

OCN Sebo Credit SRL

(IDNO 1017600000371)

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

**PREPARED IN ACCORDANCE WITH
INTERNATIONAL FINANCIAL REPORTING STANDARDS**

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

OCN Sebo Credit SRL
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

CONTENTS

Page

INDEPENDENT AUDITOR'S REPORT

STATEMENT OF FINANCIAL POSITION	1
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	2
STATEMENT OF CHANGES IN EQUITY	3
STATEMENT OF CASH FLOWS	4
NOTES TO THE FINANCIAL STATEMENTS	5-59

INDEPENDENT AUDITOR'S REPORT to the shareholders of OCN Sebo Credit S.R.L.

Opinion

We have audited the financial statements of OCN Sebo Credit 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
24 May 2024

**Refer to the original signed
Romanian version**

Eugeniu Raietchi
Licensed Auditor
License AG 000294

OCN Sebo Credit SRL
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023
(All amounts expressed in MDL, if not stated otherwise)

	Notes	31 December 2023 MDL	31 December 2022 MDL
Assets			
Cash and cash equivalents	4	11,573,116	13,981,811
Loans to customers	5	367,928,137	404,796,415
Property and equipment	6	13,054,208	16,115,140
Intangible assets	7	16,403,163	18,932,826
Deferred tax asset	8	-	948,829
Other assets	9	9,715,075	6,416,887
Total assets		418,673,699	461,191,908
Shareholders' equity and liabilities			
Liabilities			
Borrowings	10	147,161,507	242,437,736
Current income tax liabilities		1,447,635	337,577
Deferred tax liabilities	8	2,421,255	-
Other liabilities	12	25,542,796	48,370,146
Total liabilities		176,573,193	291,145,459
Shareholders' equity			
Share capital	13	4,200,000	4,200,000
Reserve capital	13	5,455,000	5,455,000
Retained earnings		232,445,506	160,391,449
Total shareholders' equity		242,100,506	170,046,449
Total shareholders' equity and liabilities		418,673,699	461,191,908

The accompanying notes on pages 5 to 59 are an integral part of these financial statements.

The financial statements were authorized for issue on 24 May 2024:


 Cherdivara Sergiu
 Administrator




 Păun Rodica
 CFO

OCN Sebo Credit SRL
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2023

(All amounts expressed in MDL, if not stated otherwise)

	Notes	2023 MDL	2022 MDL
Interest income	14	297,347,845	320,883,806
Interest expense	14	(35,791,962)	(35,154,711)
Net interest income/ (expense)		261,555,883	285,729,095
Commission income	15	70,078	813,456
Net commission income/ (expense)		70,078	813,456
Net trading income (expense)	16	9,142,905	(6,324,632)
Other operating income	17	32,695,751	30,079,621
Operating income		41,838,656	23,754,989
Impairment expense	5	(64,779,407)	(134,372,033)
Personnel expenses	18	(41,658,950)	(42,615,174)
General and administrative expenses	19	(46,019,621)	(55,145,241)
Depreciation and amortization	20	(14,184,861)	(14,751,158)
Operating expenses		(166,642,839)	(246,883,606)
Profit before taxation		136,821,778	63,413,934
Income tax expense	8	(16,767,721)	(4,002,198)
Net profit for the year		120,054,057	59,411,736
Other comprehensive income		-	-
Total comprehensive income		120,054,057	59,411,736

The accompanying notes on pages 5 to 59 are an integral part of these financial statements.

The financial statements were authorized for issue on 24 May 2024:


SEBO CREDIT
 S.R.L.
 Cherdivara Sergiu
 Administrator


 Rodica Paun
 CFO

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OCN Sebo Credit SRL
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts expressed in MDL, if not stated otherwise)

	Share capital MDL	Reserve capital MDL	Retained earnings MDL	Total equity MDL
At 1 January 2023	4,200,000	5,455,000	160,391,449	170,046,449
<i>Comprehensive income</i>				
Profit for the year	-	-	120,054,057	120,054,057
Total comprehensive income	-	-	120,054,057	120,054,057
<i>Transactions with shareholders</i>				
Increase/decrease of capital	-	-	-	-
Distribution of dividends	-	-	(48,000,000)	(48,000,000)
Total transactions with shareholders	-	-	(48,000,000)	(48,000,000)
At 31 December 2023	4,200,000	5,455,000	232,445,506	242,100,506
	Share capital MDL	Reserve capital MDL	Retained earnings MDL	Total equity MDL
At 1 January 2022	54,550,000	5,455,000	140,979,713	200,984,713
<i>Comprehensive income</i>				
Profit for the year	-	-	59,411,736	59,411,736
Total comprehensive income	-	-	59,411,736	59,411,736
<i>Transactions with shareholders</i>				
Increase/decrease of capital	(50,350,000)	-	-	(50,350,000)
Distribution of dividends	-	-	(40,000,000)	(40,000,000)
Total transactions with shareholders	(50,350,000)	-	(40,000,000)	(90,350,000)
At 31 December 2022	4,200,000	5,455,000	160,391,449	170,046,449

The accompanying notes on pages 5 to 59 are an integral part of these financial statements.

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OCN Sebo Credit SRL
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts expressed in MDL, if not stated otherwise)

	Notes	2023 MDL	2022 MDL
Cash flows from operating activities			
Loans disbursed to customers		(480,864,091)	(739,069,834)
Loans reimbursed by customers		483,751,498	677,180,618
Interest, commissions and other servicing fees received		269,999,043	334,117,657
Interest and commissions paid		(34,338,775)	(30,545,278)
Other operating receipts		31,143,387	22,649,988
Payments for employee's remuneration		(38,423,046)	(39,568,083)
Other operating payments		(68,963,293)	(82,144,348)
Net cash from operating activities before income tax		162,304,723	142,620,720
Income tax paid		(12,287,579)	(15,630,007)
Net cash from operating activities		150,017,144	126,990,713
Cash flows from investing activities			
Acquisition of property and equipment and intangible assets		(4,644,735)	(3,982,255)
Net cash used in investing activities		(4,644,735)	(3,982,255)
Cash flows from financing activities			
Share capital reduction		-	(50,350,000)
Dividends paid		(62,691,853)	(18,800,037)
Proceeds from borrowings		117,509,642	233,912,344
Repayment of borrowings		(201,640,230)	(288,061,219)
Net cash used in financing activities		(146,822,441)	(123,298,912)
Effects of exchange rate changes on cash and cash equivalents		(958,663)	(726,623)
Net increase/ (decrease) in cash and cash equivalents		(2,408,695)	(1,017,077)
Cash and cash equivalents at 1 January		13,981,811	14,998,888
Cash and cash equivalents at 31 December	4	11,573,116	13,981,811

The accompanying notes on pages 5 to 59 are an integral part of these financial statements.

