) Deferred income tax

Deferred income tax is determined using the balance sheet method for those temporary differences that arise between the tax base for calculating the tax on assets and liabilities and the carrying amount determined for the purpose of financial reporting. Deferred income tax is determined using the tax rates (and legislation) in force or that have been substantially implemented

up to the reporting date and that are estimated to be applied when the deferred income tax asset to be recovered is redeemed or the deferred tax obligation is settled.

The deferred tax asset is reviewed at the end of each financial year and is reduced to the extent that the corresponding tax benefit is unlikely to be realized. The corporate tax rate used to calculate the current and deferred tax is 16% at December 31, 2022 (December 31, 2021: 16%),

The main temporary differences result from the difference in accounting and tax treatment related to the depreciation calculation, as well as from the difference in treatment specific to the provisions constituted for the depreciation of receivables and loan agreements.

The deferred tax asset item is recognised to the extent that it is probable that temporary differences can be deducted from future taxable income.

Deferred tax assets and liabilities are netted-off if certain criteria are met.

3.24. Borrowings

Borrowings are initially recognised at net fair value by transaction costs. The borrowings are subsequently recorded at amortised cost, any difference between the amount initially recorded and the repurchase value is recognised in the profit and loss account for the term of the borrowing agreement on the basis of the effective interest method.

3.25. Share capital and reserves

The share capital is equal to the nominal value of the shares, respectively to the amount of the contribution to the capital, the share premiums and reserves incorporated or other elements of operations that lead to its modification.

The subscribed and paid capital (registered capital) shall be recorded separately in the accounts on the basis of the company's act of incorporation and the confirmative documents relating to the paid capital.

Legal reserves are established in accordance with the legal requirements in force, by allocating a minimum of 5% of the Company's net profit, until the reserve fund reaches 20% of the entire subscribed and paid share capital. This reserve may not be distributed to shareholders. The allocation to the legal reserve is deductible when calculating the current corporate income tax, up to a maximum of 5% of the net profit adjusted for corporate income tax expenses.

In accordance with the fiscal legislation, when there is a change in the destination of the legal reserve or reserves representing tax incentives, the corporate income tax, interest and penalties will be calculated starting with the moment when the tax benefits were granted to the Company.

3.26. Commitments, contingent assets and liabilities

Off-balance-sheet transactions comprise given and received commitments representing rights and obligations the effects of which are conditional on the execution of future transactions, as well as of goods and transactions which cannot yet be recognised as assets or liabilities.

Off-balance-sheet transactions may comprise the following:

- Financing commitments;
- Spot exchange operations;
- Derivatives that are not yet maturing;
- Guarantees received from customers on loans granted,

Contingent assets

A contingent asset is a potential asset that arises from past events and the existence of which will be confirmed only by the occurrence or not of one or more uncertain future events that cannot be fully controlled by the Company.

Contingent assets are not recognised in the statement of financial position but are disclosed in the notes to the financial statements if it is probable that the future economic benefits will accrue to the Company.

If the realisation of an income is practically certain, the contingent asset is an asset and will be recognised in the balance sheet. Contingent assets shall be reviewed at each balance sheet date to determine whether there has been a change in the

circumstances that would require the recognition of an asset and the associated revenues. If the flow of economic benefits becomes certain, then the asset and the related income will be recognised in the financial statements during the period in which the change occurred.

Contingent liabilities

A contingent liability is:

- a possible obligation, arising from past events and the existence of which will be confirmed by future events which are not entirely under the control of the Company, or
- a present obligation arising from past events but is not recognised because:
 - it is not certain that resources incorporating economic benefits will be needed to settle the debt or,
 - the amount of the debt cannot be measured reliably enough.

Contingent liabilities are assessed continuously to determine whether an outflow of resources incorporating economic benefits becomes likely. If there is likely to be an outflow of resources incorporating economic benefits for a previously recognised contingent liability, a provision will be recognised in the financial statements of the period in which the change occurred, unless a reliable estimate cannot be made, in which case a contingent liability will be disclosed.

4. RISK MANAGEMENT

4.1. General description of the risk management framework

Within the Company, risk management is a systematic, continuous and rigorous process, which includes the processes of identification, analysis, planning, control and risk resolution, having as objective the carrying out of the business activity in conditions of efficiency and minimizing the possible negative effects that could affect the Company's activity.

The main risks associated with the Company's activity are of a financial and operational nature, resulting from the carrying out of financing activities in a microcredit system on the territory of Romania.

The significant risks monitored within the Company are: credit risk, liquidity risk, market risk and operational risk. Market risk includes currency risk and interest rate risk.

4.2. Credit risk

Credit risk is the risk that the Company will incur a financial loss if a client or partner in a transaction in financial instruments fails to fulfil its contractual obligations.

In accordance with the provisions of the internal lending regulations, the Company concludes loan agreements with individuals, so that the portfolio does not have significant exposures and is subject to collective analysis. For collective analysis, financial assets are grouped into groups (portfolios) that have similar characteristics of credit risk – the purpose of the pool is to meet the objective of recognising expected loss on lending over a lifetime when there are significant increases in credit risk.

For the purpose of assessing the expected loss, the Company groups the portfolios into risk classes (stage 1, stage 2, stage 3) – each class having a specific way of calculating the adjustment. For the purposes of the collective assessment of the impairment of credit exposures, are applied the principles for calculating the impairment adjustment as outlined in the specific internal regulations and measures the expected losses on the credit in relation to the distribution of credit exposures by stages.

4.2.1. Qualitative analysis of credit risk

Maximum exposure to credit risk

The table below shows the maximum exposure to the Credit Risk of the Company as at 31 December 2022 and 31 December 2021, without taking into account the guarantees held. For balance sheet assets, exposures are shown at net book value.

	31 December 2022	31 December 2021
Cash and cash equivalents	4.344.863	3.730.508
Receivables from sale in instalments contracts	18.246.756	35.956.562
Loans and advances granted to customers	125.551.450	82.359.128
Loans to related parties	20.552.685	26.279.224
Other assets (trade receivables)	2.683.491	1.422.480
Total	171.379.245	149.747.902

The table below shows the net exposure regarding the financial guarantees issued by the Company for the bonds issued by Eleving Group SA and the related provision at the situation of 31 December 2022 and 31 December 2021.

	<u>31 December 2022</u>	<u>31 December 2021</u>
Financial guarantees - net exposure	-	3.956.223
Provisions for financial guarantees	-	(2.707.833)

In 2022 the guaranty recognised regarding the bonds issued by Eleving group have been derecognised.

The following tables provide information on the quality of financial assets measured at amortised cost from a credit risk perspective. Unless otherwise specified, for all the financial asset positions mentioned, the exposures in the tables below are presented at net carrying amount.

The classification categories for credit risk analysis are as follows:

- Current – not due
- Overdue up to 30 days
- Overdue from 31 to 60 days
- Overdue over 60 days

The explanation of the terms "Stage 1", "Stage 2" and "Stage 3" is included in Note 3.12.

The company holds cash and cash equivalents as at 31 December 2022. The analysis of counterparties based on the rating of Fitch and Dun & Bradstreet is presented in the table below:

	<u>31 December 2022</u>	<u>31 December 2021</u>
BBB+ Fitch Rating	75	-
BB- Fitch Rating	2.397.710	611.739
5A1 D&B Rating	1.947.078	3.118.769
Total	4.344.863	3.730.508

The classification by stages of cash and cash equivalents and ECL at the reporting date is as follows:

	<u>31 December 2022</u>			
Cash and cash equivalents	Stage 1	Stage 2	Stage 3	TOTAL
Current accounts with banks and other financial institutions in foreign currency	1.946.370	-	-	1.946.370
Current accounts with banks and other financial institutions in RON	2.398.493	-	-	2.398.493
Expected credit losses	-	-	-	-
Net worth	4.344.863	-	-	4.344.863
	<u>31 December 2021</u>			
Cash and cash equivalents	Stage 1	Stage 2	Stage 3	TOTAL
Current accounts with banks and other financial institutions in foreign currency	3.113.009	-	-	3.113.009
Current accounts with banks in RON	617.499	-	-	617.499
Expected credit losses	-	-	-	-
Net worth	3.730.508	-	-	3.730.508

The following tables provide information on the situation of delays related to receivables from sale in instalments contracts at amortised cost allocated to the 3 stages:

