



PART OF ELEIVING GROUP

Limited liability company OCN Mogo Loans

Unified registration number 1017600033216

Annual report

for the year ended
31 December 2023

Including financial statements

Separate financial statements prepared in
accordance with international financial reporting
standards as adopted by the EU

Together with independent auditor's report

Chisinau, 2024

This version of the accompanying document is a translation from the original, which was prepared in Romanian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version prevails over this translation

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INDEPENDENT AUDITOR'S REPORT
to the shareholders of OCN MOGO LOANS S.R.L.

Opinion

We have audited the financial statements of OCN MOGO LOANS S.R.L. (the Company), which comprise the statement of financial position as at 31 December 2023, and the 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 notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA Code)* together with the ethical requirements that are relevant to our audit of the financial statements in the Republic of Moldova, 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.

Other information

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

We 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.

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.

**Refer to the original signed
Romanian version**

BDO Audit & Consulting S.R.L.
45B A. Puskin str., 4th floor
MD-2005, Chisinau, Republic of Moldova
26 April 2024

Management's responsibility statement

April 26, 2024

The management of OCN MOGO LOANS SRL is responsible for preparing the financial statements.

The Company's management declares that, taking into account the information it has, the financial statements have been prepared in accordance with the transactions recorded in the primary accounting documents and with the provisions of the International Financial Reporting Standards and provides a correct and clear picture of the assets, liabilities, the financial statements at December 31, 2023, on the results and cash flow for the financial year ended December 31, 2023.

The Company's management confirms that, for the preparation of the financial statements, appropriate and consistent accounting policies and estimates were applied. The management of the Company confirms that the financial statements were prepared taking into account the principle of prudence, as well as the principle of continuity of activity. The Company's management confirms its own responsibility for the correct keeping of the accounting, along with the monitoring, control and protection of the Company's assets.

The Company's management is responsible for detecting and preventing errors, inaccuracies and/or frauds. The Company's management is responsible for carrying out the Company's activity in accordance with the legislation of the Republic of Moldova in force. The management report includes a true picture of the Company's business development and its results.

Signed on behalf of the Company by:

Luchianenco Veaceslav

Administrator



**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2023**
(All amounts are indicated in MDL, except when it is mentioned otherwise)

	Note	2023 MDL	2022 MDL
Interest income calculated using the effective interest rate method	6	126,419,227	121,920,706
Other interest income	6	78,430	18,653
Interest expenses calculated using the effective interest rate method	6	(36,069,163)	(28,408,905)
Net interest income		90,428,494	93,530,454
Fee and commission income	7	353,865	1,496,147
Fee and comission expense	7	(93,840)	(121,720)
Income from fees and commissions, net		260,025	1,374,427
Net foreign exchange gain/(loss)	8	3,227,336	(733,426)
Net loss resulting from the derecognition of financial assets valued at amortized cost		145,523	(1,484,646)
Other operating income (expenses)	9	6,226,735	7,439,490
Operating Income		100,288,113	100,126,299
Net (loss) / release on allowances for credit risk losses	10	(23,235,131)	(31,482,458)
Personnel expenses	11	(16,591,885)	(15,597,896)
General and administrative expenses	12	(28,525,422)	(30,174,824)
Amortisation and depreciation expenses	13	(1,955,579)	(1,885,895)
Expenses from the derecognition of the financial guarantee	24	-	(1,278,952)
Operational Expenses		(70,308,017)	(80,420,025)
Profit from operational activity before taxation		29,980,096	19,706,274
Income tax expenses	14	(4,643,980)	(4,244,409)
Net profit of the period		25,336,116	15,461,865
Other comprehensive income of the period		-	-
Total comprehensive income of the period		25,336,116	15,461,865

The attached notes constitute an integral part of these Financial Statements.

The financial statements were signed by the Company's executive management on April 26, 2024, represented by:


Luchianenco Veaceslav
Administrator

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2023

(All amounts are indicated in MDL, except when it is mentioned otherwise)

	Note	December 31, 2023 MDL	December 31, 2022 MDL
Assets			
Cash and cash equivalents	16	7,731,780	1,321,437
Loans and advances to clients	17	345,799,431	326,322,067
Finance lease receivables	18	1,301,471	1,785,910
Current tax assets	19	-	307,204
Deferred tax asset	19	427,894	563,459
Intangible assets	20	211,846	270,961
Tangible assets	21	2,937,254	1,702,598
Other assets	22	2,048,050	481,771
Total assets		360,457,726	332,755,407
Liabilities			
Borrowings	22	330,886,236	301,284,696
Corporate tax liabilities		451,210	-
Lease liabilities		2,467,718	1,223,423
Provisions for financial guarantees	24	-	-
Other liabilities	26	7,156,118	7,258,461
Total liabilities		340,961,282	309,766,580
Equity			
Share capital	27	1,000,000	1,000,000
Reserve capital	27	100,000	100,000
Reserves for financial guarantees	24	-	-
Retained earnings/(losses)		18,396,444	21,888,827
Total equity		19,496,444	22,988,827
Total liabilities and equity		360,457,726	332,755,407

The attached notes constitute an integral part of these Financial Statements.

The financial statements were signed by the Company's executive management on April 26, 2024, represented by:


Luchianenco Veaceslav
Administrator

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2023**
(All amounts are indicated in MDL, except when it is mentioned otherwise)

	Share capital	Reserve capital	Reserves for financial guarantees	Retained earnings	Total
	MDL	MDL	MDL	MDL	MDL
Balance at January 1, 2022	1,000,000	641,713	(6,074,225)	48,005,917	43,573,405
<i>Comprehensive income</i>					
Profit for the reporting year	-	-	-	15,461,865	15,461,865
Total comprehensive income	-	-	-	15,461,865	15,461,865
Guarantee derecognition (Note 24)	-	-	6,074,225	-	6,074,225
Share capital increase	541,713	-	-	-	541,713
Share capital decrease	(541,713)	-	-	-	(541,713)
Dividends distributed	-	-	-	(41,578,955)	(41,578,955)
Allocation of reserves	-	(541,713)	-	-	(541,713)
Balance as of December 31, 2022	1,000,000	100,000	-	21,888,827	22,988,827
Balance at January 1, 2023	1,000,000	100,000	-	21,888,827	22,988,827
<i>Comprehensive income</i>					
Profit for the reporting year	-	-	-	25,336,116	25,336,116
Total comprehensive income	-	-	-	25,336,116	25,336,116
Dividends distributed	-	-	-	(28,828,499)	(28,828,499)
Balance at December 31, 2023	1,000,000	100,000	-	18,396,444	19,496,444

The attached notes constitute an integral part of these Financial Statements.

The financial statements were signed by the Company's executive management on April 26, 2024, represented by:

Luchianenco Veaceslav
Administrator



STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2023
(All amounts are indicated in MDL, except when it is mentioned otherwise)

	Note	2023 MDL	2022 MDL
Cash flow from operational activity			
Net profit of the reporting period		25,336,116	15,461,865
<i>Adjustments for:</i>			
Amortization and depreciation		1,955,579	1,885,895
Impairment (income) / expense		(750,526)	1,193,958
Interest income		(126,497,657)	(121,939,359)
Interest expense		36,069,163	28,408,905
Income tax expenses		4,643,980	4,244,409
Financial guarantees amortization		-	245,070
Disposals of property, equipment and intangible assets		141,529	282,444
Net profit adjusted with non-monetary elements		(59,101,816)	(70,216,813)
<i>Changes in:</i>			
Loans and advances to clients		(8,310,653)	(23,757,198)
Finance lease receivables		2,076,540	4,881,253
Other assets		(1,551,432)	3,584,739
Lease liabilities		2,184,726	490,031
Other debts		(102,343)	1,679,486
		(5,703,162)	(13,121,689)
Interest received		125,538,822	116,060,435
Interest paid		(35,096,492)	(29,384,386)
Income tax paid		(3,750,000)	(3,400,000)
Net cash flow from operating activities		21,887,352	(62,453)
Cash flow from investment activity			
Purchases of tangible assets		(177,554)	(37,201)
Purchases of intangible assets		(48,939)	(277,859)
Net cash flows from investment activity		(226,493)	(315,060)
Cash flow from financial activity			
Share capital increase		-	-
Share capital decrease		-	(541,713)
Proceeds from borrowings		130,858,639	373,163,384
Gross repayment of borrowings		(105,280,446)	(338,363,682)
Gross payments from operational leasing contracts	23	(4,121,679)	(2,071,284)
Dividends paid		(29,231,629)	(41,578,955)
Net cash flows from financial activity		(7,775,115)	(9,392,250)
Change in cash and cash equivalents		13,885,744	(9,769,763)
Cash and cash equivalents at January 1		1,321,437	3,979,059
The effect of exchange rate fluctuations on cash and cash equivalents		(7,475,401)	7,112,141
Cash and cash equivalents at December 31	15	7,731,780	1,321,437

The attached notes constitute an integral part of these Financial Statements.

The financial statements were signed by the Company's executive management on April 26, 2024, represented by:

Luchianenco Veaceslav
Administrator



TRANSLATOR'S EXPLANATORY NOTE: The above translation of the financial statements is provided as a free translation from Romanian which is the official and binding version.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023**

(All amounts are indicated in MDL, except when it is mentioned otherwise)

1. General information about the Company

OCN Mogo Loans SRL (hereinafter referred to as the Company) was registered in the Register of Enterprises and Organizations on August 4, 2017. The company has its headquarter at address: bd. Cuza Voda 20/A, Chisinau, MD-2060, Moldova. The initial founder of the Company was Mogo Finance SA (registered in Luxembourg), with a 100% share of the Company's capital starting from 4 August 2017. On 14.05.2019, based on the decision of the Shareholders, the shareholders was changed based on the contract of sale and purchase of the social part of 13.05.2019. The ultimate parent company become Eleving Stella AS (Mogo Eastern Europe AS until 15.12.2021) (registered in Latvia), with a share of 100% of the Company's capital, until June 28, 2022 when 4% of the held share was sold to individuals physical persons based on the decision of the Shareholders of 28.06.2022. On 24.10.2023, based on the decision of the Shareholders of the OCN Mogo Loans SRL associations, 0.5% share of the company's capital, held by individuals physical persons, was sold to the majority associate Eleving Stella AS. Thus, as of 31.12.2023, the majority shareholder Eleving Stella AS owns 96.50% share in the Company's capital and 3.5% share in the Company's capital is owned by individuals.

The Company's activity is the granting of loans and financial leasing.

These Financial Statements were approved by the Company Administrator on April 26, 2024.

	2023	2022
The average number of employees in the reporting year:	39	42

From the average number of employees for the year 2023, 98% carry out the activities in the Municipality of Chisinau. On 31.12.2023, one employee works in the Office in the municipality of Balti.

2. Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), based on the fair value convention, the initial recognition of financial instruments based on fair value and by revaluation of financial instruments classified at fair value through profit or loss ("FVTPL") and at the fair value through other elements of the global result ("FVOCI"), modified based on the historical cost convention for tangible and intangible assets. The main accounting policies applied in the preparation of these financial statements are presented below. These policies have been consistently applied to the periods presented, unless otherwise specified.

The annual financial statements of the Company and its financial result are influenced by the accounting policies, assumptions, estimates and reasoning of the management (Note 4), which must be made in the course of the preparation of the annual financial statements. The company makes estimates and assumptions that affect the reported values of assets and liabilities in the current and future financial periods. All estimates and assumptions imposed in accordance with IFRS are best estimates made in accordance with the applicable standard. Estimates and judgments are continuously evaluated and are based on past experience and other factors, including expectations regarding future events. Accounting policies and management reasoning for certain elements are particularly important for the Company's results and financial statement due to their significance. The effect of any change in estimates will be recorded in the financial statements, when it can be determined (Note 4). If subsequent events provide additional information, they have been taken into account.

The functional currency of the Company is the Moldovan leu (MDL). The financial statements are presented in Moldovan lei and the amounts are rounded to the nearest leu. The financial year / management period begins on January 1 and ends on December 31 and includes all operations performed by the Company. All the actual figures that reflect the financial and economic results of the Company's activity during the management period are included in the financial statements of the management period.

The Company's management does not use the segmental approach to the operational decision-making process. All the economic activities of the company take place in a single geographical segment - the Republic of Moldova.

The principle of continuity of activity

These financial statements were prepared based on the going concern principle, which assumes that the Company will continue its operations for the foreseeable future. In order to evaluate the reasonableness of this assumption, the management analyzes the forecasts of future cash inflows. Based on these analyzes and, if necessary, also on the permanent support of the Eleving Group, the management considers that the Company will be able to continue operating according to the principle of continuity of activity for the foreseeable future and, therefore, this principle has been applied in the preparation of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023**
(All amounts are indicated in MDL, except when it is mentioned otherwise)

3. Summary of significant accounting policies

3.1 Changes in accounting policies

The accounting policies presented in these financial statements were applied consistently in the management periods ended on December 31, 2023, respectively December 31, 2022.

3.2 Intangible assets

Intangible assets are initially recorded at cost and depreciated over their estimated useful life on a straight-line basis. The accounting values of intangible assets are reviewed for impairment, when events or changes in circumstances indicate that the accounting value cannot be recovered. Impairment losses are recognized when the accounting value of intangible assets exceeds their recoverable value.

Other intangible assets consist mainly of purchased software products.

Depreciation is calculated using the straight-line method over the estimated useful life of the asset as follows:

	Useful life of assets
Concessions, patents, licenses and similar rights	over 1 year
Other non-corporate fixed assets - purchased IT systems	over 2, 3 and 5 years

3.3 Tangible assets

The equipment is recognized at cost, minus the amount of accumulated wear and depreciation losses. Depreciation is calculated using the straight-line method based on the estimated life of the asset, as follows:

	Useful life of assets
Computers	3 years
Furniture	5 years
Vehicles	7 years
Leasehold improvements	according to the terms of the leasing contract
Other equipment	2 years

Depreciation of an asset begins when it is available for use, that is, when it is in the location and conditions necessary for it to be used in the manner desired by management. The accounting values of the equipment are reviewed for impairment, when events or changes in circumstances indicate that the accounting value cannot be recovered. If there are such indices and if the accounting values exceed the estimated recoverable amount, the assets or cash generating units are depreciated to their recoverable amount. The recoverable value of the equipment is the higher value of the asset's net sales price and its use value.

When assessing value in use, the estimated future cash flows are discounted to their present value, using a pre-tax discount rate that reflects current market assessments of the time value of money and asset-specific risks. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit of which the asset is a part. Depreciation charge is recognized in the statement of the comprehensive income in the heading "Amortisation and depreciation expenses".

An item of equipment is derecognized on disposal or when no future economic benefits are expected from the continued use of the asset. Any gain or loss resulting from the derecognition of the asset (calculated as the difference between the net receipts and the accounting value of the item) is reflected in the statement of comprehensive income in the year in which the item is derecognised.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023**
(All amounts are indicated in MDL, except when it is mentioned otherwise)

3. Summary of significant accounting policies (continued)

3.4 Financial assets

a) Financial instruments - initial recognition

Date of recognition

Loans and advances to clients are recognized when the funds are transferred to clients' accounts. Other assets are recognized on the date the Company concludes the contract that generates the financial instruments.

Initial assessment

The classification of financial instruments at their initial recognition depends on the contractual terms and the business model for the management of these instruments, as further described in the 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 or subtracted from this value. Other receivables are valued at the transaction price.

b) Classification of financial assets

The company evaluates loans and advances to customers, loans to related parties, receivables from related parties, cash equivalents and other loans and receivables at amortized cost, only if both of the following conditions are met:

- Financial assets are held within a business model, with the objective of holding financial assets for the collection of contractual cash flows;
- The contractual terms of the financial asset generate, on specified dates, cash flows that are exclusively payments of principal and interest (SPPI) related to the value of the principal owed.

c) Evaluation of the business model

The company determines its business model, at the level that best reflects the way it manages financial assets, in order to achieve its business objective - the risks that affect the performance of the business model (and the financial assets held within the business model) and the way in which that these risks are managed. The frequency, value and expected timing of sales are also important aspects of the Company's evaluation. The assessment of the business model is based on reasonably expected scenarios, without taking into account "worst case" or "stress cases" scenarios. If cash flows after initial recognition are realized in a different way than the Company's initial expectations, it does not change the classification of the remaining financial assets held in that business model, but incorporates this information when evaluating the new financial statement or the recently acquired financial assets in evolution. The assessed business model intends to hold financial assets to collect contractual cash flows.

d) SPPI test (excluding principal and interest payments)

As a second step in its classification process, the Company evaluates, where relevant, the contractual terms of the financial assets to identify whether they meet the SPPI test. Financial assets subject to SPPI testing are loans and advances to customers (including financial assets resulting from sales transactions and reversible financial leasing, as reported in a separate section of this note). "Principal" for the purposes of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are capital repayments or amortization of the premium / discount). The most significant elements of interest in a loan agreement are usually taking into account the time value of money and credit risk.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023**

(All amounts are indicated in MDL, except when it is mentioned otherwise)

3. Summary of significant accounting policies (continued)

3.4 Financial assets (continued)

In evaluating whether the contractual cash flows are SPPI, the Company considers the contractual terms of the instrument. These include assessing whether the financial asset contains a contractual term that could change the schedule or value of the contractual cash flows so that it does not meet this condition. When performing the evaluation, the Company mainly takes into account:

- contingent events that would change the amount and schedule of cash flows;
- the deadlines for early payment and extension; and
- conditions that limit the Company's claim to the cash flows from the specified assets (for example, non-recourse loans).

In general, the loan contracts stipulate that, in case of return of the guarantee and non-repayment of the guarantee, the request is not limited to the recovery of the guarantee and if the amount of the guarantee does not cover the remaining debt, additional resources can be requested from the borrower to compensate the losses from the risk of credit. Consequently, this aspect does not create obstacles to passing the SPPI test. However, in some cases, company loans that are guaranteed by the borrower's guarantee limit the company's claim to the cash flows of the underlying collateral (non-recourse loans). The company applies judgment in evaluating whether non-recourse loans meet the SPPI criterion. Typically, the Company considers the following information when making this judgment:

- if the contractual arrangement specifically defines the amounts and dates of cash payments of the loan;
- the fair value of the guarantee in relation to the value of the underlying loan;
- the ability and desire of the borrower to make contractual payments, without prejudice to the decrease in the value of the guarantees;
- the company's risk of loss on the asset in relation to a loan with full recourse; and
- if the Company will benefit from any advantage from the underlying assets.

Even if according to the court decision the loan is declared without recourse but is guaranteed by the debtor's guarantee, this loan fulfills the SPPI criterion.

Reclassification of financial assets

The Company does not reclassify its financial assets after initial recognition, except in exceptional circumstances in which the Company acquires, sells or closes a business.