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OCN Sebo Credit SRL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts expressed in MDL, if not stated otherwise)

1. GENERAL INFORMATION

OCN Sebo Credit SRL ("the Company") is a limited liability company, founded in 6 January 2017. The Company is incorporated and operates exclusively in Republic of Moldova. The registered office of the Company is located at 42 Albișoara str., 4-th floor, Chisinau, Republic of Moldova, registration number 1017600000371. On 25 March 2019 the Company was registered in the Register of Non-Bank Credit Organizations kept by the National Commission for Financial Markets.

The activity of the Company focuses on short-, medium- and long-term unsecured lending to individuals.

As at 31 December 2023, the Company had 29 branches (2022:31).

As at 31 December 2023, the Company had a total number of 179 employees (31 December 2022: 191 employees).

As at 31 December 2023, the shareholders of OCN Sebo Credit SRL are:

- AS Eleving Consumer Finance (the old name Funderly Group AS), Latvia – 98.9498%;
- Eleving Group (the old name Mogo Finance SA), Luxemburg – 0.0002%;
- Individuals, Republic of Moldova – 1.05%.

Eleving Group, Luxemburg, of which the Company is a part, prepares a separate set of consolidated financial statements in accordance with the International Financial Reporting Standards adopted by the European Union ("IFRS") for the financial year ended 31 December 2023.

Starting from 1 July 2023, the powers to regulate the activity in the fields of insurance, reinsurance, non-bank lending are taken over by the National Bank of Moldova from the National Commission for Financial Markets (NCFM). The fundamental objectives of supervision are to protect the rights and interests of beneficiaries of financial services and to ensure the stability of the insurance system in the Republic of Moldova. Thus, from 1 July 2023, the sector of non-bank credit companies is regulated by the National Bank of Moldova.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES

2.1 Basis of preparation

The responsibility for bookkeeping and financial statements preparation rests with the management of the Company.

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), as adopted by the European Union 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 comprehensive income ("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 stated.

The annual financial statements of the Company and its financial result are influenced by the accounting policies, assumptions, estimates and judgment of the management, 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 judgment 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. 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 1st January and ends on 31st December 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.

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.

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

OCN Sebo Credit SRL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts expressed in MDL, if not stated otherwise)

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.2 Foreign currency translation

Foreign currency transactions are recorded at the exchange rate at the date of the transaction. At the reporting date, monetary assets and liabilities denominated in foreign currency are converted at the official rate of the Moldovan leu as of the balance sheet date.

Exchange rate differences arising from the settlement of transactions at rates different from those on the date of the transaction, as well as unrealized exchange rate differences from monetary assets and liabilities denominated in foreign currency are included in the profit or loss.

The exchange rates applicable for year-end and average rates for the year were as follows:

	2023		2022	
	USD	Euro	USD	Euro
Average for the period	18.1607	19.6431	18.9032	19.8982
Year end	17.4062	19.3574	19.1579	20.3792

2.3 Financial instruments

(i) Recognition

The Company classifies financial assets based on the cash flow characteristics of each instrument and the business model under which an asset is held. A business model reflects how the Company manages financial assets to achieve its business objectives. There are three types of business models:

"Hold to collect" business model:

This business model refers to financial assets that are classified to collect cash flows (for example: loans, government securities, bonds held outside the trading portfolio). If these assets pass the SPPI test, they are valued at amortized cost and are included in the periodic calculation of expected credit losses.

There is no requirement that assets classified in this category be held to maturity; sales are acceptable; if they are infrequent (even if significant in value) or insignificant in value both individually and in the aggregate (even if frequent), when the risk profile of such instruments increases or is no longer in accordance with the Company's investment policy. A higher frequency of sales in a given period is not necessarily inconsistent with this business model, if the Company is able to justify the reasons for such sales and demonstrate that these sales do not reflect a change in the current business model.

"Own to collect and sell" business model:

In this business model, financial assets are held to collect contractual cash flows, but can also be sold to meet liquidity requirements or to maintain a certain portfolio-wide interest yield. They are measured at fair value through other comprehensive income (reserves) and may include government securities and bonds.

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2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.3 Financial instruments (continued)

(i) Recognition (continued)

Other business models are those that do not meet the criteria of the business models mentioned above, for example business models where the main objective is to realize cash flows through sale, business models where assets are held for trading, business models where assets are managed on the basis of fair value, business models where financial assets are acquired for sale/trading and valued through profit or loss (marketable securities, marketable shares, etc.). The portfolio is managed based on the evolution of the market value of the assets and includes frequent sales and purchases in order to maximize profit. The Company recognizes all financial assets and liabilities at the transaction date. The transaction date is the date on which the Company undertakes to buy or sell an asset.

On initial recognition, a financial asset may be classified as follows:

- a) valued at amortized cost, assuming that the following conditions are met simultaneously:
 - the asset is held according to a business model where the main objective is to collect the contractual cash flows;
 - the contractual terms of the financial asset generate cash flows at specific dates, representing exclusively principal and interest payments.
- b) valued at fair value through other comprehensive income, assuming that the following conditions are met simultaneously:
 - the financial asset is held within a business model whose objective is achieved both by collecting contractual cash flows and by selling financial assets.
 - the contractual terms of the financial asset give rise, on specified dates, to cash flows that are only payments of principal and interest on the outstanding principal amount.
- c) Valued at fair value through profit or loss, if the financial assets do not meet the criteria according to which the contractual cash flows must be exclusively payments of principal and interest (SPPI test) or if the assets are held for trading (for example derivatives). Embedded derivatives are no longer separated from the host financial assets, but will be fully valued together with the non-derivative financial asset for the purpose of testing the contractual cash flow characteristics.

Derivatives are measured at fair value through profit or loss.

Financial liabilities are valued at amortized cost, except for derivative financial instruments that are valued at fair value through profit or loss. Embedded derivatives are separated from the host contract if the separation criteria mentioned in IFRS 9 are met. The Company does not hold financial liabilities measured at fair value through profit or loss. Financial liabilities cannot be reclassified.

The Company recognizes non-derivative financial assets and liabilities in the statement of financial position, applying contract date accounting, when the Company becomes part of the contractual provisions of the financial asset or liability (standard acquisitions), i.e. when there is the probability of inflow or outflow of a future economic benefit related to these financial assets and liabilities and their cost or value can be measured reliably.