Receivables from sale in instalments contracts	31 December 2022			
	Stage 1	Stage 2	Stage 3	TOTAL
Not due	11.229.396	517.704	13.804	11.760.904
Overdue 1-30 days	3.317.691	1.247.649	37.930	4.603.270
Overdue 31-60 days	1.968	1.175.562	83.316	1.260.845
Overdue >60 days	-	-	5.396.907	5.396.907
Expected credit losses	(162.561)	(544.612)	(4.067.998)	(4.775.170)
Net worth	14.386.494	2.396.303	1.463.959	18.246.756

Receivables from sale in instalments contracts	31 December 2021			
	Stage 1	Stage 2	Stage 3	TOTAL
Not due	21.588.393	1.999.935	-	23.588.329
Overdue 1-30 days	5.275.172	4.426.984	17.774	9.719.929
Overdue 31-60 days	-	-	1.995.791	1.995.791
Overdue >60 days	-	-	11.379.943	11.379.943
Expected credit losses	(798.845)	(1.030.470)	(8.898.115)	(10.727.430)
Net worth	26.064.720	5.396.449	4.495.393	35.956.562

Loans and advances receivables from customers	31 December 2022			
	Stage 1	Stage 2	Stage 3	TOTAL
Not due	102.891.501	2.082.596	149.382	105.123.480
Overdue 1-30 days	12.794.392	4.049.605	53.335	16.897.331
Overdue 31-60 days	4.314	7.585.604	181.614	7.771.532
Overdue >60 days	-	-	8.840.947	8.840.947
Expected credit losses	(3.277.657)	(4.172.327)	(5.631.856)	(13.081.840)
Net worth	112.412.550	9.545.478	3.593.422	125.551.450

Loans and advances receivables from customers	31 December 2021			
	Stage 1	Stage 2	Stage 3	TOTAL
Not due	68.744.408	2.235.469	-	70.979.877
Overdue 1-30 days	5.420.574	4.882.203	-	10.302.778
Overdue 31-60 days	-	-	1.961.070	1.961.070
Overdue >60 days	-	-	7.087.703	7.087.703
Expected credit losses	(1.699.462)	(1.139.288)	(5.133.550)	(7.972.300)
Net worth	72.465.520	5.978.384	3.915.224	82.359.128

4.2.2. Guarantees relating to receivables from sale in instalments contracts and loan receivables

The quality of receivables from sale in instalments contracts and loan receivables is determined by analysing the overall creditworthiness of the client and the assets financed, which are intrinsic collateral. The Company holds guarantees relating to financial assets at amortised cost in the form of the financed goods, which are objects of sale in instalments contracts, over

which the Company holds the ownership right until the end of the contract. For loans receivables, the Company holds guarantees in the form of a pledge without dispossession representing the financed assets.

The guarantees related to receivables from sale in instalments contracts and loan receivables as at 31 December 2022 are presented in the table below:

	Receivables from sale in instalments contracts	Loans receivables
Net exposure	18.246.756	125.551.450
Stage 1	14.169.048	112.068.774
Stage 2	2.959.466	13.497.164
Stage 3	715.881	3.935.403
Total guarantees	17.844.395	129.501.341

The guarantees related to receivables from sale in instalments contracts and loan receivables as at 31 December 2021 are presented in the table below:

	Receivables from sale in instalments contracts	Loans receivables
Net exposure	35.615.279	82.226.781
Stage 1	26.480.414	73.341.353
Stage 2	6.447.413	7.103.778
Stage 3	3.378.629	4.503.557
Total guarantees	36.306.457	84.948.688

Assets obtained by taking possession of the security

Details of the assets obtained by the Company by taking possession of guarantees relating to receivables from sale in instalments contracts and held at the end of the year are set out in Note 19.

The company's policy is to look for solutions to effectively sell the repossessed goods in a timely manner. The company does not use the repossessed assets for its own operations.

4.2.3. Amounts resulting from expected credit losses

The company presents below the assumptions and techniques used to estimate impairment.

Significant increase in credit risk

When determining whether the default risk of a financial instrument has increased significantly since initial recognition, the Company considers the information reasonable and justifiable, which is relevant and available without undue cost or effort. This includes quantitative and qualitative information and analysis, based on the historical experience of the Company and on the evaluation of credit risk experts using a prospective manner of analysing the information available.

The company considers that a financial instrument presents a significant increase in credit risk when the following criteria are met:

- the financial asset has payment delays of 31-60 days;
- the financial asset has undergone restructuring and is in the healing period, where previously has been classified in stage 3.

An exposure that is classified in Stage 2 due to the significant increase in credit risk is reclassified to Stage 1 when it no longer meets any of the Criteria relevant for Stage 2. In the case of restructured exposures, they are classified in stage 2, and can migrate to stage 1, after they no longer meet any of the relevant criteria for stage 2 for 2 months.

Incorporating future macroeconomic information (forward-looking elements)

The company includes forward-looking information both in the credit risk assessment of an instrument that has increased significantly since initial recognition and in the measurement of the ECL.

The economic scenarios used on 31 December 2022 included the next key indicators for the years 2022 to 2023. The figures below show the result of combining macroeconomic scenarios (basic and pessimistic) into a single expected value.

	Indicator	2022	2023	
The	Unemployment rate	5.4%	5.4%	economic scenarios used
	Inflation rate	19.5%	14.8%	
	GDP index	4.6%	2.9%	

on 31 December 2021 included the following key indicators for the years 2021 to 2022:

Indicator	2021	2022
Unemployment rate	5.1%	4.6%
Inflation rate	7.8%	6.3%
GDP index	5.3%	4.9%

Before January 2020, the *Hierarchical Bayes* model was applied, but given the unprecedented impact of Covid-19 on the world economy and the uncertainties created in all markets, the approach has been modified in a linear relationship between changes in entry variables and PD changes, so that the model applied from January 2020 onwards uses expected changes in the macroeconomic indicators from year to year and implies the same change, or Similar to step 1 PD. All input variables are weighted according to their significance at the default rates of the Company's clients and are added together so as to obtain the outcome of the baseline scenario.

The weights allocated to each macroeconomic variable in the construction of the baseline scenario, for 2022 and each relevant forecast year, are as follows:

Indicator	2021	2022
Unemployment rate	47.5%	47.5%
Inflation rate	47.5%	47.5%
GDP index	5%	5%

The weights allocated to each macroeconomic variable in the construction of the baseline scenario, for 2021 and each relevant forecast year, are as follows:

Indicator	2020	2021
Unemployment rate	60%	47.5%
Inflation rate	10%	47.5%
GDP index	30%	5%

ECL measurement

The main relevant parameters for the measurement of ECL are the following:

- probability of default (PD);
- loss in case of default (LGD); and
- exposure in case of default (EAD)

The ECL for Stage 1 exposures shall be calculated by multiplying the 12-month PD by the LGD and EAD. The lifetime ECL is calculated by multiplying the PD over the lifetime of the loan/ sale in instalments agreement with LGD and EAD.

Probability of default (PD)

PD – probability of default is an estimate of the probability of default within the 12-month or lifetime period (the time horizon depends on the type ECL – 12mECL or LTECL). The default distribution vector (DDV) is the estimation of time to default, ensures the distribution of PD over a period of 12 months or over the lifetime.

The default probability is an estimate of the possibility of default in a certain period of time, defined as 61 DPD.

To estimate PD, the Company uses the Markov chain methodology, which involves a statistical analysis of historical transitions between delinquent receivables to estimate the likelihood that the loan/sale in instalments contract receivable will eventually end up in default.

The company uses a continuous transitional period of 12 months (or less if the actual lifetime of the product is shorter or if representative historical data are available for a shorter period) and the lifetime estimate has been defined as the "n" of the 12-month matrix power (it does not depend on the estimated service life, for example, if the service life is 36 months, then n = 3).

Exposures are grouped into groups according to (DPD) the days due on loans/ sale in instalments agreements.

The company uses the transition period of 6 months (continuous horizon) and the lifetime estimation is defined as the power of the "n" of the 6-month matrix. The calculations are applied at the level of portfolios (i.e. the sale in instalments agreement

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portfolio and the loan portfolio).

Model of forward-looking macroeconomic indicators for the assessment of portfolio depreciation

In accordance with IFRS 9, the Company assesses the forward-looking information and incorporates it in its impairment model. Changes in the ECL model are calculated in view of expected future changes in macroeconomic factors (macro model). Prior to January 2020, the Company used the Hierarchical Bayes model, but given the unprecedented impact of the Covid-19 pandemic on the economy around the world and uncertainty in all markets, the approach has been changed in the linear relationship between changes in input variables and PD changes.

The macro model uses the expected changes in macroeconomic indicators from year to year and assumes the same or similar change for Stage 1.