Financial liabilities are never reclassified.

e) Derecognition of financial assets and receivables from financial leasing

The provisions regarding derecognition below apply to all financial assets valued at amortized cost and financial leasing receivables.

Derecognition due to the substantial modification of the terms and conditions

The company derecognizes the loan granted to a customer or a receivable from a financial lease, when the terms and conditions have been renegotiated to the extent that they become, substantially, a new loan or leasing contract, the difference being recognized as gain or loss from derecognition, to the extent that an impairment loss has not already been recorded. Newly recognized loans are classified in Stage 1 for the purpose of ECL assessment, except for the case where the new financial asset is considered to be impaired origination (POCI).

When evaluating a financial asset for it to be derecognized or not, among others, the Company takes into account the following qualitative factors:

- Change in currency of the loan;
- Change of counteragent;
- If the modification is such that the instrument no longer meets the SPPI criterion;
- Whether legal obligations have been extinguished.

Moreover, in the case of loans and advances granted to clients and receivables from financial leasing, the Company takes into account, specifically, the purpose of the changes. It is evaluated whether the modification was introduced for commercial (business) reasons or for the purpose of credit restructuring. The change is considered to be introduced for commercial reasons if the DPD (past due days) of the counterparty immediately before the change is less than 5 DPD. In such cases, the modification is considered to be made for commercial purposes and results in the derecognition of the old contract and the respective loan/leasing claim. These changes include increasing the amount or the term of the loan contract, which are agreed with the client for commercial purposes (eg: both the client and MOGO, both are co-interested in the substantial change of the purpose of the leasing/loan transaction).

Other changes to the terms of the agreement are treated as non-opt-out changes (see the section on Changes below).

**NOTES TO THE FINANCIAL STATEMENTS
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3. Summary of significant accounting policies (continued)

3.4 Financial assets (continued)

e) Derecognition of financial assets and receivables from financial leasing (continued)

Derecognition for reasons other than substantial changes

A financial asset or a receivable from a finance lease (or, if applicable, a part of a financial asset or a receivable from a finance lease or a part of a Company with financial assets or receivables from a finance lease similar) are derecognized when the rights to receive cash flows from the financial asset or receivable from the financial lease have expired. Also, the Company derecognizes the financial asset or the receivable from the financial lease, if it has transferred either the financial asset or the receivable from the financial lease, and the transfer qualifies for derecognition. The company has transferred the financial asset or receivable from the financial lease, if it has transferred its contractual rights to receive cash flows from the financial asset or the receivable from the financial lease.

The company has transferred the asset if and only if:

- The company has transferred its contractual rights to receive cash flows from its asset
- It retains its rights over the cash flows, but has assumed an obligation to pay a third party in full the cash flows received, without significant delays, based on a transfer agreement.

Transfer agreements are transactions in which the Company retains the contractual rights to receive the cash flows of a financial asset (the "initial asset"), but assumes a contractual obligation to pay those cash flows to one or more entities ("possible recipients"), when the three conditions below are met:

- The Company does not have the obligation to pay amounts to the eventual recipients unless it has collected equivalent amounts from the initial asset, with the exception of short-term advances from the Company with the right to full recovery of the loaned amount, plus accrued interests at market rates;
- The company cannot sell or pledge the initial asset except as a guarantee, to the eventual recipients, for the obligation to pay their cash flows;
- The company must remit any cash flows it collects on behalf of potential recipients, without significant delays. In addition, the Company does not have the right to reinvest these cash flows, with the exception of investments in cash or cash equivalents for a short settlement period from the date of collection to the date of the necessary remittance to the eventual recipients, and the interest earned from such investments are transferred to eventual recipients.

A Transfer qualifies for derecognition, only if:

- The company has transferred substantially all the risks and rewards of its assets
- The company has neither transferred nor retained substantially all the risks and rewards of the assets, but it has transferred control over the asset.

f) Modifications

Sometimes, the Company rather intervenes with changes in the initial conditions regarding the loans/leasing contract, in response to the financial difficulties encountered by the borrower, but does not take possession or impose the collection of guarantees. The Company considers a restructured leasing/loan contract, 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 statement had been solid. Indicators of financial difficulties include non-payment or DPDs before changes. Such changes may involve the expansion of payment methods and the agreement of new loan conditions.

If the modification does not result in substantially different cash flows, as shown above, the modification does not result in derecognition. Based on the change in cash flows discounted at the initial effective interest rate (EIR), the Company records a gain or loss in interest income/expenses calculated by the effective interest method from the profit or loss statement, to the extent that an impairment loss was not already registered (Note 7). More information on modified financial assets and finance lease receivables is presented in the following section on depreciation.

As described in the section on "Derecognition due to substantial modification of the terms and conditions" if the modification is carried out for commercial reasons, then it is considered to result in the derecognition of the initial financial leasing / loan contract. Such changes include increasing the amount of the lease and increasing the duration of the leasing contract, which are agreed with the customers for commercial reasons (for example, the customers and the Company are both interested in substantially changing the scope of the leasing / loan transaction). Whenever such a modification agreement is reached, the old agreement and the respective claim are derecognized.

Treatment of non-substantial changes:

If the expectations regarding the cash flows of the fixed rate financial assets are revised for reasons other than credit risk, the changes related to the future contractual cash flows are updated to the initial EIR, with a consequent adjustment of the book value. The difference compared to the previous accounting value is recorded as a positive or negative adjustment of the accounting value of the financial asset in the statement of financial position with a corresponding increase or decrease in interest income/expenses calculated by the effective interest method.

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3. Summary of significant accounting policies (continued)

3.4 Financial assets (continued)

f) Changes (continued)

The accounting value of the financial asset or financial liability is adjusted, if the Company revises its estimates regarding payments or collections. If the modification of an asset or a financial liability measured at amortized cost does not result in derecognition, a gain/loss of the modification is calculated. The adjusted accounting value is calculated based on the initial effective interest rate, and the change in the accounting value is recorded as interest income or expense.

Changes in the asset's contractual cash flows are recognized in the statement of comprehensive income and any costs or charges incurred adjust the accounting value of the modified financial asset and are amortized over the remaining life of the modified instrument. Therefore, the initial EIR, determined at initial recognition, is revised upon modification to reflect any costs or charges incurred.

g) General presentation of the principles regarding expected credit losses (ECL)

The company recognizes the provision for expected credit losses for all loans and other financial assets that are not held at FVPL and financial leasing receivables (because due to the specificity of the leasing contract, the leasing receivable does not contain any unguaranteed residual value, the provisions of IFRS 9 apply to the total balance of the financial leasing claim). In this section, all referred to as "financial instruments".

If there has been no significant increase in credit risk since initial recognition, the ECL allowance is based on the 12-month expected credit loss (12 mECL), as shown below. If there has been a significant increase in credit risk since initial recognition, the ECL allowance is based on the credit losses expected to occur over the lifetime of the asset (lifetime expected credit loss or LTECL). The company's policies for determining whether there has been a significant increase in credit risk are outlined below.

The case of 12mECL is the portion of LTECLs that represent the ECLs resulting from the probability of non-repayment that is possible in the 12 months from the reporting date. Both LTECL and 12-month ECL are calculated either individually or collectively, depending on the nature of the related portfolio of financial instruments.

The company has established a policy to perform an assessment, at the end of each reporting period, of the credit risk of a financial instrument, to determine whether it has increased significantly since initial recognition, taking into account the change in the risk of default on the remaining life of the financial instrument. This is further explained in the section on Significant increase in credit risk.

Depreciation of receivables from financial leasing, loans and advances to customers

Definition of credit rating

The basic assets of the Company - receivables from financial leasing, loans and advances granted to clients - have an individual character, therefore they are classified by products (Receivables from financial leasing, Loans and advances granted to clients) for the collective calculation of ECL, which is mainly based on the number of days outstanding (DPD), the Company analyzes its portfolio of receivables from financial leasing, loans and advances to customers, dividing the receivables into categories depending on the product group, the outstanding days for each of them and the presence of the underlying guarantee (for pledged products). Financial leasing receivables and secured loans (vehicle secured loans) are combined due to the similar nature of the products.

The company continuously monitors all assets subject to ECLs. To determine whether an instrument or a portfolio of instruments is subject to 12-month ECL or LTECL, the Company evaluates whether there has been a significant increase in credit risk since initial recognition. When estimating the ECL on a collective basis for a company with similar assets, the Company applies the same principles to assess whether there has been a significant increase in credit risk since initial recognition in the country portfolios, based on the type of product - contract of leasing or loan.

The company divides receivables from financial leasing, loans and advances granted to clients into the following categories:

Finance lease receivables:

- 1) Non-persistent
- 2) Arrears up to 30 days
- 3) Arrears from 31 to 60 days
- 4) Arrears over 61 days
- 5) unsecured (general definition: more than 90 days passed or guarantees are not available, i.e. lost or sold).

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3. Summary of significant accounting policies (continued)

3.4 Financial assets (continued)

g) General presentation of the principles regarding expected credit losses (ECL), (continued)

Loans and advances to customers:

- 1) Non-persistent
- 2) Arrears up to 30 days
- 3) Arrears from 31 to 60 days
- 4) Arrears over 61 days

Based on the above process, the Company classifies leases and loans into Stage 1, Stage 2 and Stage 3, as described below:

• **Stage 1** : When the loans/leasing contracts are recognized for the first time, the Company recognizes a provision based on ECL for 12 months. The company considers lease contracts that are current or with an arrears of up to 30 days as being in Stage 1.

An observation period of 2 months applies before an exposure, previously classified as Stage 2, can be transferred to Stage 1 and such an exposure must meet the general DPD Stage 1 criteria above. The concept of the observation period does not apply to unsecured loans. Exposures are no longer classified in Stage 1, if they no longer meet the above criteria.

• **Stage 2** : When a loan/leasing contract has shown a significant increase in credit risk since initiation, the Company records a provision for LTECL. In general, the Company considers leasing/loan contracts that have an overdue status of 31 - 60 days as being in Stage 2. Also, the unsecured loan is considered in Stage 2 if the DPD is in the range of 31 - 60 days. Leasing exposures remain in Stage 2 for an observation period of 2 months, even if they would otherwise meet the criteria from Stage 1 above for this period.

• **Stage 3** : Leasing and loan contracts considered impaired as a result of credit risk and not honored. The company records a provision for LTECL.

The Company considers the finance lease/loan in default and therefore in all cases where the borrower has a DPD of 61 days on its contractual payments or the contract is terminated, it is classified as Stage 3. The exposures remain in Stage 3 for a period of observation for 1 month, even if he would otherwise fulfill the criteria of stage 2 above during this period.

Due to the nature of the Company's credit exposures, there is no qualitative assessment of whether a client is unable to pay, and the main focus is on the above criteria.

Temporary debt restructuring (TDR) and restructuring

The first years of this decade were imposed by a particularly unstable period in the history of mankind. The return to a "new normal" following the COVID-19 pandemic was quickly disrupted by the outbreak of war in Ukraine, leading to a new wave of food and energy crises. Moldova faced "older" risks such as inflation, cost of living crises, widespread social unrest, geopolitical confrontation that negatively affected the Group's operations and caused an increase in credit risk.

Analyzing and evaluating such non-standard situations from the past, the management decided to keep active the customer support option introduced during the Covid-19 pandemic, the so-called TDR (temporary debt restructuring) program, which implies the forgiveness of late penalties if the customer pays the outstanding debt and/or agrees to return to regular payments.

The TDR program consists of 2 main products:

Extension - is a paid vacation for one month (or several months). The client pays the extension fee and returns to the initial program in the next few months. The extension fee paid is an indication that the customer is willing to cooperate, and the Company expects the customer to return to the previous payment discipline under normal circumstances. The classification in such cases for Stages is based on DPD.

Restructuring - permanent modification of the payment schedule. Classification for Stages is based on DPD.

Extension and Restructuring (subsequent modification of the initial payment schedule) is almost the only feasible solution to reduce the financial burden on clients, given the circumstances, thus the fact that tolerance as such does not lead to the recognition of SICR if the client pays according to the new terms and returns later at the initial schedule or close to it.

Following the crisis situation Group's management might decide to activate TDR program for certain market for defined period (from 3 to 6 months). In mentioned situation – cases where the Group has sound grounds to expect customer to return to the regular discipline not longer than in 12-month time should not be classified as SICR even if customer has been granted forbearance tool.

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3. Summary of significant accounting policies (continued)

3.4 Financial assets (continued)

g) General presentation of the principles regarding expected credit losses (ECL), (continued)

TDR is granted upon customer's request. Customer is on TDR program if he complies with agreed terms. If terms are breached customer returns to the original schedule and his credit risk is assessed as per actual DPD

During 2023, the TDR program was active, but zero implementation cases were registered.

Due to the unstable situation generated by the conflict in Ukraine and the uncertain evolution of the crises, it was decided to maintain the validity of the TDR program option until December 2024.

ECL calculation

The company calculates the ECL based on probability-weighted scenarios to evaluate the expected cash deficits, updated with an approximation to the EIR. A cash shortfall is the difference between the cash flows owed to the Company, in accordance with the contract, and the cash flows that the Company expects to obtain.

The key elements are as follows:

- PD - The probability of non-payment is an estimate of the probability of non-fulfillment of obligations during the 12-month period or during life (the time horizon depends on the type of ECL - ie 12mECL or LTECL). The default distribution vector (DDV) is the estimate of the time until default, more precisely it ensures the distribution of PD during a period of 12 months or for life.
- EAD Default exposure is an estimate of default exposure at a future date, taking into account expected changes in exposure after the reporting date, including repayments, whether contractually scheduled or otherwise.
- LGD Loss given default is an estimate of losses incurred in case of default at a certain date. This is based on the difference between the contractual cash flows due and those that the creditor would expect to receive, including from the realization of any guarantee. It is usually expressed as a percentage of EAD.
- The maximum period for which credit losses are determined is the average remaining contractual life of a financial instrument.
- Macroeconomic factors

The company can choose to use the actual balance instead of EAD and not apply DDV for segments with high credit risk

The company uses a multiplication model on all stages for the ECL calculation:

$$ECL = EAD * PD * LGD * [DDV]$$

Considering that DDV is a multidimensional vector (generally 12 or 13 dimensions, but can be shorter if representative historical data for a shorter period is available) it is aggregated into a single value before multiplication - [DDV]. The aggregate DDV value is obtained as follows:

- each DDV value is multiplied by the reduction factor;
- the reduction factor is calculated regularly (for example, the NPV formula), where the update is calculated on the EIR of the portfolio and the number of periods corresponds to the size of the respective DDV value;
- [DDV] is the sum of all the respective multipliers of the DDV values with the respective reduction factors.

Depending on the Stage, the following specific steps are applied to the general ECL model:

- **Stage 1** : the probability of default over 12 months is calculated. The company calculates an adjustment for expected losses using the probability of impairment in the next 12 months (or shorter if the product life is less than 12 months or if there is historical data representative of a shorter period) and the vector of impairment distribution on the 12-month horizon. These 12-month default probabilities are applied to an estimated default exposure and multiplied by the expected LGD and REDUCED with an approximation of the initial effective interest rate using the depreciation distribution vector, thus incorporating the time for depreciation into the model.
- **Stage 2** : When a loan has shown a significant increase in credit risk since initial recognition, the Company records an adjustment for expected losses for the life of the loan. The mechanism is the one explained above, but the probability of depreciation and the distribution vector of the depreciation are estimated during the lifetime of the instrument. Expected cash shortfalls are updated by an approximation to the original EIR using DDV.

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3. Summary of significant accounting policies (continued)

3.4 Financial assets (continued)

g) General presentation of the principles regarding expected credit losses (ECL), (continued)

- **Stage 3** : For loans considered impaired, the Company recognizes expected credit losses over the lifetime of these loans. The method is similar to that of assets in stage 2, the probability of depreciation being set at 100%.

Cancellation of bad debts

The company considers any kind of debt completely irrecoverable and writes off the debt from the balance sheet in its entirety, if all legal actions have been carried out to recover the debt and the debt is considered irrecoverable by the respective court.

3.5 Financial liabilities

a) Initial recognition and evaluation

Financial liabilities are classified, at the stage of initial recognition, as financial liabilities at fair value through profit or loss, or liabilities at amortized cost, as the case may be.

All financial liabilities are initially recognized at fair value and, in the case of credits, loans and debts, minus directly attributable transaction costs. The Company's financial liabilities include trade and other debts, credits and loans.

b) Subsequent evaluation

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

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

A financial debt is classified at FVTPL if it is classified as held for trading, is a derivative instrument or is designated as such upon initial recognition. Net gains or losses, including any interest expense, for the debts held at FVTPL are recognized in the profit and loss account.

The company does not hold any financial debt as fair value through profit or loss.

- **Financial liabilities at amortized cost (Borrowings and loans)**

This is the most relevant category for the Company. After initial recognition, interest-bearing loans and credits are subsequently valued at amortized cost using the effective interest method. Gains and losses are recognized in the statement of comprehensive income when debts are derecognized, as well as through the amortization of the effective interest.

The amortized cost is calculated taking into account any discount or purchase premium and commissions or costs that are an integral part of the effective interest. The amortization of the effective interest is included in financial costs in the statement of the comprehensive income.

This category generally applies to interest-bearing borrowings and loans.

c) Modification of financial debts

In the case of financial debts, the Company considers a change to be significant based on qualitative factors (interest rate, contract term) and if this results in a difference between the updated present value and the initial accounting value of the financial debt in the amount of or greater than ten to hundred. If the change is significant, then a derecognition gain or loss is recorded. If the modification does not generate substantially different cash flows, the modification does not result in derecognition.

d) Addressing insignificant changes

If the cash flow estimates related to fixed-rate financial liabilities are revised, then changes to future contractual cash flows are updated at the initial effective interest rate, with a corresponding adjustment to the book value. The difference compared to the previous accounting value is recorded as a positive or negative adjustment of the accounting value of the financial debt in the statement of financial position with a corresponding increase or decrease in income / expenses from interests calculated using the effective interest method.

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3. Summary of significant accounting policies (continued)

3.5 Financial liabilities (continued)

e) Derecognition

A financial debt is derecognized when the obligation related to the debt is paid, canceled or expires. When an existing financial debt is replaced by another from the same creditor, in substantially different terms, or the terms of an existing debt are significantly modified, such exchange or modification is treated as derecognition of the original debt and recognition of a new debt. The difference between the respective accounting values is recognized in the global result statement.

The company considers a change to be significant based on qualitative factors, and if this results in a difference between the updated present value and the initial accounting value of the financial debt in the amount of ten percent or more.

3.6 Credits and loans

All credits, loans and financing attracted through peer-to-peer lending platforms are initially recognized at cost, being the fair value of the consideration received minus the issuance costs related to the loan.

After initial recognition, credits, loans and financing attracted through Peer-to-Peer platforms are subsequently valued at amortized cost using the effective interest rate method.