All ordinary purchases and sales of financial assets are recognized on the contract date, ie the date an asset is delivered to or by the Company. Ordinary way purchases or sales are purchases or sales of financial assets that require delivery of the assets within the timeframe generally established by regulation or convention in the relevant market. A financial asset or financial liability is initially measured at their fair value, and for a financial instrument that is not measured at fair value through profit or loss, plus transaction costs directly attributable to acquisition or issuance.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.3 Financial instruments (continued)

(ii) Derecognition of financial instruments

Financial assets, or part of them, are derecognized when the contractual rights to receive the cash flows from the assets have expired or when they have been transferred and:

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

The Company enters into transactions in which it retains contractual rights to collect cash flows from financial assets, but also assumes a contractual obligation to pay those cash flows to other entities and to transfer substantially all of the related risks and rewards.

Transactions are accounted for as “in transit” transfers resulting in derecognition if the Company:

- has no obligation to make payments unless it collects equivalent amounts from assets;
- is prohibited from selling or pledging goods; and
- has an obligation to remit any cash it receives from assets without significant delay.

The Company derecognizes a financial asset when the contractual rights to cash flows from the asset have expired or has transferred substantially all the risks and rewards of the asset or has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control over assets.

The Company derecognizes a financial liability when its contractual obligations related to the financial liability are honored, cancelled or expired.

(iii) Offsetting financial assets and liabilities

Financial assets and liabilities are offset, and the net amount presented in the statement of financial position when and only when, the Company has legally enforceable right to set off the recognized amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(iv) The fair value of financial instruments

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

When available, the Company measures the fair value of financial instruments using the quoted price in an active market for these instruments. A market is regarded as active if transactions for these assets or liabilities take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Company uses valuation techniques that maximize the use of relevant observable information and minimize the use of unobservable inputs. The valuation technique incorporates all the factors that market participants would consider in pricing a transaction.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.3 Financial instruments (continued)

(iv) The fair value of financial instruments (continued)

The best evidence of financial instruments' fair value at the date of initial recognition is the transaction price (i.e. the fair value of the contribution received or given). If the Company determines that the fair value at the date of transaction differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the instrument is initially measured at fair value, adjusted to defer the difference between the fair value at the date of transaction and the transaction price. Subsequently, that difference is recorded in the profit and loss over the life of the instrument on an appropriate basis.

The Company does not hold financial instruments measured at fair value. All financial instruments are measured at amortized cost and their fair value is disclosed in Note 23 of the financial statements.

The fair value of financial instruments is determined by the Company using available market information and appropriate valuation methodologies, such as discounted cash flows techniques. When using the discounted cash flows techniques, the estimated future cash flows are based on the management's best decisions and the discount rate is a market rate at the date of the statement of financial position, with similar terms and conditions. Additionally, professional judgements and assumptions are made to interpret the market data used to measure the fair value.

The Company measures the fair value of financial instruments using the fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

The fair value hierarchy comprises three levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

The Company does not hold financial instruments assigned to this category.

- Level 2: inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

The Company attributes the borrowings to this category for fair value disclosure.

- Level 3: inputs that are not based on observable market data for the asset or liabilities (unobservable inputs).

The Company attributes to this category for fair value disclosure financial instruments measured at amortized cost, i.e. loans, other assets.

(v) Impairment of financial assets (including loans granted)

The impairment requirements under IFRS 9 are based on expected credit losses and involve the timely recognition of estimated future credit losses.

The Company assesses, using a prospective approach, the expected credit losses ("ECL") associated with its debt instrument assets measured at amortized cost, and at fair value through other comprehensive income and exposure from loan commitments.

To assess expected credit losses, the Company groups assets into three categories: stage 1 (assets that do not show increases in credit risk since initial recognition), stage 2 (assets for which a significant increase in credit risk has been observed since initial recognition) and stage 3 (impaired – assets that the Company considers non-performing).

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.3 Financial instruments (continued)

(v) Impairment of financial assets (including loans granted) (continued)

The determination of expected losses at the reporting date is based on the effective interest rate established at initial recognition, except for financial assets with a variable interest rate, for which expected credit losses must be determined based on the current effective interest rate. With respect to acquired or originated financial assets that are impaired due to credit, expected credit losses should be determined based on the credit-adjusted effective interest rate established at initial recognition.

According to IFRS 9, a financial asset is impaired when one or more events have occurred and have a significant impact on the expected future cash flows of that financial asset.

Evidence that a financial asset is credit impaired includes observable data about the following events:

- the significant financial difficulty of the issuer or the debtor;
- a breach of contract, such as an event of default or overdue;
- the lender, for economic or contractual reasons related to the borrower's financial difficulty, grants the borrower a concession that would not otherwise be considered;
- it becomes likely that the borrower will enter bankruptcy or other financial reorganization;
- the disappearance of an active market of the financial asset due to financial difficulties; or
- purchase or origination of a financial asset at a considerable discount reflecting the credit losses incurred.

A financial asset classified as impaired upon initial recognition will be maintained as such until derecognized.

Expected credit losses are calculated at each reporting date and reflect:

- an unbiased and probability-weighted amount, which is determined by evaluating a range of possible outcomes;
- time value of money; and
- reasonable and reliable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

At each reporting date, the Company assesses whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Objective evidence that the financial assets are impaired used by the Company are:

- significant financial difficulty of the client or debtor;
- overdue payments for more than 90 days, at the reporting date;
- the restructuring of a loan or receivable due to financial difficulties of the debtor, which the Company would not consider otherwise;
- initiation of litigations against the debtor;
- it becoming probable that the debtor will enter bankruptcy, etc.

The estimated period between occurrence of a loss and its identification is determined on a loan's portfolio basis and other financial assets management. Overall, the periods used vary between one and three months.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.3 Financial instruments (continued)

(v) Impairment of financial assets (including loans granted) (continued)

If there is an objective evidence that the Company will not be able to collect all due amounts (minimum loan payments plus interest and reimbursable related costs) according to the original contractual terms of the loan, then such receivables are considered to be impaired. The impairment loss is the difference between the receivable's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate implicit in the loan.

At each reporting date, the Company assesses the amount of the expected loss / provision relating to a financial instrument based on the credit risk evolution associated with that financial instrument.

The Company recognizes expected losses for the financial instruments, which it has not designated as being measured at fair value through profit or loss.