The following variables are used:

1. GDP (GDP) growth;
2. Change in the unemployment rate (UR);
3. Change in the inflation rate (IR).

These variables were found to have a significant correlation with the probability of default.

In order to incorporate possible economic fluctuations and uncertainty into the macro model used by the Company, two scenarios are considered that are used for the final calculation of the weighted average probability:

- the baseline scenario is calculated as the weighted average of all the initial variables. The weights of the initial variables are changed depending on the impact they have on the probability of default. For the baseline scenario, the initial variables have the weights: UR = 60%, GDP = 30%, IR = 10%.
- The pessimistic scenario is calculated by proportionally improving/worsening the variables in the baseline scenario.

Each scenario also has a specific probability of achievement, which is configurable to take into account potential differences in the macroeconomic outlook. The pessimistic scenario is modelled assuming a 15% deterioration from the underlying scenario data. For example, if for the baseline scenario UR it is 6.5%, then for the pessimistic scenario, it would be 7.48% (6.5%*115%). The coefficients for adjusting the variables in the pessimistic scenario were selected on the basis of indicators from external sources, e.g. ECB, IMF.

Usually, these indicators for a pessimistic scenario imply a worsening of ~10% compared to the baseline scenario, the Company chose to apply a weighting of 15%. Therefore, the Company has incorporated more cautious assumptions for the pessimistic scenario. The weighted average scenario is obtained by weighting the two scenarios above (75% baseline scenario, 25% pessimistic scenario).

The result of the weighted average scenario is multiplied by the correlation coefficient, which was determined as equal to 0.5.

The result of the macro model is then applied to the PD parameters for each monthly closing starting December 2021. The macro perspective is updated consistently once a quarter; thus, the macro model is expected to be updated once a quarter in 2023.

The table below shows the ECL for receivables from sale in instalments contracts/loans and advances to clients assuming that the pessimistic scenario is weighted by 100% instead of applying separate probability weights for each scenario.

	31 December 2022		31 December 2021	
	Pessimistic scenario	Weighted average scenario	Pessimistic scenario	Weighted average scenario
Gross exposure	130.232.981	130.232.981	101.026.347	101.026.347
ECL	3.429.815	3.434.627	2.639.994	2.498.047
Net exposure	126.803.166	126.798.354	98.386.353	98.528.301

Loss in the event of default

LGD is the likely loss in the event of default. The company estimates LGD parameters based on the history of debt collection rates against the counterparties involved. LGD models take into account the structure, guarantees and recovery costs of any collateral that are an integral part of the financial asset. They are calculated on the basis of cash flows using the effective interest rate as a discount factor.

The company closely tracks recoveries from receivables from sale in instalments contracts and unpaid loans and revises LGD rates each month for portfolios based on actual recoveries received.

The sample used to calculate LGD consists of all receivables from sale in instalments contracts and loan receivables that were in historical default. If the termination of the contract happens before the state of non-payment is reached, then the loan is considered unpaid (unpaid in advance) and is included in the LGD sample. Subsequent recoveries on such receivables from sale in instalments contracts/loans are monitored on a monthly basis. They are followed by recoveries from the regular collection process, car sales, assignments and the court process.

The restructured sale in instalments contract/loan (restored payment capacity after termination) also affects the LGD rate, by incorporating the cash recovered after the renewal of the agreement and comparing it with the exposure to default of the subsequent renewed agreements, involving the healing rate. The healing rate from renewals shall be calculated over a period of four years.

The LGD rate described above is used for all groups in the portfolio except for the unsecured portfolio. For the unsecured portfolio, LGD is estimated using the triangular recovery matrix. The recovery received shall be updated at an effective interest rate based on the number of months between the date on which the account acquires unsecured status and the date on which the recovery was received. Given that most car sales take place before receiving unsecured status, LGD for the unsecured portfolio is significantly higher than for other portfolio groups.

Exposure at Default (EAD)

EAD is the expected exposure in case of default. In the Company's proceedings, the EAD derives from the counterparty's current exposure and the potential changes in this exposure allowed under the contract and arising from impairment. The EAD of a financial asset is the gross carrying amount at the time of default.

Exposure to default is modelled by adjusting the unpaid balance of receivables from sale in instalments contracts and receivables on loans and advances to clients at the reporting date with expected future repayments over the next 12 months. At 31 December 2022 and 3 December 2021 it is only applied to Stage 1 exposures. This is done on the basis of the contractual repayment schedules, adjusted for the observed prepayment rate. Historical prepayment models are considered to be a reliable estimate for future prepayment activity.

Receivables from sale in instalments contracts and loans with modified terms

The contractual terms of a sale in instalments contract/loan agreement may be changed for a number of reasons, including changing market conditions, customer retention and other factors unrelated to a current or potential deterioration in the customer's creditworthiness.

Sometimes, the Company intervenes rather with changes in the initial conditions regarding the loans/sale in instalments contract, in response to the financial difficulties encountered by the borrower but does not take possession of and does not require the collection of the guarantees. The Company considers a restructured sale in instalments/loan agreement when these changes are provided as a result of the borrower's present or expected financial difficulties and the Company would not have agreed on them if the borrower's financial situation had been sound. Indicators of financial hardship include default or DPDs before changes. Such changes may involve extending the payment modalities and agreeing on the new loan terms.

If the change does not result in substantially different cash flows, as described above, the change does not result in derecognition. Based on the change in discounted cash flows to the initial effective interest rate (EIR), the Company records a gain or loss in the interest income/expenses calculated by the effective interest method to the extent that an impairment loss has not already been recorded.

The table below shows the balance of receivables from sale in instalments contracts and loan receivables for which the contractual terms have been changed:

	31 December 2022	31 December 2021
Receivables from sale in instalments contracts and loan agreements with modified terms	10.879.340	13.778.988
Expected credit losses	(1.789.460)	(2,780,731)
Net balance of receivables	9.089.880	10.998.257

4.3. Market risk

The company exposes itself to market risks, which represent the risk that the fair value or future cash inflows of a financial instrument will fluctuate as a result of changes in market prices. Market risks result from open interest rate and exchange rate positions, all of which are exposed to general and specific market movements and changes in the level of volatility in market rates or prices, such as interest rates, credit spread and exchange rates.

Interest rate risk

The sensitivity of assets, obligations and off-balance sheet elements to the change of interest – analysis of the change of interest rates

Interest rate risk regarding cash flows is the risk at which the future cash flows of a financial instrument will fluctuate due to changes in the market interest rate. Fair value interest rate risk is the risk at which the value of a financial instrument will fluctuate due to changes in the market interest rate.

The Company's exposure to the risk of changes in market interest rates is mainly related to long-term obligations with variable interest rates. Loans are attracted to fund sale in instalments/loan contracts. In general, the Company grants and receives loans at a fixed interest rate, which allows minimizing interest rate risk. Due to this, the Company's position on interest rate risk is equal to the liquidity position presented in Note 4.4.

The sensitivity of net interest income to possible changes in interest rates applied at the end of the reporting period, while all other variables remain constant is shown in the table below:

	31 December 2022	31 December 2021
Increase interest rates by 5%	3.124.030	2.418.436
Decrease interest rates by 5%	-3.124.030	-2.418.436

Currency risk

The company is subject to the risk of the effects of exchange rate fluctuations on its financial position and cash flows. The company manages the currency risk by continuously analyzing the financing needs and avoiding over-conversion transactions. The tables below show the Company's exposure to exchange rate risk as at December 31, 2022 and December 31, 2021. The tables include the Assets and Liabilities of the Company at net carrying amounts, classified by currency.