The amortized cost is calculated taking into account any issue costs and any discount or premium at the time of settlement. Gains and losses are recognized in the statement of comprehensive income as interest income / expenses when the liabilities are not recognized through the amortization process.

3.7 Clearing of financial instruments

Financial assets and financial liabilities are offset, and the net value is reported in the statement of financial position if there is a legal enforceable right at this time to offset the amounts recognized and there is an intention to settle them on a net basis, to realize the assets and settle the liabilities simultaneous.

3.8 Provisions for financial guarantees and Other reserves

If a contract corresponds to the definition of a financial guarantee contract, the Company, as the issuer, applies the specific accounting and valuation requirements provided by IFRS 9. These valuation requirements of IFRS 9 are applied to all guarantee contracts, including the guarantees issued between entities under common control, as well as guarantees issued by a subsidiary on behalf of a parent entity. If the guarantee is issued for the Company's shareholders in their capacity as owners, the Company treats such transactions as an increase in Provisions for financial guarantees and an equal decrease in equity (as distribution of equity). The reduction of equity as a result of the issuance of financial guarantees for the parent company is recognized in Other reserves.

Financial guarantees are initially recognized at fair value. Subsequently, with the exception of the case in which the financial guarantee contract is initially designated as at fair value through comprehensive income, the Company's liability under each guarantee is valued at the highest value initially recognized minus the cumulative depreciation recognized in the statement of comprehensive income and the provisions for the loss of expected credit determined in accordance with IFRS 9 (as stipulated in Note 3). Amortization is recognized in the statement of the comprehensive income under the heading "Other operating income" in a straight-line manner during the warranty period.

Financial guarantees are derecognized if the terms of the guarantee are significantly modified. Changing the warranty limit is treated as a denial. In this case, the initial guarantee is derecognized and a new guarantee is recognized at fair value. The change in fair value is recognized as a decrease or increase in Provisions for financial guarantees and an equal decrease or increase in Other reserves. Other reserves are transferred to the profits obtained upon the repayment of the obligations within the financial guarantee.

3.9 Financial leasing - Company as lessor

Financial leasing contracts, which generally transfer all the risks and benefits related to ownership of the assets, are recognized as assets at amounts equal to the net investment in the lease at the beginning of the lease. The financial income is allocated over a period of time in accordance with the term of the lease to produce a constant return on the net leasing investments in the balance.

Financial leasing receivables are recognized and measured according to the provisions of IFRS16. The provisions of IFRS9 apply to the following situations:

- (1) derecognition,
- (2) requirements regarding "expected credit loss",
- (3) the relevant provisions that apply to derivative instruments incorporated in leasing.

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3. Summary of significant accounting policies (continued)

3.9 Financial leasing - Company as lessor (continued)

The company is engaged in financial leasing transactions by selling vehicles to its customers through financial leasing contracts.

When concluding a contract, the Company evaluates whether the contract is or contains a leasing contract. The starting date of the leasing contract is the first between the date of the rental contract and the date of the commitment of the parties to the main provisions of the leasing contract. From this date:

- a leasing contract is classified as a financial leasing contract; and
- the amounts to be recognized at the beginning of the lease term are determined.

The beginning of the lease is the date from which the lessee has the right to exercise the right to use the leased asset. It is the date of the initial recognition of the rental contract (that is, the recognition of assets, liabilities, income or expenses resulting from the rental contract, as the case may be).

A lease is classified as a finance lease at the inception of the lease if it transfers substantially all the risks and rewards of ownership. The beginning of the rental contract is the first between the date of the rental contract and the date of the commitment of the parties to the main provisions of the rental contract. From this date:

- the leasing contract transfers ownership of the asset to the lessee at the end of the leasing period;
- the lessee has the option to purchase the asset at a price that is expected to be sufficiently low compared to the fair value on the date the option becomes exercisable, so that, at the beginning of the leasing contract, it is sufficiently certain that the option will be exercised;
- the duration of the leasing contract is for most of the economic life of the asset, even if the ownership is not transferred;
- at the beginning of the leasing contract, the updated value of the minimum leasing payments is at least substantially equal to the fair value of the leased asset.
- the leasing assets are of a specialized nature, so that only the lessee can use them without making major changes.

Other indicators that, individually or in combination, would also lead to the classification of a leasing contract as a financial leasing contract are:

- the lessee can cancel the rental contract, the lessor's losses associated with the cancellation are borne by the lessee;
- the gains or losses from the fluctuation of the fair value of the residual value are transferred to the lessee.
- the lessee has the ability to continue the lease for a later period at a rent that is substantially lower than the market rent.

a) Initial assessment

At the beginning of the lease, the Company records a financial leasing contract, as follows:

- derecognizes the accounting value of the underlying asset;
- recognizes the net investment in leasing;
- recognizes, in profit or loss, any profit from the sale or loss from the sale

At the beginning of the financial leasing contract, the Company records the net investment in leasing contracts, which consists of the sum of the minimum lease payments to be received by the lessor and the gross investment reduced by the income from the uncollected leasing interest. The difference between the gross investment and its discounted value is recorded as uncollected financial leasing income. Initial direct costs, such as customer commissions and commissions paid by the Company to automobile dealers, are included in the initial valuation of lease receivables. Calculations are made using the effective interest method.

Advance payments and other payments received from customers are normally recorded in the statement of financial position upon receipt and settled in relation to the financial leasing contract of the respective customer at the time of issuing the next monthly invoice in accordance with the payment schedule.

b) Subsequent evaluation

Revenues from financial leasing consist of the amortization of uncollected financial leasing revenues. Financial leasing revenues are recognized based on a model that reflects a constant periodic rate of return on the net investment depending on the effective interest rate regarding financial leasing.

The company recognizes income from variable payments that are not included in the net investment (e.g. variable payments based on performance, such as penalties or income from debt collection) separately in the period in which the income is obtained, under the line "Income from taxes and commissions" in accordance with IFRS 15.

The company applies the derecognition and depreciation requirements of IFRS 9 on the net investment in leasing.

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3. Summary of significant accounting policies (continued)

3.10 Operational leasing – The company as lessor

Leasing in which the Company does not transfer substantially all the risks and benefits of ownership over an asset are classified as operational leasing. Rental income is accounted for on a straight-line basis under the terms of the rental contract and is included in the income from the profit and loss account. The initial direct costs incurred in the negotiation and conclusion of an operational leasing contract are added to the accounting value of the leased asset and recognized during the lease term on the same basis as the rental income. Contingent rents are recognized as income in the period in which they are earned.

The company is not engaged in operational leasing as a Lessor.

3.11 Operational leasing – Company as lessee

a) Leasing debt

Initial recognition

At the start date of the leasing contract, the Company evaluates the leasing debt at the present value of the lease payments that are not paid on that date in accordance with the lease term. Leasing payments included in the assessment of the leasing debt include:

- fixed payments (including fixed payments in the fund), minus any leasing incentives to be received;
- variable leasing payments that depend on an index or a rate, initially evaluated on the basis of the index or the rate from the start date;
- the expected amounts owed by the lessee based on guarantees related to the residual value;
- the exercise price of a purchase option if the lessee has reasonable certainty that he will exercise the option; and
- payments of the penalties for termination of the leasing contract, if the duration of the leasing contract reflects the exercise by the lessee of an option to terminate the leasing contract.

The company has chosen for all asset classes not to separate components other than leasing from the leasing components in the leasing payments. Instead, the Company accounts for each leasing component and any other components than the leasing ones as a single leasing component. Lease payments are updated using the interest rate implicit in the lease contract, if this rate can be easily determined. If this rate cannot be easily determined, the Company uses the incremental loan rate for similar contracts.

The term of the leasing contract is the irrevocable period for which the Company has the right to use the underlying asset, together with:

- a) the periods covered by an option to extend the leasing contract if the lessee has reasonable certainty that he will exercise that option; and
- b) the periods covered by an option to terminate the leasing contract if the lessee has reasonable certainty that he will not exercise that option.

At the start of leasing, the Company estimates whether it has reasonable certainty that it will exercise the option to extend the leasing contract or that it will acquire the underlying asset or that it will not exercise the option to terminate the leasing contract.

Subsequent evaluation

After the start date, the Company evaluates the leasing debt by:

- increasing the accounting value to reflect the interest related to the leasing debt;
- reducing the book value to reflect the lease payments made; and
- revaluation of the carrying amount to reflect any revaluation or specified lease changes, or to reflect substantially revised fixed lease payments.

b) Assets related to the right of use

Initial recognition

At the start date of the lease contract, the Company recognizes the right-of-use asset at cost. The cost of a right-of-use asset includes:

- the amount of the initial assessment of the leasing debt;
- any lease payments made on or before the contract start date, minus any lease incentives received;
- any initial direct costs borne by the Company; and
- an estimate of the costs that the Company must bear for the dismantling and removal of the supporting asset, the restoration of the territory on which it is located or the restoration of the supporting asset up to the conditions provided by the terms and conditions of the leasing contract, with the exception of the case where these costs are to generate inventories.

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3. Summary of significant accounting policies (continued)

3.11 Operating lease – Company as lessee (continued)

b) Assets related to the right of use (continued)

Subsequent evaluation

The company values the right-of-use asset at cost, less any accumulated depreciation and any accumulated impairment losses; and adjusted according to any revaluations of the debt arising from the leasing contract. Depreciation of the right-of-use asset is recognized on a straight-line basis in profit or loss.

The Company's approach to the supporting asset before the start date of the leasing contract:

If a Company incurs costs related to the construction or design of a supporting asset, the lessee accounts for those costs applying other IFRS, such as IAS16. The costs related to the construction or design of a supporting asset do not include the payments made by the lessee for the right to use the supporting asset.

The company applies IAS36 to determine whether the right-of-use asset is impaired and to account for any identified impairment loss.

Initial recognition exceptions applied

As an exception to recognition, the Company chooses not to apply the requirements for recognizing the right-of-use asset and the leasing liability for:

- (a) Short-term leasing contract - for all classes of supporting assets; and
- (b) Leasing contracts of low-value assets - on each separate lease contract.

In the case of leasing that qualifies as short-term leasing and/or leasing of low-value assets, the Company does not recognize any leasing debt or asset related to the right of use. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the term of the lease.

(a) Short-term leasing contract

A short-term leasing contract is a leasing contract which, at the start date, has a term of 12 months or less. A leasing contract that contains a purchase option is not a short-term leasing contract. This leasing exception applies to all classes of underlying assets.

(b) Leasing contracts of low value assets

The Company defines a low-value asset as one that:

- 1) has a value, in new condition, of EUR 5,000 or less. The company evaluates the value of a supporting asset based on the value of the asset in new condition, regardless of the age of the asset offered for leasing.
- 2) The Company may benefit from the use of separate assets or together with other resources that are available to the Company; and
- 3) the supporting asset can be used separately from other assets

c) Sale and leaseback transactions

The company is also engaged in financing vehicles already owned by customers. In these leasing transactions, the Company acquires the underlying asset and then leases it to the same customer. The vehicle serves as a guarantee to secure all rental contracts. The Company applies the requirements to determine when a performance obligation is satisfied under IFRS 15 to determine whether the transfer of an asset is accounted for as a sale of that asset. If the transfer of an asset by the seller-lessee does not meet the requirements of IFRS 15 to be accounted for as a sale of the asset, the buyer's lessee will not recognize the transferred asset and will recognize a financial asset equal to the proceeds from the transfer. It will account for the financial asset as loans and advances to customers by applying IFRS 9.

The company performed the SPPI test for its sale and leaseback agreements. The vehicle serves as collateral to secure all these loans. Sale and leaseback agreements include contractual terms that may vary the contractual cash flows in a way that is not related to an underlying credit agreement. Such cash flows occur in the case of default of the debtors and are related to the sales of returned vehicles for which any excess earnings may be retained by the Company and commissions and other fees charged to the customer that are not directly related to the principal / interest (for example , external debt recovery costs that are charged to customers with marking). Other relevant contractual elements for SPPI evaluation include options to buy back the leased assets, if the value of the option is below the market value of the car at the time of exercise and significant termination penalties for certain contracts.

**NOTES TO THE FINANCIAL STATEMENTS
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(All amounts are indicated in MDL, except when it is mentioned otherwise)

3. Summary of significant accounting policies (continued)

3.11 Operating lease – Company as lessee (continued)

c) Sale and leaseback transactions (continued)

The company made relevant assessments and concluded that the SPPI test is met in all the above circumstances, as:

- 1) the repossession fees and commissions charged by the Company are intended to cover the costs incurred by the Company in the debt servicing process according to the crediting model;
- 2) the fact that, in certain circumstances, the Company maintains proceeds from the sale of the repossessed car, in excess of the recovered exposure (if applicable) is not proof that the risk assumed by the Company is actually the price risk of the car and not the credit risk. The company is able to sell the guarantee and keep any surplus only in case of non-payment, and the occasional profits from the transaction are only a tool to minimize credit losses;
- 3) the termination penalties for non-recoverable sales and leaseback transactions charged to customers are also contractual elements intended to compensate for credit risk and do not result in any significant gains for the Company.

3.12 Cash and cash equivalents

Cash includes cash in bank accounts.

3.13 Assets held for sale

The company classifies fixed assets as held for sale if their book value is to be recovered through a sale transaction, rather than through their continued use.

Until December 31, 2021, the Company recognized assets held for the sale of vehicles obtained through forced recovery, in case the customers do not fulfill their obligations related to the existing leasing contracts. Such recovered pledges were classified as held for sale and valued at the lower of book value and fair value, minus selling costs. Selling costs are the additional costs, directly attributable to the sale of an asset, with the exception of financial costs and income tax expenses.

The criteria for classification as 'held for sale' are considered to be met only when the sale is highly probable and the asset is available for immediate sale in its current condition. The actions necessary to complete the sale should indicate that it is unlikely to make significant changes to the sale transaction or to withdraw the sale decision. Management must undertake the plan to sell the asset, and the sale must be expected to be completed within one year from the date of classification.

Assets classified as "held for sale" were presented separately as current items in the statement of financial position.

Starting with the year 2022, forcibly recovered pledges are no longer classified as "assets held for sale" and are not presented separately in the statement of financial position.

3.14 Reserves for vacation pay

The reserve for the payment of holidays is calculated based on the requirements of the legislation of the Republic of Moldova.

3.15 Other investments

a) Transactions with Peer-to-Peer platforms

General information

The parent company and the branch, as loan originators, signed cooperation agreements with the operator of a Peer-to-Peer internet investment platform. The given cooperation agreements are in force until the parties agree to terminate them. The purpose of the cooperation agreement for the Company is to attract financing through the Peer-to-Peer platform.

The Peer-to-Peer platform allows individual and corporate investors to obtain cash flows with fully proportional interest and the main cash flows from debt instruments (financial leasing receivables or loans and advances to customers) issued by the Company in exchange for an advance payment. These rights are established by assignment agreements between investors and the Peer-to-Peer platform, which acts as an agent on behalf of the Company. Assignment agreements are of two types:

- 1) Agreements with recourse rights that require the Company to guarantee the full reimbursement of the funds invested by the investor in case of non-fulfillment of payment obligations by the Company's client (repurchase guarantee);
- 2) Agreements without recourse rights that do not require the Company to guarantee the reimbursement of the funds invested by the investor in case of non-fulfillment of the payment obligations by the Company's client (without guarantee of redemption).

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3. Summary of significant accounting policies (continued)

3.15 Other investments (continued)

a) Transactions with Peer-to-Peer platforms (continued)

In April 2022, the Company redeemed all the contracts related to the Agreement without redemption guarantee and this agreement was terminated.

The company retains legal title to its debt instruments (including collection of payments), but transfers part of the equity and interest to investors through the Peer-to-Peer platform.

b) Claims and payments from/to the Peer-to-Peer platform

The Peer-to-Peer platform acts as an agent in the transfer of cash flows between the company and investors. The receivable for the financing attracted from investors through the Peer-to-Peer platform corresponds to the payments due to the Peer-to-Peer platform.

The receivable results from placements made through the Peer-to-Peer platform where the related investment is not yet transferred to the Company (Note 22).

The fees of the Peer-to-Peer platform and the service fees borne by the Company are fees charged by the Peer-to-Peer platform for servicing the financing attracted through the Peer-to-Peer platform and are presented in Note 8.

c) Funding attracted through the Peer-to-Peer platform

Obligations arising from assignments with or without recourse rights are initially recognized at cost, which is the fair value of the consideration received from investors, without the issuance costs associated with the loan.

Commitments to investors are recognized in the statement of financial position in the chapter Financing attracted through the Peer-to-Peer platform (Note 23) and are treated as loans received.

After the initial recognition, the Funding raised through the Peer-to-Peer platform is subsequently valued at amortized cost using the effective interest rate method. The amortized cost is calculated taking into account any issue costs and any discount or settlement premium.

The Company must return to the investor the proportional share of the financing attracted for each debt instrument, in accordance with the term indicated in the individual agreement with the Company's client, which can be up to 72 months.

d) Attributions with appeal rights (redemption guarantee)

Assignments with recourse rights provide for direct recourse to the Company.

Therefore, the Company's respective debt instruments do not qualify to be considered for partial derecognition and the interest expenses paid to investors are presented in gross value under Interest income calculated using the effective interest method.

e) Attributions without appeal rights (without redemption guarantee)

Non-recourse attributions are agreements that transfer substantially all the risks and rewards of ownership to the investors, equal to a fully proportional share of the cash flows to be received from the Company's debt instruments. Therefore, these arrangements are classified as transfer agreements in accordance with IFRS 9.

The fully proportional share, equal to the investor's claim in connection with the related debt instrument, is derecognized.

3.16 Reserves

Other reserves are used to record the effect of transactions with owners in their capacity as owners and include financial guarantees given by the Company.

**NOTES TO THE FINANCIAL STATEMENTS
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3. Summary of significant accounting policies (continued)

3.17 Provisions

Provisions are recognized when the Company has a present obligation (legal or implied) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to fulfill the obligation and a reliable estimate of the amount of the obligation can be made. If the Company's provisions are expected to be partially or fully reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is practically certain. The expenses related to any provision are presented in the Statement of profit or loss, net of any reimbursement. If the effect of the time value of money is significant, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, specific debt risks. If discounting is used, the increase in provisions due to the passage of time is recognized as a borrowing cost.

3.18 Contingent Liabilities

Contingent liabilities are not recognized in the financial statements. They are disclosed, except in the case where an outflow of resources is possible that includes economic benefits. A contingent asset is not recognized in the financial statements, but disclosed when a flow of economic benefits is probable.

3.19 Income and expenses

Expenses are recognized when they are incurred. Expenses are recognized without value added tax. In certain situations, the value added tax incurred for a service received or calculated in accordance with the requirements of the legislation cannot be fully recovered from the fiscal authority. In such cases, the value added tax is recognized as part of the item related to the corresponding expenses, as the case may be.