The Company uses an impairment model based on the changes in the quality of the financial instruments since their initial recognition, as presented below:

- a financial instrument whose credit risk has not increased significantly since the initial recognition date is classified in "Stage 1". Their expected credit loss (ECL) is measured as an amount equal to the life-time ECL resulting from the potential events of non-payment during the upcoming 12 months or less if the financial instrument has a shorter maturity, the exposure at the reporting date and Loss Given Default (LGD);
- if there is a substantial increase in credit risk since initial recognition, the financial instrument is transferred to "Stage 2", but is still not considered to be impaired. The Company recognizes a provision for loss as a value equal to the expected life-time credit losses calculated at the estimated exposure in accordance with payment schedule applying the conditional probability of default (PD) for the corresponding maturity and the LGD, until the respective financial instruments are derecognized, classified into "Stage 1" or "Stage 3".

2.4 Intangible assets

Intangible assets include licenses, trademarks, computer software/programs and development costs.

Intangible assets acquired from third parties are recognized at cost upon initial recognition. After initial recognition, intangible assets are carried at cost less any calculated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and, respectively, are recognized within the expenses of the period, being reflected in the statement of profit and loss in the year in which they were incurred.

Definite-lived intangible assets are amortized over their useful economic lives and subject to an impairment test whenever there is an indication that the intangible asset may be impaired. The amortization period and method for an intangible asset with a definite useful life is reviewed at least at the end of each financial year. Changes in the expected useful life of the asset or the expected rate of consumption of the future economic benefits embodied in the asset are accounted for by changing the depreciation period or method, if applicable, and considered as changes in accounting estimates.

Intangible assets with an indefinite life are not amortized, being subject to depreciation whenever there are indications of their depreciation.

Gains or losses arising from the derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the asset's net book value.

OCN Sebo Credit SRL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts expressed in MDL, if not stated otherwise)

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.4 2.4 Intangible assets (continued)

Intangible assets are reflected in the financial statements at initial cost and are amortized using the straight-line method over their estimated useful lives as follows:

Type	Ani
Software and licenses	1 – 7
Other intangible assets	3– 5

2.5 Property and equipment

Property and equipment are recognized in the financial statements at their initial value, which consists of the purchase price, customs duties, non-recoverable taxes, as well as all other expenses related to the procurement and commissioning of the asset.

In accordance with the Company's accounting policies, assets with an initial value of more than MDL 12,000 and with a useful life of more than one year are recognized as part of these assets.

Property and equipment are subsequently valued using the cost method, according to which their balance sheet value at the date of preparation of the financial statements is determined based on the initial value minus any accumulated depreciation and impairment losses.

Depreciation of property and equipment is calculated using the straight-line method, from the month following the month in which they are put into operation, so that the cost after their evaluation is expensed up to the limit of their residual value, estimated during the remaining life.

Depreciation is calculated for each item in the property and equipment category and is recognized in the profit and loss account. Assets acquired under leasing are depreciated over the shorter period between the lease term and the useful life.

The useful life of property and equipment is determined according to the type and manner of use. During 2023, the useful life was set as follows:

Asset category	Useful life (years)
Special constructions	3
Furniture and equipment	3 – 10
Leasehold improvements	3
Vehicles	7
Other assets	2 – 40

The residual value of property and equipment, the useful life and the depreciation method used are reviewed annually, if applicable.

Gains and losses from the sale of fixed assets are determined by reference to their book value on the date of sale and are recognized in profit and loss.

Repairs and maintenance expenses are recorded in the profit and loss account when they are incurred. The cost of replacing major parts or components of buildings and equipment is capitalized and the replaced part is written off.

* 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.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.6 Trade receivables

Trade and other receivables are stated at cost less impairment losses, determined in accordance with the same expected credit loss methodology for loans and advances to customers (ECL).

2.7 Cash and cash equivalents

Cash and cash equivalents include cash and bank accounts in MDL or foreign currency, as well as other cash items representing balances on bank cards opened in the name of the Company.

2.8 Borrowings

Loans, borrowings and financings raised are initially recognized at cost, being the fair value of the consideration received less the transaction costs related to the loan. After initial recognition, loans, borrowings and financing are subsequently measured at amortized cost using the effective interest rate method. Amortized cost is calculated taking into account any transaction 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 / expense when liabilities are derecognized through the amortization process.

2.9 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.

Operational leasing – Company as lessee

a) Leasing liability

Initial recognition

At the start date of the leasing contract, the Company evaluates the leasing liability 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.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.9 Operational leasing – Company as lessee (continued)

Initial recognition (continued)

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 liability by:

- increasing the accounting value to reflect the interest related to the leasing liability;
- 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) Right of use assets

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.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.9 Operational leasing – Company as lessee (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 the 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 MDL 50,000 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.

2.10 Employee benefits

The Company contributes in respect of its employees to the State Social Fund, at the statutory rates in force during the year ended 31 December 2023 at 24% (31 December 2022: 24%). The cost of these payments is charged to the income statement in the same period as the related salary cost.

The Company has no other obligation to provide pensions or other post-retirement benefits to any of its management or staff and, accordingly, no provision for future pension costs is required.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.11 Provisions

Provisions are recognized when the Company has a legal or constructive obligation to transfer economic benefits as a result of past events; it is probable that a transfer of resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. In cases where there are similar obligations, the likelihood that a transfer of resources will be required is determined by taking into account the class of the obligation as a whole. A provision is recognized even if the probability of transfer in relation to any item in the same class of obligations is remote.

Provisions are estimated at the present value of the expenses required to settle the obligation using a pre-tax rate that reflects current market conditions and the risks specific to the obligation. The increase in the provision as a result of the passage of time is recorded in interest expense. Future operating losses are not anticipated.

2.12 Contingencies

Contingent liabilities involve possible obligations arising from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events that may not be entirely under the Company's control. Contingent liabilities are also present obligations arising from past events but are not recognized because it is not sure that resources embodying economic benefits will be needed to settle the obligation, and the amount of the obligation cannot be measured with sufficient reliability. Contingent liabilities are not recognized in the financial statements. They are disclosed in notes to the financial statements.

2.13 Income and expenses

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.

Expenses are recognized when incurred. The expenses are recognized including value added tax because this, in accordance with the requirements of the legislation, cannot be fully recovered from the tax authority. In such cases, value added tax is recognized as part of the corresponding expense item, as appropriate.

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.

Borrowing expenses are recognized as incurred using the effective interest rate method.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.13 Income and expenses (continued)

Revenue from penalties

Revenue from penalties is recognized in the statement of comprehensive income only when actual payment is received. Penalty income arises when customers breach the contractual terms of their loans receivables, such as overdue payment. In these situations, the Company has the right to charge customers in accordance with the terms of the contract. The Company recognizes revenue from penalties when cash is received because the likelihood and timing of settlement is uncertain.