As of 31 December 2022

<u>Active</u>	RON	EUR	TOTAL
Cash	2.398.493	1.946.370	4.344.863
Trade receivables and other claims	924.417	1.759.074	2.683.491
Loans to related parties	-	20.552.685	20.552.685
Receivables from sale in instalments contracts	18.246.756	-	18.246.756
Loans and advances granted to customers	125.551.450	-	125.551.450
Total assets	147.121.116	24.258.129	171.379.245
	RON	EUR	TOTAL
Liabilities			
Borrowings	-	159.552.360	159.552.360
Liabilities relating to the right to use assets	2.488	1.470.299	1.472.787
Other liabilities	3.543.280	645.737	4.189.017
Total liabilities	3.545.768	161.668.396	165.214.164
Net balance sheet position	143.575.348	(137.410.267)	6.165.081

As of 31 December 2021

<u>Active</u>	RON	EUR	TOTAL
Cash	617.499	3.113.009	3.730.508
Trade receivables and other claims	1.009.460	413.020	1.422.480
Loans to related parties	-	26.279.224	26.279.224
Receivables from sale in instalments contracts	35.956.562	-	35.956.562
Loans and advances granted to customers	82.359.128	-	82.359.128
Total assets	119.942.649	29.805.253	149.747.902
Liabilities			
Borrowings	-	116.715.008	116.715.008
Liabilities relating to the right to use assets	-	1.698.367	1.698.367
Other liabilities	2.893.856	934.051	3.827.907
Total liabilities	2.893.856	119.347.426	122.241.282
Net balance sheet position	117.048.793	(89.542.173)	27.506.620

The sensitivity of profit or loss to possible changes in exchange rates applied at the end of the reporting period in relation to the functional currency, provided that all other variables remain constant is shown in the table below:

	31 December 2022	31 December 2021
EUR exchange rate increase of 5%	(6.870.513)	(4.477.109)
EUR exchange rate decrease of 5%	6.870.513	4.477.109

4.4. Liquidity risk

Liquidity risk is associated either with an entity's difficulty in raising the funds necessary to meet its obligations or with the impossibility of the same entity to quickly sell a financial asset at a value close to its fair value.

Tracking and ensuring liquidity is one of the important concerns of the Company's management. The analysis of liquidity indicators is carried out on a monthly basis by ensuring optimal cash flow planning, taking into account the outstanding debts.

The table below shows the cash flows payable and receivable by the Company for its financial liabilities and assets, classified by the minimum between the remaining contractual maturities at the reporting date and the expected payment date.

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	Contractual cash flows					Total
	Book value	not due	up to 1 year	1-5 years	more than 5 years	
at 31 December 2022						
Active						
Cash and cash equivalents	4.344.863	4.344.863	-	-	-	4.344.863
Receivables from sale in instalments contracts	18.246.756	-	13.698.952	13.372.346	-	27.071.298
Loans and advances to customers	125.551.450	-	83.403.033	187.137.420	-	270.540.453
Loans to related parties	20.552.685	-	2.898.981	28.381.485	-	31.280.466
Trade receivables (other assets)	2.683.491	-	2.683.491	-	-	2.683.491
Total assets	171.379.245	4.344.863	102.684.457	228.891.251	-	335.920.571
Liabilities						
Borrowings	159.552.360	-	35.104.898	184.095.481	19.801.460	239.001.839
Liabilities relating to the right to use assets	1.472.787	-	619.104	948.336	-	1.567.440
Other liabilities	4.189.016	-	4.189.011	-	-	4.189.011
Total liabilities	165.214.163	-	39.913.013	185.043.817	19.801.460	244.758.290
Net liquidity	6.165.082	4.344.863	62.771.444	43.847.434	(19.801.460)	91.162.281
at 31 December 2021						
Active						
Cash and cash equivalents	3.730.508	3.730.508	-	-	-	3.730.508
Receivables from sale in instalments contracts	35.615.279	-	27.606.464	33.219.222	-	60.825.686
Loans and advances to customers	82.226.781	-	48.660.176	134.969.655	-	183.629.831
Loans to related parties	26.279.224	-	3.234.206	39.733.922	-	42.968.128
Trade receivables (other assets)	1.178.873	-	1.422.480	-	-	1,422.480
Total assets	149.030.665	3.730.508	80.923.326	207.922.799	-	292.576.633
Liabilities						
Borrowings	116.715.007	-	22.412.693	45.923.005	56.666.052	125.001.750
Liabilities relating to the right to use assets	1.698.368	-	621.178	1,257.226	-	1,878.404
Provisions for financial guarantees	2,707.833	-	-	-	-	-
Other liabilities	3,827.909	-	3,827.909	-	-	3,827.909
Total liabilities	124.949.117	-	26,861.780	47,180,231	56,666,052	130,708,063
Net liquidity	24,081,548	3,730,508	54,061,546	160,742,568	(56,666,052)	161,868,570

4.5. Fair values of financial assets and liabilities

Fair value is the price that would have been received to sell an asset or paid to transfer a liability in a regular transaction between participants at the measurement date. The determination of fair value is based on the presumption that the transaction to sell the asset or the transfer of the liability takes place either:

- on the principal market for the asset or liability, or
- in the absence of a main market, in the market most advantageous to the asset or liability.

The table below briefly shows the carrying amounts and fair values of those financial assets and liabilities that have not been presented at fair value in the Company's financial statements.

Active	Book value		Fair value		Fair value hierarchy
	31 December 2022	31 December 2021	31 December 2022	31 December 2021	
Cash and cash equivalents	4.344.863	3.730.508	4.344.863	3.730.508	2
Receivables from sale in instalments contracts	18.246.756	35.615.279	27.412.312	46.502.041	3
Loans and advances granted to customers	125.551.450	82.226.781	159.449.336	127.657.014	3
Loans to related parties	20.552.685	26.279.224	19.749.356	25.079.838	3
Other assets (trade receivables)	2.683.491	1.178.873	2.683.491	1.422.480	3
Total assets at fair value	171.379.245	149.030.665	213.639.358	204.391.882	
Liabilities					
Borrowings	159.552.360	116.715.007	159.552.360	116.715.006	3
Liabilities relating to the right to use assets	1.472.787	1.698.368	1.472.788	1.698.369	3
Other liabilities	4.189.016	-	4.189.011	3.827.909	3
Total liabilities at fair value	165.214.163	118.413.375	165.214.159	122.241.284	

All assets and liabilities, for which fair value is measured or presented in the financial statements, are categorised in the fair values hierarchy, as described as such, on the basis of the lowest level of value, which is material for measuring the overall fair value:

Level 1 - Unadjusted quoted market prices in active markets for identical assets or liabilities,

Level 2 - Valuation techniques for which the lowest level can be observed directly or indirectly, which is significant for measuring fair value,

Level 3 - Valuation techniques for the lowest entry that is significant for measuring fair value is unnoticeable.

The company classified financial assets such as cash and cash equivalents on level 2 of the fair value hierarchy.

Instruments in Level 3 include receivables from sale in instalments contracts, Credit Receivables and Advances to Customers, Long-Term and Current Loans, Trade Liabilities, Trade Receivables.

(a) Receivables from sale in instalments contracts and loans and advances to customers

Receivables from sale in instalments contracts as well as loans to customers are presented as net amounts of expected credit losses. Their estimated fair value is the present value of future cash flows estimated to be received from active contracts. The expected cash flows are discounted using differentiated interest rates according to the type of product.

(b) Borrowings, liabilities relating to the right to use the assets

The company approximated the fair value of these interest-bearing items as equal to their carrying amount at the reporting date.

4.6. Fiscal Risk

The Romanian tax legislation provides for detailed and complex rules that have undergone various changes in recent years. The interpretation of the text and practical procedures for implementing the tax legislation could vary and there is a risk that certain transactions, for example, may be interpreted differently by the tax authorities compared to the treatment of the Company. The Company's management considers that the tax liabilities included in these financial statements are correct.

The Romanian government has a number of agencies that are authorized to carry out audits of companies operating in Romania. These audits are similar in nature to tax audits carried out by tax authorities in many other countries and can be extended, not only to tax matters, but also to other legal and regulatory issues that the applicable agency may be interested in. It is possible that the Company will continue to be subject to regular controls because new laws and regulations are issued. The Company's management considers that the Company will not be affected by significant losses in the event of a tax audit. However, the impact of the different interpretations by the tax authorities cannot be accurately estimated.

4.7. Operational risks

Operational risk refers to the risk of recording losses or non-realization of estimated profits, which can be determined by internal factors (inadequate conduct of internal activities, unprepared staff, inadequate systems, etc.), or by external factors (economic conditions, changes in the banking environment, technological advances, etc.). Operational risk could come from sources such as the following:

- Use of information systems;
- Implementation of processes and procedures;
- Adequacy of human resources;
- Information security incidents;
- Fraud incidents;
- Outsourcing of services;
- Aspects of lack of compliance.

Operational risk management involves the following:

- Implementation of processes and procedures that take into account the business model;
- The processes are appropriate to the volume of activity;
- Processes are documented through procedures, and these include predetermined limits of competence;
- The activities are supported by a team of employees with relevant skills and experience;
- The IT systems used are adequate and controls are in place to ensure the traceability of the information processed and the quality of the data.

4.8. Capital management

The National Bank of Romania ("NBR") regulates and monitors the capital requirements of the Company.

In order to implement the current capital requirements, the NBR asks the Company to maintain a certain share of the total risk-bearing assets related to the total capital (a share called aggregated exposure), this weight being of maximum 1500%. The company complies with the capital requirements imposed by the NBR both on December 31, 2022 and December 31, 2021.