Revenues are recognized in accordance with the requirements of the related standard and to the extent that there is a probability of receiving the economic benefits by the Company and the possibility of evaluating the revenues reliably.

Effective interest rate method

Interest income or expenses using the amortized cost method are recorded at the effective interest rate, which is the rate that exactly updates the future cash payments or receipts over the expected duration of the financial instrument to the net book value of the financial asset or financial liability. The calculation takes into account all the contractual terms of the financial instrument and includes any commissions or additional costs that are directly attributable to the instrument and constitute an integral part of the effective interest rate, but not future credit losses.

When a financial asset depreciates and is classified in "Stage 3", the Company calculates interest income by applying the effective interest rate to the net amortized cost of the financial asset. If the financial asset is restored and is no longer considered depreciated, the Company reverts to calculating interest income on a gross basis.

Income from the assignment of bad debts

The gain or loss from the sale of bad debts from financial leasing and loans and advances to customers is presented on a net basis under "Net gain/loss from the derecognition of financial assets valued at amortized cost". Gains or losses resulting from assignment transactions are recognized in the statement of comprehensive income on the date of the transaction as the difference between the receipts received and the accounting value of the derecognized leasing/loan receivables assigned through assignment contracts.

3.20 Expenses related to raising financing

The expenses related to attracting funding consist of the administration fee for using the Peer-to-peer platform. The expenses are charged monthly and recognized in the statement of comprehensive income of the Company at the time of their occurrence.

3.21 Revenues and expenses from contracts with clients

The revenues obtained from the contracts with the customers that come under the incidence of IFRS 15 include goods or services sold as a result of the Company's ordinary activities. The company uses the following criteria to identify contracts with clients:

- the contracting parties have approved the contract (in writing, orally or in accordance with other usual commercial practices) and undertake to fulfill their respective obligations;
- the rights of each party regarding the goods or services to be transferred can be identified;
- the payment conditions for the goods or services to be transferred can be identified;
- the contract is of a commercial nature (that is, the risk, term or value of the Company's future cash flows are expected to change, as a result of the contract)
- it is likely that the Company will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the client.

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3. Summary of significant accounting policies (continued)

3.21 Revenues and expenses from contracts with customers (continued)

Performance obligations are promises in contracts (expressly or implicitly) with the Company's clients to transfer distinct goods or services to the clients. The promised goods or services represent separate performance obligations if the goods or services are distinct. A promised good or service is considered distinct if the customer can benefit from the good or service separately or with other readily available resources (that is, individually distinct), and the good or service is identified separately from other promises in the contract (distinct within the context of the contract). Both criteria must be met to conclude that the good or service is distinct.

The company examines whether there are other promises in the contract that represent separate performance obligations to which a part of the transaction price must be allocated. In determining the transaction price, the Company takes into account the effects of variable payments, the existence of significant financing components, non-cash payments and payments owed to the client (if any).

The company recognizes revenues when (or once) they correspond to a performance obligation to transfer a promised good or service to the client. Revenues are recognized when the customer obtains control over the respective good or service. Revenue from contracts with customers is recognized when control of the goods or services is transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services.

Revenues from satisfied performance obligations are recognized over time, if one of the following criteria is met:

- the client simultaneously receives and consumes the benefits;
- the customer controls the asset as it is created or improved;
- the Company's performance creates an asset and is entitled to payment for the completed performance.

The terms of payment for goods or services transferred to customers according to the contractual conditions are within 45 to 60 days from the provision of services or the sale of goods. The price of the transaction is, in general, determined by the conditions agreed by the contract. Invoices are usually issued after the goods have been sold or services rendered.

In 2023 and 2022, the Company did not conclude contracts with rights of return, financing components, non-cash consideration or consideration payable to the customer.

The Company has generally concluded that it is itself the primary party to revenue arrangements, except for debt collection activities and agency services below, because it normally controls the goods or services before transferring them to the customer.

When another party is involved in the provision of goods or services to the Company's customers, the Company considers this to be the principal party, if it obtains control over any of the following:

- a) a good or other asset from the other party, which he then transfers to the client.
- b) a right to a service that must be performed by the other party, which gives the Company the opportunity to direct that party to provide the service to the client on behalf of the Company .
- c) a good or service from the other party which he then combines with other goods or services to provide the customer with the specified good or service.

3.22 Income from fees and commissions

Revenues from debt collection and penalty activities are recognized in the statement of comprehensive income only when the actual payment for the services rendered is received.

Revenues from penalties arise when customers violate the contractual conditions related to financial leasing receivables and liabilities and advances granted to customers, such as exceeding the payment date. In these situations, the Company has the right to charge customers in accordance with the terms of the agreement. The company recognizes income from penalties when the cash is received, because the probability and timing of the settlement are uncertain. If the customers do not pay the penalty amount, the Company has the right to initiate the recovery of the pledge.

Revenue from debt collection activities usually arises when customers are late in making their due payments. As a lessor, the Company has the right to protection within the leasing contracts with the clients, which requires the clients to preserve and maintain the condition of the vehicle, because it serves as insurance for the leasing contract. The company's income includes a compensation of the internal and external costs incurred by the company in connection with debt management, legal fees, as well as the recovery of the vehicle in case of termination of the leasing contract, which are charged from the customers in accordance with the terms of the leasing contract.

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3. Summary of significant accounting policies (continued)

3.22 Income from fees and commissions (continued)

Revenue from debt collection is recognized on a net (agent) basis, as these amounts are collected from clients in accordance with contractual terms, and the Company does not control these services before they are transferred to a client. The performance obligation is fulfilled when the respective service has been provided.

3.23 Income Tax

The profit tax includes the current and deferred tax. The current profit tax was applied at a legal rate of 12%. The same rate of 12% was applied for the withheld tax.

3.24 Receivables and debts related to the withheld tax

Withheld tax is calculated using the balance sheet method for all temporary differences that occur between the tax bases of assets and liabilities and their accounting value. Receivables and liabilities with deferred tax are assessed at the tax rates that are expected to apply to the period in which the asset is realized or when the debt is settled, based on the tax rates that have been substantially adopted up to the balance sheet date. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available for deductible temporary differences. Deferred tax receivables are reviewed at each reporting date and are reduced to the extent that it is no longer likely that the related tax benefit will be realized.

3.25. Distribution of dividends

The distribution of dividends to the Company's shareholders is recognized as a debt based on the decision approved by the shareholders.

3.26 Related Parties

The parties are considered affiliated when one party has the possibility to control the other party or has a significant influence on the other party in making financial and operational decisions. The affiliated parties of the Company are the shareholders who could control or have a significant influence on the Company in accepting operating decisions, the management staff of the Company, including the members of the supervisory body - the Audit Committee and the close family members of any of the persons mentioned above, as well as entities over which these persons have significant control or influence, including subsidiaries and associates.

3.27 Subsequent Events

The events after the end of the period, which provide additional information about the position of the Company at the date of the financial position situation (adjustment events) are reflected in the financial statements. Events after the end of the period that are not adjusting events are disclosed in the notes, if they are significant.

4. Use of significant estimates and judgments

The preparation of financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and the disclosure of contingents. The significant areas of estimation used in the preparation of the financial statements refer to the assessment of impairment, the fair value of financial guarantees, the assessment of the fair value of recovered guarantees and the lease term and the determination of the incremental loan rate in accordance with IFRS 16. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimated.

In the process of applying the Company's accounting policies, the management made the following estimates and judgments that have a significant effect on the amounts recognized in the financial statements:

The principle of continuity of activity

These financial statements are drawn up on the basis of the going concern principle. In light of the events related to Covid-19, the Company's management assessed the impact of the coronavirus outbreak on the Company's ability to comply with the principle of business continuity.

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4. Use of significant estimates and judgments (continued)

The company controls its liquidity by managing the amount of financing it attracts through the Mintos P2P platform and other sources. The Mintos P2P platform offers management greater flexibility to manage the level of loans and available cash balances. Despite the current uncertainty in the global economy, the value of loans financed through Mintos has remained stable, demonstrating that investors trust Mogo as a stable company and continue to invest in Mogo loans.

In the management's opinion, the above factors and the measures taken support the statement that the Company will have sufficient resources to continue for a period of at least 12 months from the reporting date and that there are no material uncertainties related to events or conditions that could generate significant doubts about the Company's ability to continue as a going concern.

The management cannot however exclude the possibility that the prolonged blocking periods, an escalation of the severity of such measures or a consequent negative impact of these measures on the economic environment in which the Company operates will not have a negative effect on the Company and on the operational position and results, in the medium and long term. The Company's management continues to closely monitor the identified risks and will respond accordingly to mitigate the impact of such events and circumstances as they arise.

Impairment of financial assets

The assessment of impairment losses in accordance with IFRS 9 for all categories of financial assets in the scope of application requires judgment, in particular, the estimation of the value and timing of future cash flows and the values of guarantees when determining impairment losses and assessing an increase significant credit risk. These estimates are determined by a number of factors, changes that can lead to different levels of odds. The Company's ECL calculations are the result of complex models with a series of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgments and estimates include the probability of default and default date loss, the judgment is also applied when the significant increase in credit risk is determined.

Probability of Default (PD)

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

To estimate PD, the Company uses the Markov chain methodology. This methodology involves a statistical analysis of historical transitions between delinquent debts in order to estimate the probability that the loan will eventually reach the state of default.

The Company uses a continuous transition period of 12 months (or less if the actual life of the product is shorter or if historical data representative of a shorter period is available), and the lifetime estimate has been defined as "n"-th power of the 12-month matrix (n-depends on the estimated lifetime, for example, if the lifetime is 36 months, then $n = 3$).

The exposures are grouped in groups depending on (DPD) the due dates for loans/leasing.

The company uses the transition period of 6 months (continuous horizon) and the lifetime estimate is defined as the "n" power of the 6-month matrix. The approach improves the consistency of PD calculations, i.e. it represented the effect of 6-month seasonality and improved the unstable impact of regular changes in business processes.

The calculations are applied at the product level (leasing products and loans).

Model of anticipatory macroeconomic indicators for portfolio depreciation assessment

In 2021, the company changed the approach of the hierarchical Bayes model to the simplified approach, based on the analysis of the relationship between changes in input variables and changes in PD. The description of the new macro model is provided below, as follows:

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

The following variables are used:

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

The Company's management concluded that these variables proved to have a significant correlation with PD.

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4. Use of significant estimates and judgments (continued)

Model of anticipatory macroeconomic indicators for portfolio depreciation assessment (continued)

The model includes indicators that, based on the opinions of the Company's experts and the practice used in the industry, could have a significant impact on the default rates of financial products. Such indicators are also widely used by the banking and non-banking industry around the world. The model assumes the relationship between changes in macro indicators and the change in PD from stage 1. If there is a strong correlation between stage 1 PD and the change in the macro indicator, then the linear regression equation is used to determine the impact on PD due to changes in macro indicators. If there is no visible correlation between PD stage 1 and the change in macro indicators, then the impact on PD is evaluated based on the qualitative analysis of the available data and the reasonable assumptions of the experts.

To take into account possible economic fluctuations and uncertainty, three scenarios are considered and used for the final calculation to arrive at the weighted average probability:

1. base scenario - based on real data and forecasts from the external source.
2. pessimistic scenario - based on the assessment of experts regarding the potential worsening of macroeconomic indicators.
3. the optimistic scenario - based on the experts' judgment regarding the potential improvement of macroeconomic indicators.

The pessimistic and optimistic scenario is obtained from the basic scenario of increase or decrease depending on the confidence interval of the macro forecast of the given indicator. Confidence intervals are available for each macroeconomic indicator forecast and are easy to read from the chart. Each scenario also has a specific probability of occurring. The company applies a probability of 15% for the worst case scenario and only 5% for the best case.

To obtain the final effect on PD, from the change of the macro indicator, the weights applied for each macro indicator and the final result is taken as the weighted average of the PD effect of the macro indicator. The weights are modified according to their significance in affecting the default rate in general. For Moldova, the weighted averages are the following: UR: 25%, IR: 70%, GDP: 5%.

To take into account the future uncertainty in case the model generates a positive PD correction, the Company decided to be cautious and not apply the PD improvement effect for the impairment correction. In this case, an improvement ceiling of 0% for 2023 is established.

The result of the macro model is then applied to PDs from stage 1 for each month closing starting with December 2022. The macro perspective is consistently updated once a quarter; thus, the macro model is expected to be updated in 2024, once per quarter.

The tables below show optimistic and pessimistic macro variable assumptions as of December 31, 2023

	2022 Q4	2023 Q4	2024 estimate
The basic scenario			
GDP growth (GDP)	1.30%	4.00%	3.40%
Change in inflation rate (IR)	23.40%	5.00%	4.30%
Change in the unemployment rate (UR)	2.80%	4.00%	4.10%
The optimistic scenario			
GDP growth (GDP)	1.30%	4.00%	16.90%
Change in inflation rate (IR)	23.40%	5.00%	-2.70%
Change in the unemployment rate (UR)	2.80%	4.00%	2.50%
The pessimistic scenario			
GDP growth (GDP)	1.30%	4.00%	-10.10%
Change in inflation rate (IR)	23.40%	5.00%	11.30%
Change in the unemployment rate (UR)	2.80%	4.00%	5.70%

The default distribution vector (DDV)

The default distribution vector ensures the PD distribution during a 12-month life period. It is calculated from samples of historical data of all unpaid loans.

Loss Given Default (LGD)

Finance lease receivables The company closely monitors recoveries from unpaid finance lease receivables and reviews the LGD rates each month for portfolios based on actual recoveries received.

- The sample used to calculate LGD consists of all financial leasing receivables that have historically been unpaid. If the termination of the contract occurs before reaching the state of non-payment, then the loan is considered unpaid (not paid in advance) and is included in the LGD sample. Subsequent recoveries for such loans are monitored monthly. They are followed by recoveries from the usual collection process, car sales, assignments and the court process.

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4. Use of significant estimates and judgments (continued)

Loans and advances to customers (unsecured loans)

For unsecured loans, LGD is determined based on the activity of the debt sales market and the prices offered. For later stages (DPD 360) LGD is set to 100%.

Exposure to default (EAD) model

Default exposure is modeled by adjusting the unpaid balance of leasing receivables and loans and advances granted on the reporting date with future repayments expected in the next 12 months. At December 31, 2023, it is applied only to Stage 1 exposures. This is done on the basis of contractual repayment schedules, adjusted for the observed prepayment rate. Historical prepayment patterns are considered to be a reliable estimate of future prepayment activity.

Financial guarantees

Determination of fair value and initial recognition

The company chose to determine the fair value of the guarantee, using the valuation of the expected loss approach. The fair value of the collateral is calculated as a product of exposure to default (EAD), probability of default (PD) and loss given default (LGD). EAD is determined based on the guaranteed contractual amount 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 SA) at the end of the reporting period included in the respective contract of guarantee.

According to the guarantee agreement, the Company, among other important entities of the group, irrevocably guarantees the payment of the debts of the Eleving Group towards its bondholders, in case of non-compliance by the Eleving Group in accordance with the provisions of the bond prospectus. However, considering that the obligations are mainly guaranteed by multiple pledges of shares, assets and bank accounts granted by several other significant entities of the group, the Company re-evaluated the fair value of this guarantee by evaluating the value of all unencumbered assets of each significant entity in the group which guarantees the payment of the Elevating Group's debts to 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.

Determining the expected credit loss for the subsequent evaluation

In order to estimate the fair value, the Company uses the latest credit rating of Eleving Group SA, as established by the rating agency Fitch Ratings. Since the initial recognition, the Company has assessed the fact that the last credit risk of the Mother Company has not increased and, therefore, the guarantee debt, when it exists, is considered as Stage 1 exposure.

Determination of the lease term according to IFRS 16 (Company as lessee)

IFRS 16 provides that, in determining the lease term and evaluating the duration of the continuous period of a lease contract, an entity must apply the definition of a contract in accordance with IFRS 15 and establish the period for which the contract is enforceable. To estimate the term of the rental contract, the Company takes into account the rights and enforceable obligations of both parties. If both the lessee and the lessor can terminate the contract only by incurring insignificant sanctions at any time at/or after the end of the non-cancellable term, then there are no enforceable rights and obligations beyond the non-cancellable term. For rental contracts without a fixed duration and contracts that are "rolled" monthly until notifying any of the parties, the Company considers that it has enforceable rights and obligations based on these agreements, therefore a reasonable estimate of the evaluation of the rental term is made.

Taking into account the Company's options to extend or not to finish the rental contract, the Company evaluates what are its rights and those of the lessor within these options. The company examines whether the options included in the rental contracts:

- (1) give a unilateral right for a party (eg the Company) and
- (2) creates an obligation to comply with the other party (ie lessor).

If none of the parties to the contract has an obligation, then the Company's conclusion is that such options should not be taken into account in the context of evaluating the term of the rental contract. In such situations, the rental contract will not exceed the contractual term that cannot be cancelled. In determining the lease term, the Company evaluated the sanctions in the lease contracts, as well as the economic incentives to extend the lease contracts, such as the underlying asset being strategic.

Gradual determination of the loan rate of the leasing debt in accordance with IFRS 16 (Company as lessee)

The lease liability is initially valued at the present value of the lease payments that are not paid at the start of the contract, updated using the implicit interest rate in the lease or, if this rate cannot be easily determined, the Company's incremental loan rate. In general, the Company uses the incremental loan rate as the discount rate.

The company used the rates of the National Bank of Moldova as incremental loan rates. The Company considers the rates of the National Bank of Moldova used as the appropriate measure for incremental lending rates, as they correctly reflect the ability to finance a specific asset acquisition.

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4. Use of significant estimates and judgments (continued)

Sale and leaseback transactions

In sale and leaseback transactions, the Company acquires the underlying asset and then leases it back to the same client. To determine how to account for a sale and leaseback transaction, the Company first analyzes whether the transfer of the underlying asset from the seller-lessee (Client) to the buyer-lessor (Company) is a sale. The company applies IFRS 15 to determine if a sale transaction has taken place. Key indicators that check whether control has been passed to the company include:

- a current payment obligation;
- physical possession (of the purchased asset);
- a legal title (for the purchased asset);
- the risks and benefits of the property (acquired asset);
- The company accepted the asset;
- the borrower can or must redeem the asset for a lower amount than the initial sale price.

To assess whether the contractual cash flows correspond to the SPPI, the Company considers the contractual conditions of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or value of the contractual cash flows so that it does not meet this condition. In carrying out the evaluation, the Company takes into account:

- contingent events that would change the amount and timing of cash flows;
- usage levers;
- the deadlines for early payment and extension;
- conditions that limit the Company's claim to cash flows from specified assets (for example, non-recourse loans); and
- characteristics that change the consideration of the time value of money (for example, the periodic reset of interest rates).