2.14 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 deferred tax.

Income tax for the year comprises current tax and deferred tax. Income tax is recognized in profit or loss or in other comprehensive income if the tax is related to capital elements. Current tax is the expected tax payable on taxable profit for the period determined based on rates applicable at the reporting date, and any adjustment for previous periods.

Deferred tax is determined using the balance sheet method, for all such temporary differences arising between the tax base of assets and liabilities and their carrying amount for financial reporting purposes. Deferred tax is calculated based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates that have been enacted or substantively enacted at the reporting date. Deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences and the unused tax losses carried forward can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Additional taxes that arise from distribution of dividends are recognized at the same time as the payment obligation.

2.15 Related parties

Parties are considered related when one party has the ability to control the other party or has significant influence over the other party in making financial and operational decisions. The related parties of the Company are the founders who may control or have significant influence over the Company in accepting operating decisions, the management personnel of the Company and the close family members of any persons mentioned above, as well as entities over which such persons have a control or significant influence, including subsidiaries and associates.

2.16 Subsequent events

Post period-end events that provide additional information about the Company's position at the balance sheet date or those that indicate the going concern assumption are not appropriate (adjusting events) and are reflected in the accompanying financial statements. Post period events that are not adjusting events are disclosed in the notes, when material.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.17 Going concern

These financial statements have been prepared on a going concern bases, which assumes that the Company will continue its business in the foreseeable future. To assess the applicability of this assumption, management analyzes forecasts of future cash inflows.

Based on these analyses, the management believes that the Company will be able to continue its activity in the foreseeable future, and therefore the application of the going concern principle to the preparation of the financial statements is justified.

Management considers that shareholder's support will be sufficient for going concern and repayment of debts in the normal course of business, without the need for substantial sale of assets, forced interruption of own activities caused by external factors or other similar actions.

2.18 Significant accounting judgements and estimates

The preparation of financial statements in accordance with International Financial Reporting Standards requires management to make estimates and assumptions, which affect the amounts and balances reported in the financial statements and notes. Estimates and judgments are continually evaluated and are based on experience and other factors, including expectations of future events.

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, management has 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 prepared on the going concern basis. In light of the events related to Covid-19 and the war in Ukraine, the Company's management assessed the impact of these events on the Company's ability to comply with the going concern basis.

The Company's performance in the ongoing situation of Covid-19 and the war in Ukraine

The company successfully evolved in the crisis caused by Covid-19 and the impact of the military conflict in Ukraine, all of which left a minimal impact on the operational performance for the company. The company had a relatively stable quality of the portfolio during this period and comfortably enters 2024 both from the operational perspective and from the perspective of the future availability of financing.

The company controls its liquidity by managing the amount of funding it obtains from Mintos, this possibility gives management greater flexibility to manage the level of borrowings and available cash balances.

In the opinion of management, 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 cast significant doubt on the Company's ability to continue as a going concern.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.18 Significant accounting judgements and estimates (continued)

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.

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 PD.

Default is defined as a delay of more than 90 days from the due date of any component of the financial asset. If they occurred before 90 days of delay, the following events are also treated as default triggers: portfolio sale, confirmed fraud, client death/insolvency, credit restructuring.

For each delinquency group, the PD is calculated using the transition matrix (TM) which analyzes the movement between delinquency categories over a period of one year to the reporting date and the Default is set as the absorbing state. Historical data should be sufficient to construct no less than two complete TMs for the purpose of including the results in the monthly calculations. The PD calculation approach depends on the phasing of the loan portfolio.

For the loan portfolio in Stage 1, the default probability for 1 year is calculated using TM.

For the loan portfolio in Stage 2, the PD calculations are based on the same 1-year TM as for Stage 1, with the difference that the probability of Default is calculated over the lifetime. Lifetime PDs are calculated using fundamental matrix theory for the Markov transition matrix with absorbing states. This methodology involves a statistical analysis of historical transitions between delinquent loans to estimate the probability that the loan will eventually 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 a "n"th power of the 12-month matrix (n-depends on the expected lifetime, for example, if the lifetime is 36 months, then $n = 3$). Exposures are grouped into groups depending on (DPD) credit due dates.

Additionally, in the context of PD estimates, the Company applies a simplified approach, based on the analysis of the relationship between changes in macroeconomic variables and changes in PD. The macro model uses expected year-to-year changes in macroeconomic indicators 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).

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.18 Significant accounting judgements and estimates (continued)

The probability of default (continued)

These variables were found to have a significant correlation with PD.

V The values of these variables as 31 December 2023 are:

Indicator	31.12.2023	31.12.2022
GDP	4.0	-10.6
Unemployment rate (UR)	4.0	4.6
Inflation rate (IR)	5.0	30.20

The result of the macro model is then applied to estimate the final value of the applicable PDs.

LGD is a factor that shows what percentage of the loan value in default would not be possible to recover and thus this amount is considered irrecoverable. It is calculated based on the historical recovery of all loans in default.

The recovery rate is the portion of the loan that can be collected from the defaulted debt.

The recovery rate is calculated based on discounted cash flows received from customers over 12 months after default. Cash flows received (including penalty payments) are valued as a percentage of the outstanding portfolio balance in default (principal and all accrued fees at the date of default).

To estimate the recovery rate for a specific reporting period, the weighted average rate for the last six available months is used.

LGD is calculated by the following formula:

$$\text{LGD} = 1 - \text{Recovery rate}$$

LGD is calculated separately according to each product type.

For all overdue loans over 360 days, LGD in the amount of 100% is applied, thus creating provisions in the amount of 100% of the outstanding amount.

Exposure at default (EAD) is the estimate of exposure at a future default date, taking into account expected changes in exposure after the reporting date, including repayments of principal and interest, whether contractually scheduled or otherwise, expected draws on committed facilities and accrued interest from unpaid payments.

Single payment loans have an inherent EAD of 100%.

A simplified EAD approach is used for instalment loans, where the outstanding principal of all loans ever outstanding is compared to the outstanding principal from the previous 12 months.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.18 Significant accounting judgements and estimates (continued)

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 liability 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.

3. ADOPTION OF NEW OR REVISED STANDARDS AND INTERPRETATIONS

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

The following new and amended standards are effective for annual periods beginning after 1 January 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.

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.

3. ADOPTION OF NEW OR REVISED STANDARDS AND INTERPRETATIONS (continued)

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

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, 2024, 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.

* 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.

3. 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)

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.

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.

3. 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)

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.