5. IMPORTANT ACCOUNTING ESTIMATES AND JUDGEMENTS USED IN THE APPLICATION OF ACCOUNTING POLICIES

The company applies certain estimates and adopts certain assumptions that affect the amounts at which assets and liabilities are incurred in the following financial year. Estimates and judgements are evaluated on an ongoing basis and are based on previous experience and other factors, including expectations of future events that are considered reasonable under the given conditions. In addition to previous experience, the Company has also taken into account the effects of current financial industry conditions and forward-looking information, including macroeconomic factors, in assessing these estimates and judgments.

Expected impairment losses on net investment in sale in instalments contracts and loans and advances to clients

The company applies the principles for calculating the impairment adjustment defined in the internal methodology and measures the expected losses related to the loan according to the distribution of credit exposures by Stages.

The methodology and assumptions used to estimate expected credit losses are regularly reviewed to reduce gaps between

estimates and actual values, including to assess the effects of uncertainties in local financial markets regarding the valuation of assets and the operating economic environment of borrowers.

In accordance with the requirements of IFRS 9 *Financial Instruments*, impairment of assets is classified into 3 stages:

- If the credit risk has not increased significantly, the impairment is equal to the expected loss resulting from possible default events over the next 12 months (stage 1);
- If the risk has increased significantly compared to the moment of origin, the depreciation is equal to the expected loss of the credit risk for the entire duration of the loan (lifetime) and the loan is classified as being in stage 2;
- If it is in default or impaired for other reasons, the impairment is equal to the expected loss of credit risk for the entire duration of the loan (lifetime), and the loan is considered stage 3.

In order to determine the impairments for credit risk, the Company's Management considers the incorporation of macroeconomic parameters, exercises its professional judgment and uses estimates and presumptions – see note 4 *Risk management*, 4.2.3, *Amounts resulting from expected credit losses*.

Financial guarantees

Determination of fair value and initial recognition

The company chose to determine the fair value of the guarantee using the measurement of the expected loss approach. The fair value of the guarantee is calculated as a product between the default exposure (EAD), the probability of default (PD) and the loss on default (LGD), the EAD is determined on the basis of the contractual amount guaranteed in the guarantee agreement and taking into account the company's proportional share of the estimated guaranteed amount taking into account the total assets of the guarantors (the Company and other subsidiaries of Eleving Group S.A.) at the end of the reporting period included in the respective guaranty contract.

The guarantee is issued to ensure the issuance of bonds of the related party of the Company – Eleving Group S.A. The company would incur losses if Eleving Group S.A., does not fulfil its obligations to the bondholders. Consequently, the PD of Eleving Group S.A. is determined on the basis of the Eleving Group S.A. credit rating, determined by the rating agency Fitch Ratings and the historical statistical data of the default values averages for the companies with the respective credit rating.

Determination of the expected credit loss for the subsequent valuation

For the purpose of estimating fair value, the Company uses the latest credit rating of Eleving Group S.A., as determined by fitch rating agency Ratings. Since initial recognition, the Company has assessed that the parent company's credit risk has not increased and therefore the collateral liability is considered as a Stage 1 exposure.

6. NET INTEREST INCOME

	2022	2021
<i>Interest income and similar income</i>		
Interest income from sale in instalments contracts	14.136.019	23.732.041
Interest income on loans and advances to customers	44.537.583	21.405.999
Interest income on loans granted to related parties	3.806.995	3.230.673
	62.480.597	48.368.713
<i>Interest expense and similar charges</i>		
Interest expense on borrowings from unrelated parties	7.428.757	6.351.270
Interest expense related to the leasing liabilities	59.528	54.987
Interest expense on the subordinated borrowings from related parties	8.714.930	5.394.961
	16.203.215	11.801.218
Net interest income	46.277.382	36.567.495

7. NET FEE AND COMMISSIONS INCOME

	2022	2021
Fee income for early repayment	234.073	176.987
Revenue related to re-invoiced services	-	13.833
Expenses related to re-invoiced services	(518.508)	(842.787)
Net fee and commissions income	(284.435)	(651.967)

8. INCOME/(LOSSES) FROM THE DERECOGNITION OF FINANCIAL ASSETS

During 2022 and 2021, the Company assigned financial assets valued at amortised cost and recorded the following financial result:

	2022	2021
Carrying amount of the assigned assets	(6.578.338)	(1.587.139)
Income from the assignment of financial assets	7.382.725	2.075.161
Total	804.387	488.022

Assets that had a high degree of credit risk and that were in stage 3 at the time of the sale were assigned.

9. OTHER OPERATING INCOME

	2022	2021
Income related to the depreciation of the financial guarantee	547.628	1.233.273
Other revenue	28.693	49.505
Other operating income	576.321	1.282.778

In 2022 the Company derecognised the financial guarantee recognized in previous years; the result was recorded in the retained earnings.

10. EXPECTED CREDIT LOSSES

	2022	2021
Net impairment expense of the investment sale in instalments contracts	1.075.066	(2.392.377)
Net impairment expense on loans and advances to customers	(14.449.185)	(7.262.199)
Net impairment expense for other receivable	545.714	84.548
Written-off receivables	(85.172)	(842.126)
Total expected credit losses	(12.913.578)	(10.412.154)

11. PERSONNEL EXPENSES

	2022	2021
Allowances and salaries	(7.380.530)	(5.923.486)
Expenditure related to social contributions	(248.304)	(170.945)
	(7.628.834)	(6.094.431)

12. OTHER OPERATING EXPENSES

	2022	2021
Penalties paid	(61.696)	(120.192)
Management Fee	(7.568.673)	(5.763.747)
Expenses relating to the provision for untaken leaves	28.481	(47.459)
Recruitment and other personnel expenses	(86.952)	(86.680)
Postal expenses, rentals, utilities	(326.866)	(337.929)
Depreciation expenses	(783.562)	(623.569)
Communications and internet expenses	(325.827)	(294.347)
Expenses for maintenance of IT equipment, server hosting	(239.346)	(160.279)
Expenses related to car registration/deregistration	(225.828)	(378.068)
Non-deductible value added tax	(879.719)	(809.046)
Travel expenses	(60.641)	(8.615)
Expenses related to professional services	(1.031.783)	(792.385)
Expenses related to insurance cases	-	(12.802)
Insurance costs and vignettes	(3.728)	(7.167)
Advertising expenses	(562.107)	(423.558)
Distribution expenses	(90.394)	(85.277)
Other expenses	(1.046.308)	(1.126.879)
Other operating expenses	(13.264.949)	(11.077.998)

13. NET TRADING EXPENSES

	2022	2021
Net gain or loss on the remeasurement of monetary assets and liabilities	(90.075)	(1.129.076)
Net result from foreign currency transactions	166.188	(73.475)
Currency losses	76.113	(1.202.551)

14. CORPORATE INCOME TAX

	2022	2021
Current income tax expense	(3.933.409)	(2.338.657)
Deferred tax expense	231.306	(268.904)
Total income tax expense	(3.702.103)	(2.607.561)

A reconciliation between the actual corporate tax expense and the theoretical tax rate is shown below:

Gain/(loss) before tax	13.642.404	8.899.193
Theoretical profit tax calculated at the rate of 16% (2021: 16%)	2.182.785	1.423.871
Permanent differences	1.519.318	1.220.424
Permanent differences adjustments to the previous year	-	(36.734)
Income tax expense for the year	3.702.103	2.607.561

The differences between the regulations issued by the Ministry of Public Finance of Romania and the accounting regulations applied when drawing up these financial statements give rise to temporary differences between the book value of certain assets and liabilities and the fiscal value.

The current tax is calculated by applying a rate of 16% (2021: 16%). Deferred income tax is calculated on temporary differences by the balance sheet method, using a rate of 16% (2021: 16%). The deferred income tax statement is set out in Note 22.

15. CASH AND CASH EQUIVALENTS

Reconciliation of cash and cash equivalents with the statement of financial position:

	2021	2020
Current accounts with banks and other financial institutions in foreign currency	2.398.493	617.499
Current accounts with banks and other financial institutions in RON	1.946.370	3.113.009
Total cash and cash equivalents	4.344.863	3.730.508
Cash and cash equivalents in statement of cash flows	4.344.863	3.730.508

The current accounts are at the free disposal of the Company and are not encumbered.