Please refer to Note 2 for further detailed descriptions of the decisions made by management to assess whether the conventional loan, non-recourse loan and sale and lease finance agreements meet the SPPI criteria.

5. Adoption of new or revised standards and interpretations

a) New and revised standards, which are effective for annual periods beginning on or after January 1, 2023

The following new and amended standards are effective for annual periods beginning after January 1, 2023, and application prior to this date is permitted. The Company has not early adopted any of these new or amended standards.

IFRS 17 Insurance contracts

IFRS 17 introduces an internationally consistent approach to the accounting for insurance contracts. Prior to IFRS 17, significant diversity has existed worldwide relating to the accounting for and disclosure of insurance contracts, with IFRS 4 permitting many previous (non-IFRS) accounting approaches to continue to be followed. IFRS 17 will result in significant changes for many insurers, requiring adjustments to existing systems and processes.

The new standard takes the view that insurance contracts combine features of a financial instrument and a service contract, and that many generate cash flows that vary substantially over time. It therefore takes the approach of:

- Combining current measurement of future cash flows with recognising profit over the period that services are provided under the contract;
- Presenting insurance service results (including insurance revenue) separately from insurance finance income or expenses, and
- Requiring an entity to make an accounting policy choice for each portfolio whether to recognise all insurance finance income or expenses for the reporting period in profit or loss, or to recognise some in other comprehensive income.

Subsequent to the issue of IFRS 17, amendments to the standard and deferral of effective dates have been made.

On 28 December 2023, Ministry of Finance issued Order no.126 which provides the revision of the term of acceptance by Moldova of the mentioned standard, so that IFRS 17 will apply in Moldova starting from 1 January 2026

The new standard would not have a significant impact on the Company's financial statements.

Disclosure of Accounting Policies (Amendment to IAS 1 and IFRS Practice Statement 2)

In February 2021, the IASB issued amendments to IAS 1, which change the disclosure requirements with respect to accounting policies from 'significant accounting policies' to 'material accounting policy information'. The amendments provide guidance on when accounting policy information is likely to be considered material. The amendments to IAS 1 are effective for annual reporting periods beginning on or after 1 January 2023, with earlier application permitted. As IFRS Practice Statements are non-mandatory guidance, no mandatory effective date has been specified for the amendments to IFRS Practice Statement 2. These changes had no effect on the Company's financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023**

(All amounts are indicated in MDL, except when it is mentioned otherwise)

5. Adoption of new or revised standards and interpretations (continued)

a) New and revised standards, which are effective for annual periods beginning on or after January 1, 2023 (continued)

Definition of accounting estimates (Amendments to IAS 8)

In February 2021, the IASB issued amendments to IAS 8, which added the definition of Accounting Estimates in IAS 8. The amendments also clarified that the effects of a change in an input or measurement technique are changes in accounting estimates, unless resulting from correction of prior period errors. These changes had no effect on the Company's financial statements.

Deferred tax related to assets and liabilities arising from a single transaction (amendments to IAS 12)

In May 2021, the IASB issued amendments to IAS 12, which clarify whether the initial recognition exemption applies to certain transactions that result in both an asset and a liability being recognized simultaneously (for example, a lease within the scope of IFRS 16). The amendments introduce an additional criterion for the initial recognition exemption according to IAS 12.15, whereby the exemption does not apply to the initial recognition of an asset or a liability that, at the time of the transaction, gives rise to equal taxable and deductible temporary differences. These changes did not have a significant impact on the Company.

International tax reform – Model rules for Pillar Two (Amendment to IAS 12 Income Taxes)

In December 2021, the Organisation for Economic Co-operation and Development (OECD) published Tax Challenges Arising from the Digitalisation of the Economy – Global Anti-Base Erosion Model Rules (Pillar Two): Inclusive Framework on BEPS (Pillar Two model rules). In March 2022, the OECD released commentary and illustrative examples that elaborate on the application and operation of the rules and clarify certain terms.

Stakeholders raised concerns with the IASB about the potential implications on income tax accounting, especially accounting for deferred taxes, arising from the Pillar Two model rules. The stakeholders emphasised an urgent need for clarity given the imminent enactment of tax law to implement the rules in some jurisdictions. In response to stakeholder concerns, the IASB proposed amendments to IAS 12 Income Taxes. It issued Exposure Draft International Tax Reform—Pillar Two Model Rules (Proposed Amendments to IAS 12) on 9 January 2023. Given the urgent requirement for clarity, a shorter comment period of 60 days was provided. The IASB issued the final Amendments (the Amendments) International Tax Reform – Pillar Two Model Rules on 23 May 2023.

The Amendments introduce a temporary exception to entities from the recognition and disclosure of information about deferred tax assets and liabilities related to Pillar Two model rules. The Amendments also provide for additional disclosure requirements with respect to an entity's exposure to Pillar Two income taxes.

The Company's management has determined that it does not fall within the scope of the OECD Pillar Two Model Rules and that the exception from the recognition and disclosure of information about the tax assets and liabilities aminated for Pillar Two income taxes is not applicable to the Company.

b) Standards, amendments and interpretations of existing standards that are not yet in force and that have not yet been adopted by the Company

The following new Standards, amendments to the Standards and Interpretations are not necessarily in force for annual periods beginning on or after January 1, 2023, and were not applied to the preparation of these financial statements. The company intends to adopt these pronouncements when they come into effect.

Lease Liability in a Sale and Leaseback (Amendment to IFRS 16)

The IFRS Interpretations Committee issued an agenda decision in June 2020 – Sale and leaseback with Variable Payments. This matter was referred to the IASB for standard setting for some aspects. The IASB issued the final amendments in September 2022. The Amendments provide a requirement for the seller-lessee to determine 'lease payments' or 'revised lease payments' in a way that the seller-lessee would not recognise any amount of the gain or loss that relates to the right of use retained by the seller-lessee. It is not expected that the changes will have a significant impact on the Company.

Classification of Liabilities as Current or Non-Current (Amendment to IAS 1)

The IASB issued amendments to IAS 1 - Classification of Liabilities as Current or Non-current in January 2020, which have been further amended partially by amendments Non-current Liabilities with Covenants issued in October 2022.

The amendments require that an entity's right to defer settlement of a liability for at least twelve months after the reporting period must have substance and must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement for at least twelve months after the reporting period.

As a result of the COVID-19 pandemic, the Board deferred the effective date of the amendments by one year to annual reporting periods beginning on or after 1 January 2024. The company expects that the amendments will not have a significant impact on the financial statements when they are applied for the first time.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023**

(All amounts are indicated in MDL, except when it is mentioned otherwise)

5. Adoption of new or revised standards and interpretations (continued)

b) Standards, amendments and interpretations of existing standards that are not yet in force and that have not yet been adopted by the Company (continued)

Amendment – Noncurrent Liabilities with Covenants (Amendment to IAS 1)

Subsequent to the release of amendments to IAS 1 Classification of Liabilities as Current or Non-Current, the IASB amended IAS 1 further in October 2022.

If an entity's right to defer is subject to the entity complying with specified conditions, such conditions affect whether that right exists at the end of the reporting period, if the entity is required to comply with the condition on or before the end of the reporting period and not if the entity is required to comply with the conditions after the reporting period.

The amendments also provide clarification on the meaning of 'settlement' for the purpose of classifying a liability as current or non-current. The Company expects that the amendments will not have a significant impact on the financial statements when they are applied for the first time.

Supplier financing arrangements (Amendments to IAS 7 Statement of cash flows and to IFRS 7 Financial instruments: Disclosures)

On 25 May 2023, the IASB issued Supplier Finance Arrangements, which amended IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures (the Amendments).

These Amendments arose as a result of a submission received by the IFRS Interpretations Committee (the Committee) about the presentation requirements for liabilities and associated cash flows arising out of supply chain financing arrangements and related disclosures. In December 2020, the Committee published an Agenda Decision Supply Chain Financing Arrangements—Reverse Factoring that addressed this submission based on the requirements in IFRS Accounting Standards existing at that time.

During this process, the feedback from stakeholders indicated limitations of the then existing requirements to address important information needs of users to understand the effects of supplier finance arrangements on an entity's financial statements and to compare one entity with another. In response to this feedback, the IASB undertook a narrow-scope standard setting, leading to the Amendments.

The Amendments require entities to provide certain specific disclosures (qualitative and quantitative) related to supplier finance arrangements. The Amendments also provide guidance on characteristics of supplier finance arrangements. The Company expects that the amendments will not have a significant impact on the financial statements when they are applied for the first time.

Lack of Exchangeability (Amendment to IAS 21)

On 15 August 2023, the IASB issued Lack of Exchangeability which amended IAS 21 The Effects of Changes in Foreign Exchange Rates (the Amendments). The Amendments arose as a result of a submission received by the IFRS Interpretations Committee (the Committee) about the determination of the exchange rate when there is a long-term lack of exchangeability. IAS 21, prior to the Amendments, did not include explicit requirements for the determination of the exchange rate when a currency is not exchangeable into another currency, which led to diversity in practice.

The Committee recommended that the IASB develop narrow-scope amendments to IAS 21 to address this issue. After further deliberations, the IASB issued an exposure draft of the proposed amendments to IAS 21 in April 2021 and the final amendments were issued in August 2023.

The Amendments introduce requirements to assess when a currency is exchangeable into another currency and when it is not. The Amendments require an entity to estimate the spot exchange rate when it concludes that a currency is not exchangeable into another currency. The Company expects that the amendments will not have a significant impact on the financial statements when they are applied for the first time.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023**
(All amounts are indicated in MDL, except when it is mentioned otherwise)

6. Interest income, net

	2023 MDL	2022 MDL
Interest and similar income		
Interest income from loans and advances to customers	124,381,316	114,884,957
Interest income from finance lease receivables	2,037,911	5,551,800
Interest income from loans to related parties	-	998,588
Interest income from P2P platform investors	-	485,361
Interest income calculated using the effective interest rate method	126,419,227	121,920,706
Other interest income	78,430	18,653
Total interest income	126,497,657	121,939,359
Interest and similar expenses		
Interest expenses for loans from P2P platform investors	(12,263,149)	(12,821,686)
Interest expenses for obligations from related parties	(23,676,273)	(15,507,905)
Interest expenses for lease liabilities	(129,741)	(79,314)
Total interest expenses	(36,069,163)	(28,408,905)
Net interest income	90,428,494	93,530,454

Part of the interest income can be derecognized as the Company allocated to Peer-to-Peer investors a part of the receivables regarding the financial leasing and the receivables regarding loans and advances to customers. In case the allocation is made without the redemption obligation, the interest income obtained accordingly from such contracts is derecognized from the Company's interest income in an amount equal to the investor's claim against the interest earned.

In April 2022, the contract for transactions without redemption obligation was terminated.

In the current financial year, the Company continued to benefit from financing through peer-to-peer platforms. The interest expenses from the peer platform decreased compared to the previous year due to the reduction of the financed amount used from the peer-to-peer platforms. Interest expenses from contracts with related parties increased significantly compared to the previous year due to the increase in the interest rate.

7. Net fee and commission income/(loss), net

	2023 MDL	2022 MDL
Income from fees and commissions		
Commissions for early repayment of loans	305,267	513,641
Income from other expenses and commissions	48,598	982,506
Total income from fees and commissions	353,865	1,496,147
Expenses with fees and commissions		
Vehicle valuation fee	(93,840)	(121,720)
Total expenses with fees and commissions	(93,840)	(121,720)
Net income from fees and commissions	260,025	1,374,427

8. Net foreign exchange gain/(loss)

	2023 MDL	2022 MDL
Income/(expenses) from foreign currency conversion transactions	30,867	132,518
Revaluation of foreign currency balances	3,196,469	(865,944)
Total	3,227,336	(733,426)

**NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2023**

(All amounts are indicated in MDL, except when it is mentioned otherwise)

9. Other operating income

	2023	2022
	MDL	MDL
Penalties for late repayment of loans	4,511,204	4,438,839
Income from the recovery of legal expenses	1,304,606	1,415,047
Provisions for financial guarantees (Note 24)	-	1,064,159
Other operating income (i)	410,925	521,445
Total	6,226,735	7,439,490

- (i) The line Other operating income includes the following types of income: recoveries of debt recovery expenses and net income from the sale of repossessed assets.

10. Net (loss) / release on allowances for credit risk losses

	2023	2022
	MDL	MDL
Change in impairment in finance lease (Note 29.3)	(1,693,885)	142,518
Change in impairment in loans and advances to customers (Note 29.3)	18,583,703	26,074,135
Written off debts	6,360,160	5,329,610
Expenses/ (recoveries) from the impairment	(14,847)	(63,805)
Total	23,235,131	31,482,458

11. Personnel expenses

	2023	2022
	MDL	MDL
Employees' salaries	12,572,198	11,906,328
Social security contributions	3,326,762	3,102,485
Employees' bonuses	692,925	589,083
Total	16,591,885	15,597,896

12. General and administrative expenses

	2023	2022
	MDL	MDL
Management fee	17,634,063	17,198,901
Court expenses	2,398,941	2,146,170
Communications and IT expenses	1,145,485	1,117,336
P2P platform service charges	1,104,853	1,371,454
Marketing, advertising and entertainment expenses (ii)	1,072,900	1,792,403
Debt collection expenses	839,794	1,208,894
Office and branches' maintenance expenses	833,605	811,553
Legal, consulting and audit services expenses (i)	666,238	663,175
GPS equipment expenses	486,022	787,330
Contributions and taxes expenses (iii)	376,947	478,669
Credit database expenses	302,117	417,803
Bank commissions	213,130	197,234
Rental expenses	170,526	126,651
Transportation expenses	85,053	91,542
Other personnel expenses	52,563	57,848
Low value equipment expenses	9,003	38,726
Other administrative expenses	1,134,182	1,669,135
Total	28,525,422	30,174,824

**NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2023**

(All amounts are indicated in MDL, except when it is mentioned otherwise)

12. General and administrative expenses (continued)

- (i) Audit services for the year 2023 - 391 thousand MDL (2022 – 326 thousand MDL)
- (ii) In 2023, marketing costs were reduced compared to 2022 due to the cost limitation policy in the context of the world situation (armed conflict in Ukraine).
- (iii) Expenses related to contributions and taxes include expenses with local land development tax, tax for commercial units, CNPF taxes and other taxes.

13. Amortisation and depreciation expenses

	2023 MDL	2022 MDL
Depreciation of tangible assets	1,878,944	1,813,370
Amortisation of intangible assets	76,635	72,525
Total	1,955,579	1,885,895

14. Income Tax Expenses

	2023 MDL	2022 MDL
Current income tax expense	4,508,414	3,913,076
Deferred tax expense	135,566	331,333
Total	4,643,980	4,244,409

Since 2012, the profit tax rate is set to 12%. Consult Note 18 for the calculation of the current and deferred tax figures.

15. Cash and cash equivalents

	December 31, 2023 MDL	December 31, 2022 MDL
Cash at bank	7,731,780	1,321,437
Total	7,731,780	1,321,437

This financial asset is not depreciated at December 31, 2023.

The Company does not operate with cash in the cash register, all transactions are carried out by bank transfer.

The company has not created ECL provisions for cash and cash equivalents based on the fact that the placement destinations with the banks have a short-term character and the life of these assets in accordance with IFRS 9 is so short that the low probability of non-payment would result in insignificant amounts of ECL.

16. Loans and advances to clients

Analysis by sector	December 31, 2023 MDL	Weight %	December 31, 2022 MDL	Weight %
Individuals	403,456,850	99.87%	380,069,415	99.09%
Legal entities	511,122	0.13%	3,505,814	0.91%
Total portfolio, gross	403,967,972	100.00%	383,575,229	100%
Expected credit loss allowance	(58,168,541)		(57,253,162)	
Total portfolio, net	345,799,431		326,322,067	

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023**

(All amounts are indicated in MDL, except when it is mentioned otherwise)

16. Loans and advances granted to customers (continued)

	December 31, 2023 MDL	December 31, 2022 MDL
Loans and advances to clients:	403,967,972	383,575,229
Up to 1 year	156,280,080	142,191,670
More that 1 and less than 5 years	246,629,425	230,645,748
More than 5 years	1,058,467	10,737,811
Unrealized financial income	269,966,805	308,764,292
Loans and advances to clients	403,967,972	383,575,229
Expected credit loss allowance	(58,168,541)	(57,253,162)
Net investment in loans and advances granted to clients	345,799,431	326,322,067

17. Finance lease receivables

Analysis by sector	December 31, 2023 MDL	Weight %	December 31, 2022 MDL	Weight %
Individuals	2,001,259	100%	4,136,756	100%
Total portfolio before provisions	2,001,259	100%	4,136,756	100%
Expected credit loss allowance	(699,788)		(2,350,846)	
Total portfolio, net of provisions	1,301,471		1,785,910	

	December 31, 2023 MDL	December 31, 2022 MDL
Gross investment in financial leasing:	2,001,259	4,136,756
Up to 1 year	1,337,322	2,970,484
More that 1 and less than 5 years	663,937	1,166,272
More than 5 years	-	-
Unrealized financial income	667,738	1,222,376
Gross investment in financial leasing	2,001,259	4,136,756
Expected credit loss allowance	(699,788)	(2,350,846)
Net investment in leasing	1,301,471	1,785,910

Transactions with P2P platforms

Contracts sold on peer-to-peer platforms are offered with a redemption guarantee, which means that all the risks of such agreements are borne by the Company and, in case of non-payment by the client, the Company has the obligation to reimburse the entire remaining capital and accrued interest to the Peer-to-Peer investor

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023**

(All amounts are indicated in MDL, except when it is mentioned otherwise)

18. Deferred tax assets

The reconciliation of the expense with the income tax is presented in the table below, as follows:

a. Amounts recognized in the statement of profit or loss and other comprehensive income

	2023 MDL	2022 MDL
Current tax		
Current tax expenses	4,508,414	3,913,076
Correction of the previous year's income tax	-	-
	4,508,414	3,913,076
Expenses/(economies) with deferred tax		
Related to the origin and reversal of temporary differences	157,419	347,309
Derecognition of temporary differences	(21,853)	(15,976)
	135,566	331,333
Total	4,643,980	4,244,409

The deferred income tax is calculated for all temporary differences by the liability method using an effective tax rate of 12% (2022: 12%).