OCN Sebo Credit SRL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts expressed in MDL, if not stated otherwise)

4. CASH AND CASH EQUIVALENTS

The composition of cash and cash equivalents as of 31 December 2023 and 2022 is presented below:

	31 December 2023	31 December 2022
	MDL	MDL
Cash in hand	5,734,753	6,044,223
Current accounts at banks in foreign currency	925,439	43,271
Current accounts at banks in local currency	3,849,435	6,887,159
	10,509,627	12,974,653
Cash in transit	1,063,489	1,007,158
Total	11,573,116	13,981,811

Cash on hand is used in lending purposes.

The bank accounts are held exclusively in the banks of the Republic of Moldova. At 31 December 2023 and 2022, the Company did not hold restricted cash, current accounts being opened in BC Moldova Agroindbank SA, BC Moldindconbank SA and BC Eximbank SA.

5. LOANS TO CUSTOMERS

The composition of loans and advances granted to customers as of 31 December 2023 and 2022 is presented below:

	31 December 2023	31 December 2022
	MDL	MDL
Loans to individuals, gross	452,749,324	515,662,821
Less: Allowance for impairment losses	(84,821,187)	(110,866,406)
Loans to customers, net	367,928,137	404,796,415

Reconciliation between the nominal value of loans to customers and amortized cost is presented below:

	31 December 2023	31 December 2022
	MDL	MDL
Loans to customers at nominal value	419,398,053	478,799,783
Add: Accrued interest and commission payable	33,490,167	44,205,538
Less: Unamortized commission	(138,896)	(7,342,500)
Loans to customers, gross	452,749,324	515,662,821

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OCN Sebo Credit SRL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts expressed in MDL, if not stated otherwise)

5. LOANS TO CUSTOMERS (continued)

The breakdown of loans to customers by maturity is presented in the table below:

	31 December 2023	31 December 2022
	MDL	MDL
Short term loans	3,656,871	9,402,802
Long term loans	364,271,266	395,393,613
	367,928,137	404,796,415

The breakdown of loans to customers by remaining maturity is presented in the table below:

	31 December 2023	31 December 2022
	MDL	MDL
Up to 12 months	3,852,571	45,259,961
12 to 48 months	364,075,566	359,536,454
	367,928,137	404,796,415

The movement in allowance for impairment of loans is presented below:

	31 December 2023	31 December 2022
	MDL	MDL
Balance as at 1 January	110,866,406	102,779,727
Charge for the year	64,779,407	134,372,033
Write-offs	(90,824,626)	(126,285,354)
Balance as at 31 December	84,821,187	110,866,406

Allowances for impairment

The Company establishes expected credit losses that represent the estimate of losses incurred in its loan portfolio, at the level of each loan.

Write-off policy

The Company writes off a loan balance (and any related allowances for impairment losses) according to internal procedures when there is truthful evidence that debtor has died, when the Court issues a final/ irrevocable decision in respect to loan balance or when the Company's management determines that the loans are uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the debtor's financial position and/ or such that the debtor can no longer pay the obligation.

The table below summarizes the allowance for impairment losses on loans as of 31 December 2023:

	31 December 2023	31 December 2022
	MDL	MDL
Short term loans	2,471,735	14,214,840
Long term loans	82,349,452	96,651,566
	84,821,187	110,866,406

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OCN Sebo Credit SRL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts expressed in MDL, if not stated otherwise)

6. PROPERTY AND EQUIPMENT

The composition of property and equipment as of 31 December 2023 is presented below:

	Assets in progress MDL	Furniture and equipment MDL	Leasehold improvements MDL	Vehicles MDL	Right-of-use assets MDL	Other MDL	Total MDL
Cost							
As at 1 January 2023	125,714	5,943,866	696,109	907,431	37,086,109	299,975	45,059,204
Additions	42,459	214,943	132,622	381,225	4,665,293	163,127	5,599,669
Transfers	(76,250)	76,250	-	-	-	-	-
Disposals	-	(19,100)	-	-	(5,892,186)	-	(5,911,286)
As at 31 December 2023	91,923	6,215,959	828,731	1,288,656	35,859,216	463,102	44,747,587
Accumulated depreciation							
As at 1 January 2023	-	(3,276,262)	(416,786)	(123,950)	(24,827,091)	(299,975)	(28,944,064)
Depreciation charge	-	(986,205)	(245,436)	(181,486)	(7,182,681)	(62,405)	(8,658,213)
Disposals	-	16,712	-	-	5,892,186	-	5,908,898
As at 31 December 2023	-	(4,245,755)	(662,222)	(305,436)	(26,117,586)	(362,380)	(31,693,379)
Net book value							
As at 31 December 2023	91,923	1,970,204	166,509	983,220	9,741,630	100,722	13,054,208
As at 1 January 2023	125,714	2,667,604	279,323	783,481	12,259,018	-	16,115,140

* Assets in progress represent IT equipment which as of 31 December 2023 has not been put into use.

The cost of property and equipment fully depreciated, but still in use by the Company, as of 31 December 2023 represent MDL 9,129,355 (31 December 2022: MDL 9,094,997).
The Company does not hold pledged property and equipment.

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OCN Sebo Credit SRL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts expressed in MDL, if not stated otherwise)

6. PROPERTY AND EQUIPMENT (continued)

The composition of property and equipment as of 31 December 2022 is presented below:

	Assets in progress	Furniture and equipment	Leasehold improvements	Vehicles	Right-of-use assets	Other	Total
	MDL	MDL	MDL	MDL	MDL	MDL	MDL
Cost							
As at 1 January 2022	49,464	7,420,426	1,893,322	849,746	39,912,402	477,726	50,603,086
Additions	76,250	147,613	47,317	638,827	1,189,214	117,150	2,216,371
Disposals	-	(1,624,173)	(1,244,530)	(581,142)	(4,015,507)	(294,901)	(7,760,253)
As at 31 December 2022	125,714	5,943,866	696,109	907,431	37,086,109	299,975	45,059,204
Accumulated depreciation	-	(3,531,229)	(1,211,466)	(123,511)	(20,487,818)	(451,309)	(25,805,333)
As at 1 January 2022	-	(1,363,504)	(358,333)	(163,950)	(8,245,457)	(143,567)	(10,274,811)
Depreciation charge	-	1,618,471	1,153,013	163,511	3,906,184	294,901	7,136,080
Disposals	-	(3,276,262)	(416,786)	(123,950)	(24,827,091)	(299,975)	(28,944,064)
As at 31 December 2022							
Net book value	125,714	2,667,604	279,323	783,481	12,259,018	-	16,115,140
As at 31 December 2022	49,464	3,889,197	681,856	726,235	19,424,584	26,417	24,797,753

* Assets in progress represent IT equipment which as of 31 December 2022 has not been put into use.