16. RECEIVABLES FROM SALE IN INSTALMENTS CONTRACTS AND LOANS AND ADVANCES TO CUSTOMERS

The net book value of the categories of loans granted by the Company is presented below:

Receivables from sale in instalments contracts	31 December 2022			
	Stage 1	Stage 2	Stage 3	TOTAL
Gross exposure	14.549.055	2.940.915	5.531.957	23.021.926
Expected credit losses	(162.561)	(544.612)	(4.067.998)	(4.775.170)
Net exposure	14.386.494	2.396.303	1.463.959	18.246.756

Receivables from sale in instalments contracts	31 December 2021			
	Stage 1	Stage 2	Stage 3	TOTAL
Gross exposure	26.863.566	6.426.919	13.393.507	46.683.992
Expected credit losses	(798.845)	(1.030.470)	(8.898.115)	(10.727.430)
Net exposure	26.064.720	5.396.449	4.495.393	35.956.562

31 December 2022				
Loans and advances to customers	Stage 1	Stage 2	Stage 3	TOTAL
Gross exposure	115.690.208	13.717.805	9.225.277	138.633.290
Expected credit losses	(3.277.657)	(4.172.327)	(5.631.855)	(13.081.840)
Net exposure	112.412.550	9.545.478	3.593.422	125.551.450
31 December 2021				
Loans and advances to customers	Stage 1	Stage 2	Stage 3	TOTAL
Gross exposure	74.164.982	7.117.672	9.048.773	90.331.428
Expected credit losses	(1.699.462)	(1.139.288)	(5.133.550)	(7.972.300)
Net exposure	72.465.520	5.978.384	3.915.224	82.359.128

Adjustments for expected credit losses

The following tables show the notes of movement of expected credit losses.

Impairment losses for receivables from sale in instalments contracts

	Stage 1	Stage 2	Stage 3	Total
Balance on 1 January 2022	798.845	1.030.470	8.898.115	10.727.430
Transfers to Stage 1	476.605	(371.538)	(105.067)	-
Transfers to Stage 2	(58.409)	317.218	(258.809)	-
Transfers to Stage 3	(32.518)	(225.925)	258.443	-
Impairment losses for new receivables from sale in instalments contracts	1.392	(262)	(752.249)	(751.118)
Reversal of provision for paid claims	(166.158)	(137.730)	(327.517)	(631.403)
Provision reversal for assigned claims	-	-	(4.995.026)	(4.995.026)
Modification of impairment losses for existing receivables	(857.196)	(67.622)	1.350.107	425.289
Balance as at 31 December 2022	162.561	544.612	4.067.998	4.775.170
Balance on 1 January 2021	1.570.976	1.620.466	13.892.786	17.084.228
Transfers to Stage 1	722.225	(439.838)	(282.387)	-
Transfers to Stage 2	(177.082)	577.846	(400.764)	-
Transfers to Stage 3	(164.888)	(498.105)	662.993	-
Impairment losses for new receivables from sale in instalments contracts	7.942	4.148	1.198.009	1.210.100
Reversal of provision for paid claims	(328.605)	(207.774)	(9.304.394)	(9.840.773)
Provision reversal for assigned claims	-	-	(8.749.175)	(8.749.175)
Modification of impairment losses for existing receivables	(831.723)	(26.273)	11.881.047	11.023.050
Balance as at 31 December 2021	798.845	1.030.470	8.898.115	10.727.430

Impairment losses on receivables from loans granted

	Stage 1	Stage 2	Stage 3	Total
Balance on 1 January 2022	1.699.462	1.139.288	5.133.550	7.972.301
Transfers to Stage 1	446.468	(323.517)	(122.951)	-
Transfers to Stage 2	(189.225)	281.084	(91.859)	-
Transfers to Stage 3	(77.191)	(162.606)	239.797	-
Impairment losses for new loan receivables	2.020.904	2.098.873	2.341.019	6.460.795
Reversal of provision for paid claims	(296.864)	(96.677)	(101.831)	(495.372)
Provision reversal for assigned claims	-	-	(9.469.583)	(9.469.583)
Modification of impairment losses for existing receivables	(325.898)	1.235.882	7.703.715	8.613.699
Balance as at 31 December 2022	3.277.657	4.172.327	5.631.856	13.081.840

<i>Impairment losses on receivables from loans granted</i>	Stage 1	Stage 2	Stage 3	Total
Balance on 1 January 2021	495.474	51.603	277.040	824.116
Transfers to Stage 1	8.528	(2.278)	(6.250)	-
Transfers to Stage 2	(53.687)	53.687	-	-
Transfers to Stage 3	(89.476)	(28.967)	118.443	-
Impairment losses for new loan receivables	1.474.529	892.994	3.325.832	5.693.354
Reversal of provision for paid claims	(75.574)	(2.987)	(106.553)	(185.113)
Provision reversal for assigned claims	-	-	(114.015)	(114.015)
Modification of impairment losses for existing receivables	(60.332)	175.237	1.639.053	1.753.958
Balance as at 31 December 2021	1.699.462	1.139.288	5.133.550	7.972.300

Net investment in sale in instalments contracts

	31 December 2022	31 December 2021
Gross investment in sale in instalments contracts	23.021.927	46.683.992
Less than 1 year	12.205.366	23.509.009
Between 1 and 5 years	10.816.561	23.174.983
More than 5 years	-	-
Unrealised financial income		
Gross investment in sale in instalments contracts	8.824.542	24.869.124
Less: Expected credit losses from sale in instalments contracts	23.021.927	46.683.992
Net investment in sale in instalments contracts	(4.775.171)	(10.727.430)

The net investment in sale in instalments contracts can be analysed as follows:

	31 December 2022	31 December 2021
Less than 1 year	8.016.997	15.035.041
Between 1 and 5 years	10.229.759	20.921.521
More than 5 years	-	-
	18.246.756	35.956.562

17. LEASING**Leasing activity as lessee (IFRS 16)**

Below is presented the information about the leases for which the Company is the lessee.

a) Right of use of assets

The right to use the assets refers to the space rented for the activity of the branches, the head office, as well as for the rented vehicles and are presented within property, plant and equipment (see note 20).

Rented space for branches and head office	31 December 2022	31 December 2021
Balance on 1 January	1.121.667	1.211.018
Additions	123.420	399.475
Depreciation charge for the year	(561.025)	(393.141)
Disposals	-	(328.522)
Accumulate depreciation for disposed items	-	232.837
Balance at 31 December	684.062	1.121.667

Vehicles used in the operational activity

Balance on 1 January	645.294	109.360
Additions	358.575	664.943
Depreciation charge for the year	(236.502)	(129.009)
Disposals	(197.268)	-
Accumulate depreciation for disposed items	317.986	-
Balance at 31 December	888.086	645.294

See note 4.4 Liquidity risk for the analysis of the maturity of leasing liabilities at 31 December 2022 and 31 December 2021.

b) Amounts recognised in the profit and loss account

	2022	2021
Leases under IFRS16		
Interest expense on leasing liabilities	(59.528)	(54.987)
Depreciation expense	(689.087)	(522.148)
	(748.615)	(577.135)

18. OTHER ASSETS

	31 December 2022	31 December 2021
Receivables relating to re-invoiced services	1.291.699	2.079.877
Impairment losses on trade receivables	(765.875)	(1.354.000)
Advances granted	12.709	39.573
Other receivables (i)	2.144.958	657.030
Other assets	96.224	41.812
Other assets	2.779.715	1.464.292

(i) Other receivables include receivable from transactions on the P2P platform in the amount of 2022: RON 1,759,074, RON 2021: 413,020) and other short-term receivables.

	31 December 2022	31 December 2021
Expected impairment losses for trade receivables		
Balance on 01 January	1.354.000	165.628
Net increase/(decrease) of the provision	(588.125)	1.188.372
Balance at 31 December	765.875	1.354.000

19. ASSETS HELD FOR SALE

	31 December 2022	31 December 2021
Assets held for sale	126.067	369.097
Impairment of assets held for sale	(42.411)	-
Total other assets, net	83.656	369.097

Assets held for sale are mainly represented by assets recovered from terminated sale in instalments/loan contacts that have not yet been sold or placed in new sale in instalments contracts, which have been recovered as a result of the foreclosure of the settlement of receivables from sale in instalments contracts and loan receivables. The information on the inflows and outflows of such assets during the year 2022 and 2021 is presented below.