b. Reconciliation of the effective tax rate

	2023 %	2023 MDL	2022 %	2022 MDL
Profit before taxation		29,980,096		19,706,274
Income tax calculated at the rate of 12% (2022: 12%)	12%	3,597,612	12%	2,364,753
The fiscal effect of permanent differences				
Other non-taxable income	-0.7%	(205,864)	-1.2%	(232,379)
Permanent differences and non-deductible expenses:				
Accelerated depreciation tax	0.0%	(882)	0.0%	(966)
Provisions and commitments	-0.5%	(135,309)	-1.8%	(358,048)
Other non-deductible expenses	3.8%	1,136,681	5.1%	995,891
Interest expenses	0.4%	116,176	5.8%	1,143,825
Current income tax expenses	15.0%	4,508,414	19.9%	3,913,076
		December 31, 2023 MDL		December 31, 2022 MDL
Income tax liabilities for the current year		(451,210)		-
Advance payments regarding income tax		-		307,204
Income tax in the Statement of Financial Position		(451,210)		307,204

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023**

(All amounts are indicated in MDL, except when it is mentioned otherwise)

18. Deferred/current tax receivables (continued)

c. Deferred income tax

	January 1, 2023	Recognized in profit or loss	December 31, 2023
	MDL	MDL	MDL
Assets			
Tangible assets	(770)	(257)	(1,027)
Loans and advances granted to clients	209,218	(155,380)	53,838
Other Assets	5,062	(1,782)	3,280
Deferred income tax assets	213,510	(157,419)	56,091
Liabilities			
Deferred expenses	97,972	15,821	113,793
Accruals for bonuses	89,516	13,841	103,357
Accrued unused vacation	162,461	(7,809)	154,653
Deferred income tax assets	349,949	21,853	371,803
Net deferred income tax assets	563,459	(135,566)	427,894
	January 1, 2022	Recognized in profit or loss	December 31, 2022
	MDL	MDL	MDL
Assets			
Tangible assets	(27,486)	26,716	(770)
Loans and advances granted to clients	575,587	(366,369)	209,218
Other assets	12,719	(7,657)	5,062
Deferred income tax assets	560,820	(347,310)	213,510
Liabilities			
Deferred expenses	115,873	(17,901)	97,972
Accruals for bonuses	70,737	18,779	89,516
Accrued unused vacation	147,362	15,099	162,461
Deferred income tax assets	333,972	15,977	349,949
Net deferred income tax assets	894,792	(331,333)	563,459

**NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2023**

(All amounts are indicated in MDL, except when it is mentioned otherwise)

19. Intangible assets

At December 31, 2023	Software	Other intangible assets	Total
	MDL	MDL	MDL
<i>Cost</i>			
At January 1, 2023	331,549	22,157	353,706
Additions	18,469	30,470	48,939
Disposals	-	(31,419)	(31,419)
At December 31, 2023	350,018	21,208	371,226
<i>Accumulated amortisation</i>			
At January 1, 2023	(77,611)	(5,134)	(82,745)
Amortisation expenses	(74,764)	(1,871)	(76,635)
Disposals	-	-	-
At December 31, 2023	(152,375)	(7,005)	(159,380)
<i>Net book value</i>			
Balance at December 31, 2023	197,643	14,203	211,846
Balance as of December 31, 2022	253,938	17,023	270,961

At December 31, 2022	Software	Other intangible assets	Total
	MDL	MDL	MDL
<i>Cost</i>			
At January 1, 2022	199,342	113,878	313,220
Additions	179,651	98,208	277,859
Disposals	(47,444)	(189,929)	(237,373)
At December 31, 2022	331,549	22,157	353,706
<i>Accumulated amortisation</i>			
At January 1, 2022	(54,460)	(3,205)	(57,665)
Amortisation expenses	(70,595)	(1,929)	(72,524)
Disposals	47,444	-	47,444
At December 31, 2022	(77,611)	(5,134)	(82,745)
<i>Net book value</i>			
Balance as of December 31, 2022	253,938	17,023	270,961
Balance as of December 31, 2021	144,882	110,673	255,555

At December 31, 2023, the cost of fully amortized intangible assets, but still used by the Company, amounted to MDL 19,507 (December 31, 2022: MDL 14,578).

**NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2023**

(All amounts are indicated in MDL, except when it is mentioned otherwise)

20. Tangible assets

At December 31, 2023	Right of use assets MDL	Improvements of leasehold assets MDL	Means of transport MDL	IT technique MDL	Furniture MDL	Other assets MDL	Total MDL
<i>Cost</i>							
At January 1, 2023	2,608,972	190,078	263,054	846,334	257,127	327,067	4,492,632
Additions	3,046,157	-	-	61,482	75,000	41,072	3,223,711
Disposals	(1,878,146)	-	-	(111,962)	-	(34,964)	(2,025,072)
At December 31, 2023	3,776,983	190,078	263,054	795,854	332,127	333,175	5,691,271
<i>Accumulated depreciation</i>							
At January 1, 2023	(1,418,497)	(179,896)	(65,764)	(649,955)	(176,718)	(299,204)	(2,790,034)
Depreciation expenses	(1,619,912)	(10,182)	(52,610)	(121,717)	(41,178)	(33,345)	(1,878,944)
Disposals	1,768,035	-	-	111,962	-	34,964	1,914,961
At December 31, 2023	(1,270,374)	(190,078)	(118,374)	(659,710)	(217,896)	(297,585)	(2,754,017)
<i>Net book value</i>							
Balance at December 31, 2023	2,506,609	-	144,680	136,144	114,231	35,590	2,937,254
Balance as of December 31, 2022	1,190,475	10,182	197,290	196,379	80,409	27,863	1,702,598

At December 31, 2023, the cost of fully depreciated tangible assets, but still used by the Company, amounted to MDL 1,035,357.93 (December 31, 2022: MDL 922,878).

* TRANSLATOR'S EXPLANATORY NOTE: The above translation of the financial statements is provided as a free translation from Romanian which is the official and binding version.

**NOTES TO THE FINANCIAL STATEMENTS
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(All amounts are indicated in MDL, except when it is mentioned otherwise)

20. Tangible assets (continued)

At December 31, 2022	Right of use assets MDL	Improvements of leasehold assets MDL	Means of transport MDL	IT technique MDL	Furniture MDL	Other assets MDL	Total MDL
<i>Cost</i>							
At January 1, 2022	4,750,942	190,078	263,054	831,806	251,630	350,175	6,637,685
Additions	981,627	-	-	14,528	5,497	17,176	1,018,828
Disposals	(3,123,597)	-	-	-	-	(40,284)	(3,163,881)
At December 31, 2022	2,608,972	190,078	263,054	846,334	257,127	327,067	4,492,632
<i>Accumulated depreciation</i>							
At January 1, 2022	(2,997,346)	(160,552)	(13,153)	(465,317)	(127,090)	(284,574)	(4,048,032)
Depreciation expenses	(1,452,235)	(19,344)	(52,611)	(184,638)	(49,628)	(54,914)	(1,813,370)
Disposals	3,031,084	-	-	-	-	40,284	3,071,368
At December 31, 2022	(1,418,497)	(179,896)	(65,764)	(649,955)	(176,718)	(299,204)	(2,790,034)
<i>Net book value</i>							
Balance as of December 31, 2022	1,190,475	10,182	197,290	196,379	80,409	27,863	1,702,598
Balance as of December 31, 2021	1,753,596	29,526	249,901	366,489	124,540	65,601	2,589,653

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(All amounts are indicated in MDL, except when it is mentioned otherwise)

21. Other assets

	December 31, 2023 MDL	December 31, 2022 MDL
Financial		
Peer-to-peer platform clearing accounts*	-	(518,119)
Receivables regarding payments from customers	410,778	236,939
Guarantee deposit for the location of the premises	88,558	65,355
Other receivables	892,220	282,768
Impairment	(27,339)	(42,186)
Total other financial assets	1,364,217	24,757
Non financial		
Deferred expenses	128,170	113,924
Stocks and consumables	262,233	195,032
Advances paid for goods and services	293,430	148,058
Total other non-financial assets	683,833	457,014
Total other assets	2,048,049	481,771

*The debt of several loans placed in the Peer-to-Peer platform at the end of 2022. The Company has a debt to the Peer-to-Peer platform at December 31, 2022.

Movement of allowances for expected losses from credit risk of other financial assets:

	2023 MDL	2022 MDL
	Stage 1	Stage 1
Balance at January 1	42,186	105,991
Increases due to initiation and acquisition	-	-
Decreases due to derecognition	(14,847)	(63,805)
The net change due to the increase/decrease in credit risk	-	-
Balance as of December 31	27,339	42,186

22. Borrowings

Borrowings from:	December 31, 2023 MDL	December 31, 2022 MDL
Funding attracted through peer-to-peer platforms	74,503,272	127,537,491
Borrowings from related parties	256,382,964	173,747,205
Total	330,886,236	301,284,696

22.1 Funding attracted through peer-to-peer platforms

	The interest rate %	Maturity	December 31, 2023 MDL	December 31, 2022 MDL
Mintos peer-to-peer platform	8% - 14%	31.12.2026	74,017,189	126,710,747
Increased interest			486,083	826,744
Total funds borrowed on peer-to-peer platforms			74,503,272	127,537,491

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22. Borrowings (continued)

22.1 Funding attracted through peer-to-peer platforms (continued)

Funding attracted from the Peer-to-Peer platform is transferred to the company's bank accounts once a week.

On May 28, 2018, Mogo Loans SRL signed with Mintos OU "Movable Assets Pledge Agreement. In accordance with this Pledge Agreement, the Company pledges the assets in favor of Mintos OU with priority claim rights, guaranteeing full payments, in term, as well as the fulfillment of all guaranteed obligations. The pledge includes all improvements, additions and other extensions of the pledged goods, existing, future or those used in connection with it, and any goods arising from the transformation of the pledged goods.

The total value of the pledged assets is and will be at any time during the term of the Contract 10,000,000 EUR.

22.2 Borrowings from related parties

	Interest rate %	Maturity	December 31, 2023 MDL	December 31, 2022 MDL
Eleving Grup AS	13.0%	31.12.2025	3,871,480	8,151,680
Eleving Stella AS	12.25%	27.10.2024	15,209,114	16,011,943
Primero Finance AS	11.75%	21.12.2027	237,302,370	148,951,573
Increased interest Primero Finance AS			-	632,009
Total funds borrowed from related parties			256,382,964	173,747,205

On October 27, 2021, the Company contracted a Subordinated Loan from the Founder of Eleving Stella AS, at an annual interest rate of 11%. Starting with January 02, 2023 the annual interest rate was increased to 12.25%.

On December 19, 2022, the loan from Eleving Grup AS in the amount of EUR 7,309,000 was assigned to Primero Finance AS. Simultaneously, on December 19, 2022, the Company signed a loan agreement in the form of a credit line with Primero Fiance AS, with an annual interest rate of 11.75%.

On January 2, 2023, the annual interest rate was increased from 11% to 13% for the loan contracted from Eleving Group AS based on loan agreement no. 01/14.08.2017 from August 14, 2017.

23. Lease liabilities

23.1 Lease liabilities for right-of-use assets

The right of use assets are presented as follows in the annual statement of financial position and in the statement of profit or loss and other comprehensive income:

	Lands and buildings MDL	Means of transport MDL	Total MDL
At January 1, 2022	1,509,276	244,320	1,753,596
Additions	20,047	961,580	981,627
Disposals	-	(92,513)	(92,513)
Depreciation expenses	(1,087,259)	(364,976)	(1,452,235)
At December 31, 2022	442,064	748,411	1,190,475
At January 1, 2023	442,064	748,411	1,190,475
Additions	3,046,157	-	3,046,157
Disposals	(54,715)	(55,396)	(110,111)
Depreciation expenses	(1,197,874)	(422,038)	(1,619,912)
At December 31, 2023	2,235,632	270,977	2,506,609

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(All amounts are indicated in MDL, except when it is mentioned otherwise)

23. Lease liabilities (continued)

23.1 Lease liabilities for right-of-use assets (continued)

Maturity analysis of lease liabilities, undiscounted

The non-discounted contractual cash flows by maturity are presented in the table below:

	December 31, 2023 MDL	December 31, 2022 MDL
Up to 1 month	132,348	95,022
Between 1 month and 3 months	264,696	190,045
Between 3 and 12 months	1,016,571	654,068
Between 1 year and 5 years	1,200,499	324,539
Lease liabilities, gross	2,614,114	1,263,674

23.2 Amounts recognized in the Statement of profit or loss and other comprehensive income

	2023 MDL	2022 MDL
Interest expenses regarding operational leasing	129,741	79,314
Depreciation expenses	1,619,912	1,452,235
Total	1,749,653	1,531,549

23.3 Amounts recognized in the Statement of cash flows

	2023 MDL	2022 MDL
Liabilities regarding operational leasing	-	-
Cash outflows related to lease contracts	4,121,679	2,071,284

For the calculation, the NBM weighted average rate for new loans granted, for a month prior to the month in which the rental contract was signed, was used.

At December 31, 2023, the Company recognizes four spaces with right of use and five cars with right of use.

24. Provisions and reserve for financial guarantees

<i>Movement in reserve for financial guarantees</i>	2023 MDL	2022 MDL
Balance at January 1	-	6,074,225
Issuance of new guarantees	-	-
Guarantees derecognition	-	(5,046,955)
Re-evaluation of the financial guarantee	-	(1,027,270)
Balance at December 31	-	-
<i>Movement in the provision for financial guarantees</i>	2023 MDL	2022 MDL
Balance at January 1	-	(5,783,895)
Issuance of new guarantees	-	-
Guarantee amortization	-	1,064,159
Guarantees derecognition	-	3,768,003
Re-evaluation of the financial guarantee	-	-
The impact of exchange rate fluctuations	-	951,733
Balance at December 31	-	-

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24. Provisions for financial guarantees(continued)

On October 14, 2021, the Company, among other important entities of the group, concluded a financial guarantee agreement issued in favor of the bondholders of Eleving Group. The guarantee was issued to ensure the exposure of the Eleving Group after the issuance of corporate bonds, ISIN XS2393240887 (at December 31, 2023 the total nominal value of the bonds is EUR 150,000,000), which are listed on the open market of the Frankfurt Stock Exchange. The obligations are additionally guaranteed by several pledges of shares, assets and bank accounts granted by several other important entities in the group.

OCN Mogo Loans SRL is one of the Guarantors according to the "Movable Property Pledge Agreement" dated October 15, 2021. Based on the provisions of Article 2, point 20.2, the OCN Mogo Loans SRL Guarantee is limited at any time to a total amount that does not exceed EUR 150,000,000 .

On October 31, 2023, the Company, among other important entities of the group, concluded a financial guarantee agreement issued in favor of the bondholders of Eleving Group. The guarantee was issued to ensure the exposure of the Eleving Group after the issuance of corporate bonds, ISIN DE000A3LL (at December 31, 2023 the total nominal value of the bonds is EUR 750,000,000), which are listed on the open market of the Frankfurt Stock Exchange. The obligations are additionally guaranteed by several pledges of shares, assets and bank accounts granted by several other important entities in the group.

OCN Mogo Loans SRL is one of the Guarantors and the guarantee of OCN Mogo Loans SRL is limited at any time to a total amount that does not exceed EUR 75,000,000.

After initial recognition, the liability for the guarantee is valued at the higher of the initially recognized amount minus the accumulated depreciation recognized through straight-line depreciation and the ECL provision, as described in Note 4. The ECL provision for the financial guarantee is a Stage 1 exposure. The ECL for the guarantees issued by the company is lower than their book value at December 31, 2023 and December 1, 2022 and therefore no ECL has been recognized .

Until December 31, 2022, the debts according to the financial guarantee contract are recognized as income (Note 9) according to the straight-line method until the maturity of the obligation, which is October 2026. At December 31, 2022, the provision and the related debt were derecognized and in 2023 the Company does not recognize depreciation income.

According to the guarantee agreement, the Company, among other important entities of the group, irrevocably guarantees the payment of the debts of the Eleving Group to its bondholders in case of non-compliance of the Eleving Group in accordance with the provisions of the bond prospectus. Considering that the obligations are mainly guaranteed by multiple pledges of shares, assets and bank accounts granted by several other significant entities of the group, the Company re-evaluated the fair value of this guarantee by evaluating the value of all unencumbered assets of each significant entity in the group that guarantees the payment of the Eleving Group's debts to its bondholders, as well as the potential liability exposure of each guarantor.

25. Contingent liabilities and commitments

At December 31, 2023, the Company faces complaints to the CNPF submitted by 4 debtors regarding the declaration of the abusive nature of some clauses in the Credit Agreement signed by them with the Company. In January 2024, CNPF issued 4 Decisions based on the mentioned complaints, requesting from the Company the verification of the clauses declared abusive, without indicating amounts to be returned to the debtors. CNPF is going to submit requests to the court to confirm the veracity of these Decisions. In 2024, the Company forecasts a probability of 25% regarding the recalculation of the related amounts after the decision of the court for the 4 contracts, and considers it inappropriate to recognize the contingent liabilities at December 31, 2023 in respect to this.

Besides the established provisions and the cases described above, no other contingent liabilities associated with litigation were presented because, according to professional recommendations, the occurrence of significant losses is unlikely.

26. Other liabilities

	December 31, 2023 MDL	December 31, 2022 MDL
Financial		
Settlements with individuals and legal persons	233,413	515,613
Accrued unused vacation	1,288,775	1,353,846
Accruals for bonuses	861,307	745,967
Amounts being settled / Deferred expenses	948,268	762,205
Amounts being settled with affiliated parties	1,708,509	1,377,367
Peer to Peer liabilities	578,963	-
Total other financial liabilities	5,619,235	4,754,998
Non-financial		
Debts regarding other taxes and fees	895,125	1,919,158
Debts related to employee contributions	641,759	584,305
Total other non-financial liabilities	1,536,884	2,503,463
Total other debts	7,156,119	7,258,461

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(All amounts are indicated in MDL, except when it is mentioned otherwise)

27. Equity

a) Share capital

The Company's share capital amounts to MDL 1,000,000 as of December 31, 2023 (December 31, 2022: MDL 1,000,000).

On June 28, 2022, by the Decision of the Shareholders, it was decided to sell 4% of the share capital to 3 employees of the Company.

On September 5, 2022, the Shareholders decided to reduce the legal reserve by MDL 541,713 and to simultaneously increase the Share Capital from its account. On October 6, 2022, Shareholders decided to reduce the share capital by 541,713 MDL and the proportional restitution to the associates.

On October 24, 2023, based on Shareholders' decision of the OCN Mogo Loans SRL, 0.5% share of the Company's capital, held by individuals physical persons, was sold to the majority associate Eleving Stella AS. Thus, as of December 31, 2023, the majority shareholder Eleving Stella AS owns 96.50% share in the Company's capital and 3.5% share in the Company's capital is owned by private individuals.