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OCN Sebo Credit SRL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts expressed in MDL, if not stated otherwise)

7. INTANGIBLE ASSETS

The composition of intangible assets as of 31 December 2023 and 2022 is presented below:

	2023	2022
	MDL	MDL
Cost		
At 1 January	32,838,019	27,576,005
Additions	2,996,985	5,262,014
Disposals	-	-
At 31 December	35,835,004	32,838,019
Accumulated amortization		
At 1 January	(13,905,193)	(9,428,846)
Charge for the period	(5,526,648)	(4,476,347)
Disposals	-	-
At 31 December	(19,431,841)	(13,905,193)
Net Book Value		
At 1 January	18,932,826	18,147,159
At 31 December	16,403,163	18,932,826

Additions during the year ended 31 December 2023 represent software and software licenses (1C, MS Windows, MS Office, Adobe Creative Cloud, specially designed ERP). The value of amortizable intangible assets on 31 December 2023 is equal to MDL 16,403,163 (2022: MDL 18,932,826). The Company does not own any non-amortizable intangible assets. On 31 December 2023 the value of fully amortized intangible assets that are in use amounts to MDL 2,165,451 (31 December 2022: MDL 2,165,451).

8. TAXATION

The major components of tax expense and the reconciliation of the expected tax expense based on the effective tax rate of 12 % and the reported tax expense in profit or loss are as follows:

	2023	2022
	MDL	MDL
Profit before tax	136,821,778	63,413,934
Moldovan statutory income tax rate	12%	12%
Expected tax expense	16,418,613	7,609,672
Non-taxable income/ non-deductible expense	349,108	(3,607,474)
Actual tax expense	16,767,721	4,002,198
Current tax expense	13,397,637	13,068,093
Deferred tax expense/ (credit)	3,370,084	(9,065,895)
Tax expense	16,767,721	4,002,198

Starting 2012 the income tax rate is 12%.

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OCN Sebo Credit SRL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts expressed in MDL, if not stated otherwise)

8. TAXATION (continued)

As at 31 December 2023 deferred taxes arising from temporary differences are summarized as follows:

Deferred tax assets (liabilities)	1 January 2023	Recognized in profit or loss	31 December 2023
	MDL	MDL	MDL
<i>Assets</i>			
Property and equipment	152,286	14,243	166,529
Loans to customers	781,101	(3,323,277)	(2,542,176)
Other assets	195,196	(10,837)	184,359
Total assets	1,128,583	(3,319,871)	(2,191,288)
<i>Liabilities</i>			
Other liabilities	(179,754)	(50,213)	(229,967)
Total liabilities	(179,754)	(50,213)	(229,967)
Recognized as:			
Deferred tax asset (liability)	948,829		(2,421,255)
Deferred tax credit/ (expenses)	-	(3,370,084)	-

As at 31 December 2022 deferred taxes arising from temporary differences are summarized as follows:

Deferred tax assets (liabilities)	1 January 2022	Recognized in profit or loss	31 December 2022
	MDL	MDL	MDL
<i>Assets</i>			
Property and equipment	(2,263,215)	2,415,501	152,286
Loans to customers	(8,187,683)	8,968,784	781,101
Other assets	203,754	(8,558)	195,196
Total assets	(10,247,144)	11,375,727	1,128,583
<i>Liabilities</i>			
Other liabilities	2,130,078	(2,309,832)	(179,754)
Total liabilities	2,130,078	(2,309,832)	(179,754)
Recognized as:			
Deferred tax asset (liability)	(8,117,066)		948,829
Deferred tax credit/ (expenses)		9,065,895	

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OCN Sebo Credit SRL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts expressed in MDL, if not stated otherwise)

9. OTHER ASSETS

The composition of other assets as of 31 December 2022 and 2023 is presented below:

	31 December 2023	31 December 2022
	MDL	MDL
Other financial assets		
Trade receivables	4,285,354	1,553,965
Other receivables	1,847,397	1,392,493
Other receivables from employees	2,438,956	2,613,956
<i>Less: Amortization difference on other receivables from employees</i>	(1,536,325)	(1,626,633)
Loans to employees	217,459	219,055
Total	7,252,841	4,152,836
Other non-financial assets		
Advances granted in the country	587,887	326,790
Advances granted abroad	72,785	35,345
Guarantees paid	1,003,417	1,136,229
Prepaid expenses	326,722	329,304
Stocks and supplies	351,303	341,412
Prepaid taxes	27,173	25,469
Other	92,947	69,502
Total	2,462,234	2,264,051
	9,715,075	6,416,887

Guarantees paid represent deposit payments made under operational lease agreements for the spaces rented where the Company's representative branches are located.

10. BORROWINGS

	Currency	Maturity	31 December 2023	31 December 2022
			MDL	MDL
Fixed rate loan	EUR	08.01.2028	136,478,726	192,439,790
Fixed rate loan	MDL	28.12.2023	-	26,000,000
Fixed rate loan	EUR	11.11.2027	4,839,350	16,303,360
Fixed rate loan	MDL	undetermined	1,000,000	1,000,000
Subordinated loan	MDL	22.07.2024	3,800,000	3,800,000
			146,118,076	239,543,150
Add: interest and commissions payable			1,043,431	2,894,586
TOTAL			147,161,507	242,437,736

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OCN Sebo Credit SRL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts expressed in MDL, if not stated otherwise)

10. BORROWINGS (continued)

On 8 January 2018 the Company signed a Cooperation Agreement on issuance of loans with lending limit set at EUR 5,000,000 5 000 000 and maturity on 08 January 2023. On 22 October 2018 was signed an addendum to the agreement for increasing the loan limit up to EUR 10,000,000 EUR, in force starting from 24 September 2018.

During the period 2019 - 2022, several additional agreements were signed to modify the loan limit:

- on 26 February 2019 up to EUR 15,000,000;
- on 11 August 2019 up to EUR 15,500,000;
- on 19 September 2019 up to EUR 17,000,000;
- on 21 November 2019 up to EUR 25,000,000;
- on 12 October 2020 up to EUR 15,000,000;
- on 30 June 2022 up to EUR 12,000,000.

On 24 March 2020 the Company signed an additional agreement to change the maturity date to 8 January 2028. On June 20, 2023, an agreement was signed by which the parties agreed that all contractual conditions have been met and none have objections, and respectively it was decided to terminate the contract.