	31 December 2022	31 December 2021
Balance on 01 January	369.097	512.798
Additions	483.028	2.846.084
Disposals	(726.058)	(3.483.280)
Value adjustments (cancellations of provisions)	(42.412)	493.495
Balance at 31 December	83.656	369.097

20. INTANGIBLE ASSETS

	Intangible assets	Intangible assets in progress	Total
As at 31 December 2022			
Net book value	73.408	-	73.408
Additions	114.705	-	114.705
Disposals	(75.295)	-	(75.295)
Depreciation charges for the year	(20.007)	-	(20.007)
Net book value	92.811	-	92.811
As at 31 December 2021			
Net book value	39.332	-	39.332
Additions	47.302	-	47.302
Disposals	-	-	-
Depreciation charges for the year	(13.226)	-	(13.226)
Net book value	73.408	-	73.408

21. PROPERTY, PLANT AND EQUIPMENT

	Vehicles	IT equipment and furniture	Construction (Furnishings)	Rights of use of assets	Other property, plant and equipment	Total
As at 31 December 2022						
Net book value	13.598	116.247	12.906	1.766.962	13.359	1.923.072
Additions	-	84.112	-	481.996	-	566.108
Disposals	(19.900)	(125.115)	-	(461.825)	(9.918)	(616.758)
Transfers	-	2.640	(6.082)	-	3.442	-
Depreciation charges	(1.990)	(54.666)	(3.433)	(797.527)	(14.380)	(871.995)
Accumulated depreciation for disposed items	8.292	105.353	-	582.544	10.042	706.231
Net book value	-	128.572	3.391	1.572.150	2.545	1.706.658
Year ended 31 December 2021						
Net book value	56.677	68.788	9.790	1.320.378	31.136	1.486.769
Additions	-	100.824	-	1.064.418	20.532	1.185.774
Disposals	(43.443)	(4.962)	-	(328.522)	(10.874)	(387.801)
Depreciation charges	(9.392)	(48.403)	(2.966)	(522.148)	(27.435)	(610.344)
Accumulated depreciation for disposed items	9.756	-	6.082	232.836	-	248.674
Net book value	13.598	116.247	12.906	1.766.962	13.359	1.923.072

22. DEFERRED INCOME TAX ASSET

	31 December 2022	Tax recognised in Profit or Loss	31 December 2021
Tax effects of deductible temporary differences			
Adjustment related to the tax loss carried forward	-	25.298	(25.298)
Impairment adjustment for receivables from sale in instalments contracts and loans	1.196.381	723.318	473.063
Adjustment for operating leases	7.771	(1.755)	9.526
Adjustment for the application of effective interest	(773.909)	(414.100)	(359.809)
Adjustment for customer receivables for re-invoiced services	143.957	(117.549)	261.506
Other differences	5.737	16.094	(10.357)
	579.936	231.306	348.630

	31 December 2021	Tax recognised in the Profit and Loss Account	31 December 2020
Tax effects of deductible temporary differences			
Adjustment related to the tax loss carried forward	(25.298)	(39.771)	14.473
Impairment adjustment for receivables from sale in instalments contracts and loans	473.063	239.831	233.232
Adjustment for operating leases	9.526	(1.676)	11.202
Adjustment for the application of effective interest	(359.809)	(246.312)	(113.497)
Adjustment for customer receivables for re-invoiced services	261.506	(147.827)	409.333
Other differences	(10.357)	(73.149)	62.791
	348.630	(268.904)	617.534

23. Borrowings

	31 December 2022	31 December 2021
Borrowings from:		
Eleving Stella AS	(85.298.400)	(63.672.696)
Mintos Finance AS	(74.253.960)	(53.042.312)
	(159.552.360)	(116.715.008)

The borrowings received from Eleving Stella AS are subordinated loans, which have a fixed interest rate of 12% (2021: 12%) and maturity in 2027 - 2029. The loans attracted from Mintos Finance AS (P2P loans), are loans in the form of a financing line, have a fixed interest rate that ranges between 6%-15% and have maturity in September 2026.

24. LIABILITIES RELATING TO THE RIGHT TO USE ASSETS

	31 December 2022	31 December 2021
Guarantees granted	147.928	128.128
Liabilities relating to the right to use the premises	(729.564)	(1.191.677)
Liabilities relating to the right to use vehicles	(891.151)	(634.818)
	(1.472.787)	(1.698.367)

25. TRANSACTIONS AND BALANCES WITH RELATED PARTIES AND KEY MANAGEMENT PERSONNEL

	2022			2021		
	Management	Shareholders	Other group entities	Management	Shareholders	Other group entities
Assets						
Loans granted	-	-	20.552.685	-	-	26.279.224
Liabilities						
Borrowings	-	(85.298.400)	-	-	(63.672.696)	-
Trade payables	-	(645.731)	-	-	(934.052)	-
Provisions relating to financial guarantees granted	-	-	-	-	-	2.707.833
Profit and loss						
Interest income	-	-	3.806.995	-	-	3.230.672
Interest expense	-	(6.329.526)	-	-	(5.394.962)	-
Management fee	-	(6.379.002)	-	-	(5.763.747)	-

	2022			2021		
	Management	Shareholders	Other group entities	Management	Shareholders	Other group entities
Management remuneration	(1.071.025)	-	-	(1.105.484)	-	-
Income from provisions relating to financial guarantees	-	-	-	-	-	1.233.273

Related parties to the Company are the shareholders of the company and the companies in the Eleving Group. During 2022, the Company concluded a series of transactions with related parties, related to the receipt and granting of inter-group loans, management services and the issuance of financial guarantees. All these transactions, including contractual interest rates and guarantee conditions, were carried out under competitive conditions, similar to transactions with third parties.

26. PROVISIONS FOR FINANCIAL GUARANTEES

On October 18, 2021, Eleving Group S.A. (renamed from Mogo Finance S.A.), as issuer, on the one hand, and its subsidiaries as guarantors, on the other hand, signed a guarantee agreement. In accordance with this agreement, guarantees unconditionally and irrevocably guarantee to each bondholder Eleving Group S.A., by means of an independent payment obligation, the timely payment of the principal and interest due and any other amounts payable under the bond prospectus of Eleving Group S.A.

The company did not receive remuneration for the guarantee granted. The fair value of financial collateral is recognised as a liability and as a distribution of equity in "Other reserves". The income from the depreciation of the guarantee is recognised by the straight-line method up to the maturity of the bond.

The total value of the bonds guaranteed by the Company and the other companies in the Group is EUR 150,000,000 (the equivalent of RON 742,215,000 as at 31 December 2021). The bonds are due on 18.10.2026, with an interest rate of 9.5% annually and have a rating of B- according to Fitch Ratings.

After initial recognition, the liability for the guarantee shall be measured at the highest of the amount initially recognised less the cumulative depreciation recognised by straight-line depreciation and the related provision. The exposure of the guarantee and the related provision are classified in stage 1 as described in Note 3.

	31 December 2022	31 December 2021
Movement in the reserve for financial guarantees (Equity)		
Balance on 1 January	2.853.749	3.827.487
New guarantees granted	-	4.357.047
Disposal of existing guarantees	(2.853.749)	(4.086.373)
Revaluation of the financial guarantee	-	(1.244.412)
Balance at 31 December	-	2.853.749
Movement in the provision for financial guarantees (Liabilities)		
Balance on 1 January	(2.707.833)	(2.105.612)
Amortization	547.628	1.233.273
Revaluation of the financial guarantee	1.970.556	1.244.412
Provision relating to new guarantees granted	-	(4.357.047)
Cancellation of the provision related to the outstanding guarantees		1.276.458
Impact of exchange rate fluctuations	189.650	683
Balance at 31 December	-	(2.707.833)

Eleving Group S.A. in 2021 has successfully repaid and extinguished all payment obligations generated by the issuance of covered bonds by the Company through the guarantee agreement signed on October 13, 2018, dated July 9, 2018, amended and adjusted on November 13, 2019. Thus, the Company derecognised the unamortised provision of that guarantee.

Under the guarantee agreement Mogo IFN SA, amongst other material group entities, irrevocably guarantees the payment of Eleving Group liabilities towards its bondholders in case of default of Eleving Group, under the provisions of bond prospectus. However considering that the bonds are primarily secured by multiple share, asset and bank account pledges granted by several other material group entities, the Company has reevaluated the fair value of this guarantee by assessing the value of all unencumbered assets of each material group entity guaranteeing the payment of Eleving Group liabilities towards its bondholders, as well as the potential liability exposure of each guarantor under the bonds, and considers that the fair value of this financial guarantee is insignificant. As a result, in 2022, the Company fully amortized the provision related to this guarantee.