At December 31, 2023 and December 31, 2022, the structure of associates is as follows:

Share capital	December 31, 2023		December 31, 2022	
	Share in the capital %	Share in the capital MDL	Share in the capital %	Share in the capital MDL
Eleving Stella AS	96.5%	965,000	96%	960,000
Employees of OCN Mogo Loans SRL	3.5%	35,000	4%	40,000
Voting capital	100%	1,000,000	100%	1,000,000
Capital without voting rights	-	-	-	-
Total	100%	1,000,000	100%	1,000,000

b) Reserve capital

In accordance with local legislation, 5% of the Company's net profit must be transferred to a non-distributable legal reserve until this reserve represents at least 10% of the Company's share capital. According to the statute, the reserve capital can only be used to cover losses and/or to increase its share capital. In 2020, the Company formed reserve capital in the amount of 5% of the previous years' profit in the amount of MDL 641,713. In 2021, the reserve capital was not changed. On September 5, 2022, the Shareholders decided to reduce the Reserve Capital by MDL 541,713 and simultaneously increase the Share Capital from its account.

28. Transactions with related parties

All transactions with the companies in the group are carried out under the same conditions as for similar transactions with third parties, including interest rates and pledge.

The Company's affiliated parties are:

- ElevingGroup SA	Company Group
- Eleving Stella AS	Associate who owns 96.50% of the share capital
- Primero Finance AS	Company part of the Group
- UAB LT	Company part of the Group
- Veaceslav Luchianenco	Administrator, associate who owns a share of 3% of the share capital

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28. Transactions with related parties (continued)

Statement of financial position	December 31, 2023				December 31, 2022			
	Eleving Group	Eleving Stella	Other	Basic	Eleving Group	Eleving Stella	Other	Basic
	AS	AS	companies in the Mogo Group	management	AS	AS	companies in the Mogo Group	management
	MDL	MDL	MDL	MDL	MDL	MDL	MDL	MDL
Liabilities	3,871,480	16,917,623	237,302,370	-	8,151,680	17,389,310	148,951,573	-
Loans granted	-	-	-	-	-	-	-	-
Borrowings received	3,871,480	15,209,114	237,302,370	-	8,151,680	16,011,943	148,951,573	-
Provisions for financial guarantees	-	-	-	-	-	-	-	-
Other liabilities	-	1,708,509	-	-	-	1,377,367	-	-

Statement of profit or loss and other comprehensive income	December 31, 2023				December 31, 2022			
	Eleving Group	Eleving Stella	Other	Basic	Eleving Group	Eleving Stella	Other	Basic
	AS	AS	companies in the Mogo Group	management	AS	AS	companies in the Mogo Group	management
	MDL	MDL	MDL	MDL	MDL	MDL	MDL	MDL
Interest income and expenses	(39,410)	(1,916,314)	(21,720,549)	-	(13,129,304)	(1,743,627)	363,614	-
Interest income	-	-	-	-	-	-	998,588	-
Interest expenses	(39,410)	(1,916,314)	(21,720,549)	-	(13,129,304)	(1,743,627)	(634,974)	-
General and administrative expenses	-	(785,638)	-	(2,124,924)	-	(746,904)	-	(1,949,527)
- Management fee*	-	(750,978)	-	-	-	(715,940)	-	-
- Other fee	-	(34,660)	-	-	-	(30,964)	-	-
- Expenses related to the remuneration of work	-	-	-	(2,124,924)	-	-	-	(1,949,527)

*During 2023, the Company benefited from management services only from Eleving Stella AS.

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29. Risk management

29.1 Risk strategy and general risk profile of the Company

The risk management function within the Company refers to financial risks, operational risks and legal risks. Financial risk includes market risk including currency risk, interest rate risk, credit risk and liquidity risk. The main objectives of the financial risk management function are to establish risk limits, then to ensure the maintenance of risk exposure within these limits. The operational and legal risk management functions (compliance, regulation) are intended to ensure the proper functioning of internal policies and procedures, in order to minimize operational and legal risks.

Operational risks

The Company's operational risks are managed by successful risk underwriting procedures in the process of granting loans, as well as efficient debt collection procedures.

Legal risks

Legal risks arise mainly from changes in legislation, which the Company successfully manages with the help of the internal legal department and external legal advisors, who help to address any current or future changes in legislation that could have an impact on the Company's commercial activities.

Compliance risk

Compliance risk refers to the risk of business process losses or interruptions resulting from inadequate or failed internal processing systems that have resulted in a violation of applicable law or other regulations currently in force.

Regulatory risks

The company's operations are subject to regulation by several authorities, such as: consumer protection, financial services and other state authorities, including, but not limited to, laws and regulations related to consumer loans and the protection of consumer rights, collection debts and the processing of personal data.

Risks related to compliance with the money laundering prevention policy and the Know Your Customer procedure

The company must comply with money laundering legislation and related compliance obligations. The company issued the Internal Regulation on combating money laundering.

As a result, the Company carries out checks to prevent money laundering. In the "Know your customer" procedure, the verification is done by the customers' banks when these customers open new bank accounts. At the same time, the Company has implemented additional internal policies to minimize these risks. The company has established an internal control framework for the identification and reporting of all suspicious transactions with a combination of IT solutions and the involvement of the human factor. The internal policies of the Company include, as a rule, the verification of the presence of clients in the sanctioned lists and other public sources, as provided by local legislation and the Center for the Protection of Consumer Rights.

Confidentiality, the risk related to the protection of personal data

The Company's activity is subject to a variety of laws and regulations at the national level involving user confidentiality, personal data protection, advertising, marketing, disclosures, distributions, electronic contracts and other communications, consumer protection and online payment services. The company has implemented an internal control framework consisting of a combination of IT-based solutions and business procedures that are designed to catch any potential non-compliance issue before it occurs and to ensure compliance with these requirements.

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.

29.2 Individual risk management

The company places a special emphasis on understanding the risk factors and on a continuous analysis and discussion at the institution level about the possible developments / scenarios and their potential negative impact. The main objectives of risk management include ensuring that all significant risks are recognized in a timely manner, are fully understood and appropriately described.

29.3 Credit risk

Credit risk represents the risk that the Company will record a financial loss if a client or partner in a transaction with financial instruments does not fulfill its contractual obligations.

The company is exposed to credit risk through its financial leasing receivables, loans and advances granted to customers and other receivables, as well as cash and cash equivalents. The maximum exposure to credit risk is represented by the gross accounting value of the respective financial assets.

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29. Risk management (continued)

29.3 Credit risk (continued)

Maximum exposure to credit risk

The table below shows the maximum credit risk exposure of the Company at December 31, 2023 and December 31, 2022, without taking into account the guarantees held. For balance sheet assets, exposures are presented at net book value.

	December 31, 2023 MDL	December 31, 2022 MDL
Cash and cash equivalents	7,731,780	1,321,437
Loans and advances to clients (Note 16)	345,799,431	326,322,067
Finance lease receivables (Note 17)	1,301,471	1,785,910
Other financial assets (Note 21)	1,364,217	24,757
Total	356,196,899	329,454,171

The key areas of the credit risk policy cover the process of granting the lease, including the verification of the solvency of the leasee), the monitoring methods, as well as the decision-making principles. The company uses financed vehicles as guarantees to significantly reduce credit risks and offers loans worth up to 85% of the market value of the guarantee.

The company operates by applying a clear set of criteria for granting financial leasing contracts/loans. This criterion includes the evaluation of the customer's credit history, the means of repayment of the lease/loan and the understanding of the object of the lease/loan. The company takes into account both quantitative and qualitative factors when evaluating the customer's creditworthiness. Based on this analysis, the Company sets the credit limit for each customer.

After signing the lease/loan contract, the Company monitors the object of the lease/loan and the solvency of the client. The company has developed a contract monitoring process, in order to help quickly identify any non-compliance with the provisions of the agreement. Debt balances are continuously monitored to ensure that the Company's exposure to bad debts is minimized and, if necessary, sufficient provisions are made.

The company does not have a significant exposure to credit risk towards a single counter-agent, but it has a risk for the group of co-counter-agents with similar characteristics.

The following tables present information on the quality of financial assets evaluated at amortized cost, Loans and advances granted to clients and Finance lease receivables contracts from the perspective of credit risk. Except where otherwise specified, for all financial asset positions mentioned, the exposures in the tables below are presented at the net book value.

The tables below show the credit quality and the maximum exposure to credit risk based on the internal credit rating system and the classification by Stages at the end of the management period.

Loans and advances to clients	December 31, 2023			
	12-month ECL (-)	Undepreciated lifetime ECL (-)	Lifetime ECL depreciated (-)	Total
	Stage 2		Stage 3	
	Stage 1 MDL	MDL	MDL	MDL
Unexpired	286,360,860	7,176,107	144,200	293,681,167
Expires 1-30 days	40,347,016	5,730,934	301,473	46,379,423
Expires 31-60 days	-	7,468,235	215,658	7,683,893
Expired >=61 days	-	-	56,223,489	56,223,489
Expected credit loss allowance	(8,069,214)	(4,626,828)	(45,472,499)	(58,168,541)
Total Net Exposure	318,638,662	15,748,448	11,412,321	345,799,431

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29. Risk management (continued)

29.3 Credit risk (continued)

Loans and advances to clients	December 31, 2022			
	12-month ECL (-)	Undepreciated lifetime ECL (-)	Lifetime ECL depreciated (-)	Total
	Stage 1 MDL	Stage 2 MDL	Stage 3 MDL	MDL
Unexpired	268,216,967	10,183,666	184,386	278,585,019
Expires 1-25 days	29,963,190	6,878,341	-	36,841,531
Expires 26-34 days	-	9,817,371	556,376	10,373,747
Expired >=35 days	-	-	57,774,932	57,774,932
Expected credit loss allowance	(7,377,767)	(6,526,343)	(43,349,052)	(57,253,162)
Total Net Exposure	290,802,390	20,353,035	15,166,642	326,322,067

Finance lease receivables	December 31, 2023			
	ECL for 12 months (-)	12-month ECL (-)	12-month ECL (-)	Total
	Stage 1 MDL	Stage 2 MDL	Stage 3 MDL	MDL
Unexpired	921,408	30,923	20,811	973,142
Expires 1-30 days	329,673	-	-	329,673
Expires 31-60 days	-	-	-	-
Expired >=61 days	-	-	698,444	698,444
Expected credit loss allowance	(43,131)	(5,071)	(651,586)	(699,788)
Total Net Exposure	1,207,950	25,852	67,669	1,301,471

Finance lease receivables	December 31, 2022			
	ECL for 12 months (-)	12-month ECL (-)	12-month ECL (-)	Total
	Stage 1 MDL	Stage 1 MDL	Stage 1 MDL	MDL
Unexpired	825,529	131,610	-	957,139
Expires 1-25 days	414,244	170,865	-	585,109
Expires 26-34 days	-	64,116	-	64,116
Expired >=35 days	-	-	2,530,392	2,530,392
Expected credit loss allowance	(65,857)	(80,710)	(2,204,279)	(2,350,846)
Total Net Exposure	1,173,916	285,881	326,113	1,785,910

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(All amounts are indicated in MDL, except when it is mentioned otherwise)

29. Risk management (continued)

29.3 Credit risk (continued)

Movement in the portfolio of loans and advances to clients:

Loans and advances to clients	Stage 1 MDL	Stage 2 MDL	Stage 3 MDL	2023 Total MDL
Balance at 01 January 2023	298,180,157	26,879,378	58,515,694	383,575,229
Transfer to Stage 1	9,362,055	(9,103,147)	(258,908)	-
Transfer to Stage 2	(11,877,228)	11,877,228	-	-
Transfer to Stage 3	(17,076,673)	(10,431,978)	27,508,651	-
Increases due to initiation and acquisition	161,523,271	7,658,911	6,157,552	175,339,734
Decreases due to derecognition	(46,002,500)	(1,320,242)	(537,847)	(47,860,589)
The decrease in the account of adjustments for depreciation due to removals from the balance sheet (WO)	(533,601)	(442,592)	(4,711,990)	(5,688,183)
The decrease in the account of adjustments for depreciation due to removals from the balance sheet (Sold debt)	(91,612)	(173,056)	(18,583,237)	(18,847,905)
The net change due to the increase/decrease in credit risk	(56,902,733)	(3,829,781)	(10,282,275)	(71,014,789)
Net change due to exchange rate fluctuations	(9,873,260)	(739,445)	(922,820)	(11,535,525)
Balance at December 31, 2023	326,707,876	20,375,277	56,884,820	403,967,972

Loans and advances to clients	Stage 1 MDL	Stage 2 MDL	Stage 3 MDL	2022 Total MDL
Balance at 01 January 2022	273,916,754	15,990,101	66,863,535	356,770,390
Transfer to Stage 1	6,223,524	(5,856,660)	(366,864)	-
Transfer to Stage 2	(12,690,069)	12,880,249	(190,180)	-
Transfer to Stage 3	(19,863,864)	(5,454,359)	25,318,223	-
Increases due to initiation and acquisition	156,248,718	12,665,257	10,779,334	179,693,309
Decreases due to derecognition	(59,276,204)	(1,916,433)	(6,917,453)	(68,110,090)
The decrease in the account of adjustments for depreciation due to removals from the balance sheet	(179,802)	(117,117)	(27,086,244)	(27,383,163)
The net change due to the increase/decrease in credit risk	(49,196,245)	(1,643,153)	(10,293,362)	(61,132,760)
Net change due to exchange rate fluctuations	2,997,345	331,493	408,705	3,737,543
Balance at December 31, 2022	298,180,157	26,879,378	58,515,694	383,575,229

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023**

(All amounts are indicated in MDL, except when it is mentioned otherwise)

29. Risk management (continued)

29.3 Credit Risk (continued)

Movement in the receivables portfolio from financial leasing contracts:

Finance lease receivables	Stage 1 MDL	Stage 2 MDL	Stage 3 MDL	2023 Total MDL
Balance at 01 January 2023	1,239,773	366,591	2,530,392	4,136,756
Transfer to Stage 1	293,738	(136,839)	(156,899)	-
Transfer to Stage 2	(52,442)	52,442	-	-
Transfer to Stage 3	-	(97,223)	97,223	-
Increases due to initiation and acquisition	215,826	-	-	215,826
Decreases due to derecognition	(307,083)	(86,025)	(71,296)	(464,404)
The decrease in the account of adjustments for depreciation due to removals from the balance sheet	-	(3,116)	(659,294)	(662,410)
The net change due to the increase/decrease in credit risk	994	-	(883,538)	(882,544)
Net change due to exchange rate fluctuations	(139,725)	(64,907)	(137,333)	(341,965)
Balance at December 31, 2023	1,251,081	30,923	719,255	2,001,259

Finance lease receivables	Stage 1 MDL	Stage 2 MDL	Stage 3 MDL	2022 Total MDL
Balance at 01 January 2022	3,966,906	664,043	4,711,015	9,341,964
Transfer to Stage 1	54,965	(54,965)	-	-
Transfer to Stage 2	(266,214)	266,214	-	-
Transfer to Stage 3	(251,438)	(164,070)	415,508	-
Increases due to initiation and acquisition	-	-	-	-
Decreases due to derecognition	(1,339,096)	(180,759)	(44,428)	(1,564,283)
The decrease in the account of adjustments for depreciation due to removals from the balance sheet	(32,272)	-	(2,075,520)	(2,107,792)
The net change due to the increase/decrease in credit risk	(893,078)	(163,872)	(476,183)	(1,533,133)
Net change due to exchange rate fluctuations	-	-	-	-
Balance at December 31, 2022	1,239,773	366,591	2,530,392	4,136,756

Transfers between Stages capture the annual movement of financial assets that are in a different Stage at the closing balance than at the opening balance. Transfers between each Stage are based on opening balances.

Receivables partially derecognized upon transfer between Stages are reported in the Stage in which the assets are transferred. This represents the period until the date when the modification of financial leasing receivables is transferred to a particular Stage.

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(All amounts are indicated in MDL, except when it is mentioned otherwise)

29. Risk management (continued)

29.3 Credit Risk (continued)

Movement of allowances for credit risk losses on loans and advances to clients:

Impairment	Stage 1 MDL	Stage 2 MDL	Stage 3 MDL	2023 Total MDL
Balance at 01 January 2023	7,377,767	6,526,343	43,349,052	57,253,162
Transfer to Stage 1	2,032,010	(1,911,143)	(120,867)	-
Transfer to Stage 2	(445,140)	445,140	-	-
Transfer to Stage 3	(830,748)	(2,644,723)	3,475,471	-
Increases due to initiation and acquisition	3,831,072	1,896,698	3,834,977	9,562,747
Decreases due to derecognition	(1,367,697)	(1,239,023)	(5,787,171)	(8,393,891)
The decrease in the account of adjustments for depreciation due to removals from the balance sheet	(60,077)	(122,926)	(22,858,686)	(23,041,689)
The net change due to the increase/decrease in credit risk	(2,227,596)	1,835,902	24,166,701	23,775,007
Net change due to exchange rate fluctuations	(240,377)	(159,440)	(586,978)	(986,795)
Balance at December 31, 2023	8,069,214	4,626,828	45,472,499	58,168,541

Impairment	Stage 1 MDL	Stage 2 MDL	Stage 3 MDL	2022 Total MDL
Balance at 01 January 2022	3,783,674	2,331,588	48,093,264	54,208,526
Transfer to Stage 1	935,309	(831,779)	(103,530)	-
Transfer to Stage 2	(256,783)	310,452	(53,669)	-
Transfer to Stage 3	(661,867)	(785,509)	1,447,376	-
Increases due to initiation and acquisition	3,789,007	3,202,262	6,034,944	13,026,213
Decreases due to derecognition	(221,388)	(39,651)	(127,685)	(388,724)
The decrease in the account of adjustments for depreciation due to removals from the balance sheet	(488,552)	(211,343)	(28,102,777)	(28,802,672)
The net change due to the increase/decrease in credit risk	409,949	2,468,937	15,887,370	18,766,256
Net change due to exchange rate fluctuations	88,418	81,386	273,759	443,563
Balance at December 31, 2022	7,377,767	6,526,343	43,349,052	57,253,162

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FOR THE YEAR ENDED DECEMBER 31, 2023**

(All amounts are indicated in MDL, except when it is mentioned otherwise)

29. Risk management (continued)

29.3 Credit Risk (continued)

Movement of allowances for credit risk losses on finance lease receivables:

Impairment	Stage 1 MDL	Stage 2 MDL	Stage 3 MDL	2023 Total MDL
Balance at 01 January 2023	65,857	80,710	2,204,279	2,350,846
Transfer to Stage 1	101,341	(28,095)	(73,246)	-
Transfer to Stage 2	(5,659)	5,659	-	-
Transfer to Stage 3	-	(27,470)	27,470	-
Increases due to initiation and acquisition	3,532	-	-	3,532
Decreases due to derecognition	(6,280)	(14,783)	(62,040)	(83,103)
The decrease in the account of adjustments for depreciation due to removals from the balance sheet	-	(1,922)	193,770	191,848
The net change due to the increase/decrease in credit risk	-	-	(1,610,782)	(1,610,782)
Net change due to exchange rate fluctuations	(115,660)	(9,028)	(27,865)	(152,553)
Balance at December 31, 2023	43,131	5,071	651,586	699,788

Impairment	Stage 1 MDL	Stage 2 MDL	Stage 3 MDL	2022 Total MDL
Balance at 01 January 2022	81,669	104,735	3,951,315	4,137,719
Transfer to Stage 1	6,505	(6,505)	-	-
Transfer to Stage 2	(12,534)	12,534	-	-
Transfer to Stage 3	(2,526)	(28,257)	30,783	-
Increases due to initiation and acquisition	-	-	-	-
Decreases due to derecognition	(22,321)	(31,132)	(36,624)	(90,077)
The decrease in the account of adjustments for depreciation due to removals from the balance sheet	(533)	-	(1,928,858)	(1,929,391)
The net change due to the increase/decrease in credit risk	15,597	29,335	187,663	232,595
Net change due to exchange rate fluctuations	-	-	-	-
Balance at December 31, 2022	65,857	80,710	2,204,279	2,350,846

Transfers between Stages include the annual movement of the loss rates of financial assets that are in different stages in the closing balance compared to the opening balance. Transfers between Stages are based on the ECL at the beginning of the period.

The net revaluation of the loss rate on the transfer of the Stages is reported in the stage in which the assets are transferred. This represents the period until the date when the change in the loss rate is transferred to a particular Stage.

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(All amounts are indicated in MDL, except when it is mentioned otherwise)

29. Risk management (continued)

29.3 Credit Risk (continued)

Net loss / (release) on allowances for credit risk losses

The following table shows the reconciliation between:

- the amounts presented in the tables above that reconcile the opening and closing balances of the reductions for depreciation per class of financial instruments; and
- the heading " Net (loss) / release on allowances for credit risk losses " from the profit or loss statement.

2023	Finance lease receivables	Loans and advances to clients	Other financial assets	Total
	MDL	MDL	MDL	MDL
Net movement in expected credit loss allowance	(1,697,417)	15,381,115	-	13,683,698
Increases due to initiation and acquisition	3,532	9,562,748	(14,847)	9,551,433
	(1,693,885)	24,943,863	(14,847)	23,235,131
Recovery of previously derecognized amounts	-	-	-	-
The discounting effect of cash flows	-	-	-	-
Total	(1,693,885)	24,943,863	(14,847)	23,235,131

2022	Finance lease receivables	Loans and advances to clients	Other financial assets	Total
	MDL	MDL	MDL	MDL
Net movement in expected credit loss allowance	142,518	18,377,532	(63,805)	18,456,245
Increases due to initiation and acquisition	-	13,026,213	-	13,026,213
	142,518	31,403,745	(63,805)	31,482,458
Recovery of previously derecognized amounts	-	-	-	-
The discounting effect of cash flows	-	-	-	-
Total	142,518	31,403,745	(63,805)	31,482,458

Excessive concentration of risk

Concentrations occur when a number of counterparties are engaged in similar commercial activities, or activities in the same geographic region, or have similar economic characteristics that would make their ability to fulfill contractual obligations be similarly affected by changes in economic, political conditions or of another nature. Concentrations indicate the relative sensitivity of the company's performance to developments that affect a certain industry or geographic location.

The company monitors the risk of concentration on geographical regions. The concentration risk is presented as follows:

	December 31, 2023				December 31, 2022			
	North	Center	South	Total	North	Center	South	Total
% Total exposure	28%	53%	19%	100%	28%	55%	17%	100%
% NPL	12%	14%	13%	14%	15%	15%	14%	15%

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29. Risk management (continued)

29.3 Credit Risk (continued)

The analysis of loans and advances to clients, as well as receivables from financial leasing contracts by fields of use is reflected as follows:

Loans and advances to clients	December 31, 2023 MDL	December 31, 2022 MDL
Beneficiary		
Individuals	345,288,310	322,816,254
Legal persons	511,121	3,505,813
Total	345,799,431	326,322,067

Finance lease receivables	December 31, 2023 MDL	December 31, 2022 MDL
Beneficiary		
Individuals	1,301,471	1,785,910
Total	1,301,471	1,785,910

Additional guarantees held

The tables below show the cumulative amounts for loans and advances granted to clients and receivables from financial leasing contracts:

LTV	December 31, 2023			December 31, 2022		
	Stage 1 and Stage 2 MDL	Stage 3 MDL	Total MDL	Stage 1 and Stage 2 MDL	Stage 3 MDL	Total MDL
less than 50%	5,496,894	14,032	5,510,926	5,012,248	55,850	5,068,098
51%-70%	17,750,470	346,177	18,096,647	15,761,324	383,948	16,145,272
71%-90%	79,608,445	2,266,452	81,874,897	88,204,832	3,734,150	91,938,982
91%-100%	109,836,164	4,798,903	114,635,067	121,543,638	6,571,727	128,115,365
more than 100%	122,928,939	4,054,426	126,983,365	82,093,180	4,747,080	86,840,260
Total	335,620,912	11,479,990	347,100,902	312,615,222	15,492,755	328,107,977

The table below shows the accounting value and the value of identifiable guarantees (automobiles) held in relation to loans and advances granted to customers and Finance lease receivables:

	December 31, 2023		December 31, 2022	
	Accounting Value MDL	Guarantee MDL	Accounting Value MDL	Guarantee MDL
Stage 1 and Stage 2	335,620,911	461,120,398	312,615,222	405,747,290
Stage 3	11,479,991	233,704,529	15,492,755	207,121,442
Total	347,100,902	694,824,927	328,107,977	612,868,732

29.4 Market risk

The company assumes exposure to market risks, which are the risks that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risks affect products involving interest rates and foreign exchange products. All this being exposed to the evolution of the market and changes in the level of market rates or prices, such as interest rates.

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29. Risk management (continued)

29.5 Interest rate risk

The company is not exposed to interest rate risk, because all interest-bearing assets and liabilities have a fixed interest rate.

The tables below show the Company's exposure to interest rate risk as of December 31, 2023 and December 31, 2022. Included in the table are the Company's financial assets and financial liabilities at their carrying amounts, classified according to the closest date between the date of the contractual interest rate change and due date:

December 31, 2023	Book value	Up to	3-12	1-5 years	More than
	MDL	3 months	months	MDL	5 years
		MDL	MDL		MDL
Financial assets					
Cash and cash equivalents	7,731,780	7,731,780			
Loans and advances to clients	345,799,431	30,897,704	89,571,557	224,429,922	900,248
Finance lease receivables	1,301,471	208,806	489,260	603,405	-
Total financial assets	354,832,682	38,838,290	90,060,817	225,033,327	900,248
Financial liabilities					
Borrowings	330,886,236	-	41,709,584	289,176,652	-
Lease liabilities	2,467,718	363,370	948,419	1,155,929	-
Total financial liabilities	333,353,954	363,370	42,658,003	290,332,581	-
Net interest rate exposure	21,478,728	38,474,920	47,402,814	(65,299,254)	900,248
December 31, 2022	Book value	Up to	3-12	1-5 years	More than
	MDL	3 months	months	MDL	5 years
		MDL	MDL		MDL
Financial assets					
Cash and cash equivalents	1,321,437	1,321,437	-	-	-
Loans and advances to clients	326,322,067	23,719,559	71,885,208	221,838,699	8,878,601
Finance lease receivables	1,785,910	270,255	643,340	872,315	-
Total financial assets	329,429,414	25,311,251	72,528,548	222,711,014	8,878,601
Financial liabilities					
Borrowings	301,284,696	-	63,966,799	237,317,897	-
Lease liabilities	1,223,423	271,332	632,884	319,207	-
Total financial liabilities	302,508,119	271,332	64,599,683	237,637,104	-
Net interest rate exposure	26,921,295	25,039,919	7,928,865	(14,926,090)	8,878,601

29.6 Capital Risk Management

The Company considers both equity and loans to be part of the general capital risk management strategy. The Company manages its capital to ensure that it will be able to continue as a going concern. To adjust the capital structure, the Company can attract new Loans, borrowed in the Peer to Peer platform, increase the share capital or sell the assets to reduce the debts. Loan management is done by monitoring and complying with the requirements imposed by the creditor as well as planning the subsequent loan needs to ensure the further development of the Company.

According to the CNPF requirements, the non-bank lending organization is obliged to hold and maintain its own capital in relation to the value of the assets at any time in the amount of at least 5%.

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(All amounts are indicated in MDL, except when it is mentioned otherwise)

29. Risk management (continued)

29.7 Currency Risk

Currency risk is defined as the risk that the value of a financial instrument will fluctuate as a result of changes in the exchange rate. The company is exposed to the effects of exchange rate fluctuations on the side of the financing sources it receives from non-residents and on the side of financial assets - Loans granted to clients in foreign currency at the NBM exchange rate.

	December 31, 2023			December 31, 2022		
	EUR MDL	MDL	Total MDL	EUR MDL	MDL	Total MDL
Financial assets						
Cash and cash equivalents	4,917,308	2,814,472	7,731,780	93,850	1,227,587	1,321,437
Loans and advances to clients	234,181,241	111,618,190	345,799,431	217,348,237	108,973,830	326,322,067
Finance lease receivables	823	1,300,648	1,301,471	-	1,785,910	1,785,910
Other financial assets	45,239	1,318,978	1,364,217	(498,484)	523,241	24,757
Total financial assets	239,144,611	117,052,288	356,196,899	216,943,603	112,510,568	329,454,171
Financial liabilities						
Borrowings	330,886,236	-	330,886,236	301,284,696	-	301,284,696
Lease liabilities	2,250,113	217,605	2,467,718	1,045,778	177,645	1,223,423
Other financial liabilities	3,009,519	2,609,716	5,619,235	2,073,819	2,681,179	4,754,998
Total financial liabilities	336,145,868	2,827,321	338,973,189	304,404,293	2,858,824	307,263,117
Net Position	(97,001,257)	114,224,967	17,223,710	(87,460,690)	109,651,744	22,191,054

The table below shows the impact of the change in exchange rates against the national currency on the Company's profit, if other market variables remain constant:

Estimated change in exchange rates, (%)	Currency	December 31, 2023 Impact, Profit/(Loss) MDL	December 31, 2022 Impact, Profit/(Loss) MDL
+10%	EUR	(9,700,126)	(8,746,069)
-10%	EUR	9,700,126	8,746,069
+15%	EUR	(14,550,189)	(13,119,104)
-15%	EUR	14,550,189	13,119,104

29.8 Liquidity risk

Liquidity risk is the risk when the Company encounters difficulties in fulfilling the obligations associated with its financial debts that are extinguished by cash payment or the sale of another financial asset. The company's approach to managing liquidity is to ensure, as much as possible, that it will have sufficient liquidity to meet its debts when they fall due, both under normal conditions and under stress conditions, without incurring unacceptable losses or the risk of damaging the company's reputation. The company controls its liquidity risk by managing the amount of financing it attracts through Peer to Peer platforms, which offer management greater flexibility to manage loan sizes and cash levels.

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(All amounts are indicated in MDL, except when it is mentioned otherwise)

29. Risk management (continued)

29.8 Liquidity risk (continuation)

The tables below show the cash flows payable by the Company in the form of non-derivative financial liabilities and assets held for liquidity risk management, remaining at the contractual maturity date of the financial position situation. The amounts presented in the tables represent the undiscounted contractual cash flow. The cash flow payable for the loans includes the estimated interest payments assuming that the principal is paid in full on the due date.

December 31, 2023	Book value	On demand	Up to 1 year	From 1 to 5 years	Contractual cash flows	
	MDL	MDL	MDL	MDL	More than 5 years	Total
					MDL	MDL
Assets						
Cash and cash equivalents	7,731,780	7,731,780	-	-	-	7,731,780
Loans and advances to clients	345,799,431	-	283,374,747	396,930,121	1,592,192	681,897,060
Finance lease receivables	1,301,471	-	1,778,521	912,725	-	2,691,246
Other assets	1,364,217	-	1,364,217	-	-	1,364,217
Total assets	356,196,899	7,731,780	286,517,485	397,842,846	1,592,192	693,684,303
Liabilities						
Borrowings	330,886,236	-	57,935,525	383,411,618	4,223	441,351,366
Lease liabilities	2,467,718	-	1,413,614	1,200,500	-	2,614,114
Other liabilities	5,619,235	-	5,619,235	-	-	5,619,235
Total liabilities	338,973,189	-	64,968,374	384,612,118	4,223	449,584,718
Surplus / (deficit) of liquidity	17,223,710	7,731,780	221,549,111	13,230,728	1,587,969	244,099,585
December 31, 2022	Book value	On demand	Up to 1 year	From 1 to 5 years	Contractual cash flows	
	MDL	MDL	MDL	MDL	More than 5 years	Total
					MDL	MDL
Assets						
Cash and cash equivalents	1,321,437	1,321,437	-	-	-	1,321,437
Loans and advances to clients	326,322,067	-	256,274,420	429,209,081	17,208,279	702,691,780
Finance lease receivables	1,785,910	-	3,708,524	1,673,853	-	5,382,377
Other assets	24,757	-	24,757	-	-	24,757
Total assets	329,454,171	1,321,437	260,007,701	430,882,934	17,208,279	709,420,351
Liabilities						
Borrowings	301,284,696	-	74,414,304	257,256,477	686,282	332,357,063
Lease liabilities	1,223,423	-	939,135	324,539	-	1,263,674
Provisions for financial guarantees	-	-	-	-	-	-
Other liabilities	4,754,998	-	4,754,998	-	-	4,754,998
Total liabilities	307,263,117	-	80,108,437	257,581,016	686,282	338,375,735
Surplus / (deficit) of liquidity	22,191,054	1,321,437	179,899,264	173,301,918	16,521,997	371,044,616

* TRANSLATOR'S EXPLANATORY NOTE: The above translation of the financial statements is provided as a free translation from Romanian which is the official and binding version.

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29. Risk management (continued)

29.9 Fair value of financial assets and liabilities

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

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

The main or most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is assessed based on the assumptions that market participants would use to set the prices of the asset or liability, assuming that market participants act in their economic interest. A determination of the fair value of a non-financial asset takes into account the ability of a market participant to generate economic benefits by using the asset in the best and most efficient way or by selling it to another market participant who would use the asset in the best way and more efficient measure. The Company uses appropriate valuation techniques for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities, for which the fair value is evaluated or disclosed in the financial statements, are classified in the hierarchy of fair values, described as follows, based on the lowest level of value, which is significant for the evaluation of the fair value as a whole:

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

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

Level 3 - Valuation techniques for the lowest level input that is significant to the fair value measurement is unobservable.

Level 1 includes highly liquid assets such as Cash or cash items. Management recognizes that the fair value of cash and cash equivalents is the same as their accounting value, therefore the risk of changing the fair value is insignificant.

Level 2 instruments include assets, for which there is no active market, such as financial instruments traded outside the stock exchange, bonds. The company has no assets or liabilities classified in Level 2.

Level 3 instruments include Finance lease receivables, Receivables regarding credits and advances to customers, Long-term and current loans, trade debts, trade receivables.

The fair value of current and non-current loans is based on discounted cash flows using the effective interest rate.

The fair value of the finance lease and loan receivables is equal to the book value, which is the discounted value of the minimum lease and loan payments discounted using the effective interest rate of the agreement and adjusted for depreciation.

The fair value of lease receivables and loan receivables and customer advances is determined based on the discounted cash flow model, consisting of contractual loan cash flows, which are adjusted to expectations regarding possible variations in value and timing of cash flows using the methodology compatible with the expected determination of the credit loss at December 31, 2023 to determine the cash flows expected to be received without impairment losses. The pre-tax weighted average cost of capital WACC of the entity that owns the respective financial assets is used as the basis for the discount rate. The WACC is based on the actual estimated cost of equity capital and the cost of debt that reflects any other relevant risks for the loan contracts that do not were taken into account for the adjustment of the impairment loss described above and also includes compensation for the opportunity cost of establishing a similar loan agreement. An additional 1.5% is added to the discount rate as an adjustment to account for portfolio service costs not captured by cash flow adjustments

The annual discount rate was set at 9.49% (2022: 12.62%). The impairment loss is estimated by applying the PD and LGD rates, which are in accordance with the ECL methodology described in "Calculation of ECL" (Note 3).

The management recognizes that, if a fair value of these assets/liabilities would be evaluated as an amount at which an asset could be exchanged or a debt could be settled under conditions of independent competition with known third parties, the obtained fair values of the assets and liabilities would not be materially different.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023**

(All amounts are indicated in MDL, except when it is mentioned otherwise)

29. Risk management (continued)

29.9 Fair value of financial assets and liabilities (continued)

For assets and liabilities that are recognized in the separate financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by reassessing the categorization based on the lowest entry level that is significant to the fair value measurement as a whole at the end of each reporting periods. for the purpose of presenting information on fair value, the Company has determined classes of assets and liabilities depending on the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

The table below summarizes the book values and fair values of financial assets and liabilities:

December 31, 2023	Book value	Level 1	Level 2	Level 3	Fair value
	MDL	MDL	MDL	MDL	Total MDL
Assets					
Cash and cash equivalents	7,731,780	7,731,780	-	-	7,731,780
Loans and advances to clients	345,799,431	-	-	479,554,124	479,554,124
Finance lease receivables	1,301,471	-	-	1,623,621	1,623,621
Other financial assets	1,364,217	-	-	1,364,217	1,364,217
Total assets	356,196,899	7,731,780	-	482,541,962	490,273,742
Liabilities					
Borrowings	330,886,236	-	-	330,886,236	330,886,236
Lease liabilities	2,467,718	-	-	2,467,718	2,467,718
Other financial liabilities	5,619,235	-	-	5,619,235	5,619,235
Total liabilities	338,973,189	-	-	338,973,189	338,973,189

December 31, 2022	Book value	Level 1	Level 2	Level 3	Fair value
	MDL	MDL	MDL	MDL	Total MDL
Assets					
Cash and cash equivalents	1,321,437	1,321,437	-	-	1,321,437
Loans and advances to clients	326,322,067	-	-	408,752,174	408,752,174
Finance lease receivables	1,785,910	-	-	2,570,342	2,570,342
Other financial assets	24,757	-	-	24,757	24,757
Total assets	329,454,171	1,321,437	-	411,347,273	412,668,710
Liabilities					
Borrowings	301,284,696	-	-	301,284,696	301,284,696
Lease liabilities	1,223,423	-	-	1,223,423	1,223,423
Provisions for financial guarantees	-	-	-	-	-
Other financial liabilities	4,754,998	-	-	4,754,998	4,754,998
Total liabilities	307,263,117	-	-	307,263,117	307,263,117

30. Subsequent events

There were no significant subsequent events after the balance sheet date.

Signed on behalf of the Company by

Luchianenco Veaceslav
Administrator