27. OTHER LIABILITIES

	31 December 2022	31 December 2021
Payables to employees	(31.909)	(43.740)
Payables to social contributions and payroll taxes	(259.178)	(212.906)
Corporate income tax payable and other taxes	(1.952.528)	(1.373.445)
VAT payable	(170.521)	(91.211)
Trade payables	(189.439)	(437.817)
Other liabilities	(15.020)	(2.405)
Provision for untaken leaves	(220.626)	(244.253)
Provision for management fee	(645.731)	(447.720)
Provisions for bonuses	(315.553)	(28.317)
Other provisions	(388.511)	(946.093)
	(4.189.016)	(3.827.907)

28. SHARE CAPITAL

	31 December 2022	31 December 2021
Share capital	(924.000)	(924.000)
Share premiums	-	(28.654.000)
	(924.000)	(29.578.000)

	31 December 2022	31 December 2021
Shareholding structure		
AS Mogo	88	88
AS Eleving Stella	923.912	923.912
	924.000	924.000

The share capital of the Company subscribed in nominal terms consists of 10,500 registered shares (2021: 10,500) with a nominal value of LEI 88.

On June 21, 2022, the Extraordinary General Meeting of Shareholders unanimously approved the decision to distribute the issue premiums worth 28,654,000 lei as follows:

- to AS Eleving Stella the amount of 28.651.249,216 RON;
- to UAB Eleving Stella the amount of 2,750,784 RON.

On the same date, the Extraordinary General Meeting of Shareholders approved the conclusion by the Company of a subordinated loan agreement by which AS Eleving Stella, as a lender, grants the Company, as a borrower, a loan in the amount of RON 28,651,249,216 for a term of 6 years, with an annual interest rate of 12%. At the time of this decision, the

loan was drawn in full by the Company, the amounts distributed to AS Eleving Stella according to the above decision remaining in the accounts of the Company as a subordinated loan.

29. DIFFERENCES BETWEEN THE ACCOUNTING TREATMENT ACCORDING TO THE REGULATIONS OF THE NBR ORDER NO. 6/2015 AND THE ONE PROVIDED BY IFRS

Restatement of the figures in the financial statements prepared according to the NBR order no. 6/2015 was necessary to align the presentation of information according to the requirements of IFRS.

The profit and loss account drawn up according to the Order of the National Bank of Romania no. 6/2015 was affected by the following adjustments for presentation restatement in accordance with IFRS:

Items of Profit or Loss Statement	Row No.	According to the order of NBR 6/2015	Reclasses	IFRS Adjustments	According to IFRS	Explanation of adjustments
Interest income	010	51.267.992	9.477.470	1.735.135	62.480.597	1
Interest expenses	020	(8.715.632)	(7.472.113)	(15.470)	(16.203.215)	2
Fee and commission income	040	12.487.300	(12.253.341)	114	234.073	3
Fee and commission expense	050	(780.606)	537.193	(275.095)	(518.508)	
Net trading income	060	(135.202)	-	211.317	76.115	4
Other operating income	070	850.232	(2.535.415)	3.065.891	1.380.708	4
General administrative expenses	080	(20.789.076)	3.622.436	513.467	(16.653.173)	4
Corrections on the value of intangible assets and plant and equipment	090	(134.601)	-	(648.961)	(783.562)	5
Other operating expenses	100	(10.855.571)	6.828.451	570.067	(3.457.053)	6
Reversals/(Corrections) on the amount of receivables and provisions for contingent liabilities and liabilities	110,120	(10.250.800)	1.795.319	(4.458.096)	(12.913.577)	7
Corporate income tax	220	(3.933.409)	-	231.306	(3.702.103)	8
Net Profit	243	9.010.627	-	929.675	9.940.302	

The main adjustments for IFRS restatements on the profit and loss statement relate to:

1. Adjustment according to IFRS 9 Financial Instruments regarding the recognition of interest income according to the effective interest method in the amount of 1.735.135 lei;
2. Adjustment according to IFRS 16 Leasing contracts regarding the recognition of interest expenses related to the leasing liabilities in the amount of (59,528) lei and other adjustments in the amount of 44.058 lei;
3. Other adjustments regarding the recognition of the income from commissions in the amount of 114 lei;
4. Other adjustments regarding the recognition off disposed fixed assets cost in the amount of 47.446 lei, adjustments regarding expenses with exchange rate differences related to the financial leasing debt and provision for financial guaranties in the amount of 211.318 lei, adjustments regarding capitalized bonuses in deferred expenses - EIR expense elements in the amount of 268.545 lei, adjustments regarding losses from assignment of receivables in the amount of 2.431.665 lei, income from provision for financial guarantees amortisation in amount of 576.321 lei and other adjustments in the amount of 255.384 lei.
5. Adjustment according to IFRS 16 Leasing contracts on the recognition of expenses with depreciation of rights of use of assets in the amount of (689.087) lei and other adjustments in the amount of 40.126 lei;
6. Adjustment according to IFRS 16 Leasing contracts regarding the derecognition of rental expenses in the amount of 613.486 lei and other adjustments in the amount of 43.418 lei;
7. Adjustment according to IFRS 9 Financial Instruments on the recognition of expenses related to expected losses

from credit risk in the amount of (4.735.381) and other adjustments in amount of 277.285 lei;

8. Adjustment in accordance with IAS 12 Deferred income tax return for 2022 in the amount of 231.306 lei.

The balance sheet as at 31 December 2022 drawn up according to the NBR order no. 6/2015 was affected by the following adjustments for presentation restatement in accordance with IFRS:

Balance sheet items	Row No.	According to the order of NBR 6/2015	Reclasses	IFRS Adjustments	According to IFRS	Explanation of adjustments
Loans and advances to credit institutions	30	4.552.881	(208.018)	-	4.344.863	
Claims on customers	40	164.965.655	1.473.175	(2.087.939)	164.350.891	1
Intangible assets	090	46.219	-	46.592	92.811	2
Property, plant and equipment	100	105.933	-	1.600.725	1.706.658	2
Deferred tax assets	101	-	-	579.936	579.936	3
Other assets	120	2.437.011	198.476	138.269	2.773.756	
Accrued expenses and accrued income	130	9.029.428	(8.939.362)	(451)	89.615	4
TOTAL ASSETS		181.137.127	(7.475.729)	277.132	173.938.530	
Liabilities relating to customers	310	1.096.253	(1.096.253)	-	-	
Liabilities relating to the right to use assets	311	-	(147.928)	1.620.716	1.472.788	2
Other debts	330	77.533.060	490.898	(117.166)	77.906.792	4
Accrued income and accrued liabilities	340	6.722.446	(6.722.446)	-	-	
Provisions	350	542.500	-	(6.321)	536.179	4
Subordinated borrowings	360	85.298.400	-	-	85.298.400	
Subscribed share capital	370	924.000	-	-	924.000	
Share premiums	380	-	-	-	-	
Reserves	390	184.800	-	-	184.800	
Retained earnings carried forward	426	(174.959)	-	(2.149.772)	(2.324.731)	
Profit or loss for the financial year	433	9.010.627	-	929.675	9.940.302	
Profit distribution	440	-	-	-	-	
TOTAL LIABILITIES AND EQUITY		181.137.127	(7.475.729)	277.132	173.938.530	

The main adjustments to IFRS restatements on the balance sheet relate to:

- Adjustment according to IFRS 9 Financial instruments for the recognition of interest income by effective interest method in the amount of 5.245.964 lei, adjustments on the recognition of income and expenses related to expected losses from credit risk in the amount of (7.342.367) lei and other adjustments in the amount of 8.464 lei;
- Adjustment according to IFRS 16 Leasing contracts for the recognition of rights of use of assets in the amount of 1.572.148 lei and for the recognition of the related leasing debt in the amount of 1.620.716 lei and other adjustments in the amount of 75.169 lei.
- Adjustment in accordance with IAS 12 Deferred income tax return in the amount of 579.936 lei;
- Other adjustments in the amount of 14.331 lei, of which 138.269 lei related to the adjustment of the value of other receivables, (117.166) lei adjustment for the recognition of interest expenses by the effective interest method according to IFRS 9 Financial Instruments and other adjustments in the amount of (6.772) lei;
- Impact in the retained earnings related to the adjustments listed above in the amount of (2.149.772) lei and in the

MOGO IFN S.A.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

(all amounts are expressed in lei, unless otherwise specified)

result of the financial year in the amount of 929.675 lei (see for details the explanations of the differences related to the profit or loss statement presented above).

30. EVENTS AFTER THE BALANCE SHEET DATE

There are no events after the balance sheet date to be reported.

The financial statements were approved by the Board of Directors on June 14, 2023 and were signed on its behalf by:

General Manager,
BADIU Ionuț

Chief Financial Officer,
TETICI Marilena