On July 5, 2023, the Company signed a new cooperation agreement regarding the issuance of loans with a credit limit of EUR 15,000,000 and maturity on January 8, 2028. The loans are secured according to the Pledge Agreement concluded with the Company, with a pledge on the receivables resulting from the Company's loan agreements with its customers in the amount of 1.2 (one whole and two) applied to contractual obligations. On June 20, 2023, an agreement was signed to change the loan limit up to EUR 20,000,000.

During 2020-2022 several contracts were signed as follows:

- on 23 July 2020 a credit line was contracted, in the amount of MDL 20,000,000; on 22.12.2020 an amendment regarding the increase of the amount up to MDL 25,000,000; on 29.12.2020 an amendment regarding the increase of the amount up to MDL 30,000,000; on 24.05.2021 an amendment to extend the term by another 12 months. After which, according to the terms, the contract is extended annually by another 12 months. On 28.12.2023 this credit line contract was fully repaid, and an amendment was signed regarding the termination of the contract.
- on 28 December 2020, a revolving loan contract in the amount of MDL 1,000,000, for a period of 12 months; on 15.09.2021 the deadline was changed to a fixed one.
- on 22.07.2020 a subordinated loan agreement in the amount of MDL 3,800,000, for a period of 3 years. On 21.07.2023 an amendment was signed regarding the extension of the term by 12 months.
- on 11 November 2022 a revolving loan agreement with a credit limit of EUR 5,000,000 and due on 8 January 2023.

11. LEASING CONTRACTS

11.1 Right-of-use assets and lease liabilities

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

	Premises
	MDL
At 1 January 2023	12,259,018
Additions	4,665,293
Disposals	-
Depreciation expenses	(7,182,681)
At 31 December 2023	9,741,630

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OCN Sebo Credit SRL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts expressed in MDL, if not stated otherwise)

11. LEASING CONTRACTS (continued)

11.1 Right-of-use assets and lease liabilities (continued)

	Premises MDL
At 1 January 2022	19,424,584
Additions	1,189,214
Disposals	(109,323)
Depreciation expenses	(8,245,457)
At 31 December 2022	12,259,018

Maturity analysis of lease liabilities, non-discounted

The undiscounted contractual cash flows by maturity are presented in the table below:

	31 December 2023 MDL	31 December 2022 MDL
Up to 1 year	7,973,476	9,350,059
Between 1 year and 5 years	3,798,671	6,655,773
Value of lease liabilities, gross	11,772,147	16,005,832

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

	2023 MDL	2022 MDL
Interest expenses regarding operating lease	588,275	902,504
Amortization expense on operating lease	7,182,681	8,245,457

11.3 Amounts recognized in the Statement of cash flows

	2023 MDL	2022 MDL
Cash outflows related to leasing contracts	8,336,510	9,760,655

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

At 31 December 2023 the Company recognizes 32 premises with right of use.

OCN Sebo Credit SRL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts expressed in MDL, if not stated otherwise)

12. OTHER PAYABLES

	31 December 2023	31 December 2022
	MDL	MDL
Financial liabilities		
Dividends payable	-	18,848,113
Lease liabilities	9,942,743	13,471,259
Accrued liabilities	1,867,809	3,249,688
Trade payables to local suppliers	800,874	1,725,390
Trade payables to foreign suppliers	5,795,347	2,100,304
Settlements with employees	1,236,032	1,224,435
Provision for unused vacation	2,832,011	3,238,337
Provision for audit services	482,389	476,444
Other	36,311	16,800
Total	22,993,516	44,350,770
Non-financial liabilities		
Other taxes and fees	1,764,086	3,188,237
Accrued income	785,194	831,139
Total	2,549,280	4,019,376
Total	25,542,796	48,370,146

On 31 December 2023, trade payables to foreign suppliers represent costs for IT services, consultancy, business development and marketing in amount of MDL 5,795,347 (31 December 2022: MDL 2,100,304).

Dividend liabilities as of 31 December 2023 are equal to zero, but as of 31 December 2022 represent the amount of dividends declared during the reporting period, but unpaid by the end of the year.

13. EQUITY

a) Share capital

The Company was registered on 6 January 2017 as a limited liability company with a share capital of MDL 10,000. On 13 March 2019 the share capital was increased to MDL 300,000. On 27 January 2020 TIG Invest LTD sold 0.630% of its equity shares in the Company to four individuals. On 3 July 2020 the share capital was increased to MDL 54,550,000, four individuals contributed larger amounts, respectively increasing the percentage share to 0.1137%. On 16 July 2020, TIG Invest LTD sold 96.2561% of its equity shares in the Company to Eleving Consumer Finance AS (former AS Funderly Group). On 23 July 2020 TIG Invest LTD sold 0.0002% of its equity shares in the Company to Eleving Group (former Mogo Finance SA).

On 4 March 2022 the Minutes of the General Meeting of Associates were signed regarding the reduction of the share capital to MDL 4,200,000. On 13.06.2022, the reduction of the share capital was registered by authorities. On 30.09.2022 Eleving Consumer Finance AS sold 0.2761% of the share to individuals.

On 23 August 2023 Eleving Consumer Finance AS bought 0.3% of the share from a private individual, these changes were registered at the Public Services Agency on 29 August 2023

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OCN Sebo Credit SRL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts expressed in MDL, if not stated otherwise)

13. EQUITY (continued)

a) Share capital (continued)

The structure of the Company's share capital is as follows:

Equity holders	Country of incorporation	31 December 2023		31 December 2022	
		MDL	%	MDL	%
Eleving Consumer Finance AS (fomer Funderly Group AS)	Latvia	4,155,892	98.9498	4,031,160	96.2561
Eleving Group (fomer Mogo Finance SA)	Luxemburg	8	0.0002	8	0.0002
Individuals	Moldova	44,100	1.0500	168,832	3.7437
		4,200,000	100	4,200,000	100

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.

On 1 March 2021 the Minutes of the Extraordinary General Meeting of Associates were signed regarding the increase of the reserve capital in the amount of MDL 5,455,000.

14. NET INTEREST INCOME

Net interest income includes interest income on loans granted, interest on borrowings and interest related to the right of use assets, the information as of 31 December 2023 and 2022 is presented below:

	2023 MDL	2022 MDL
Interest income		
Loans to customers	297,347,845	320,883,806
	297,347,845	320,883,806
Interest expense		
Borrowings	(35,203,687)	(34,252,207)
Right-of-use assets	(588,275)	(902,504)
	(35,791,962)	(35,154,711)
Net interest income	261,555,883	285,729,095

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OCN Sebo Credit SRL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts expressed in MDL, if not stated otherwise)

15. NET COMMISSION INCOME

Commission income represents fee for the early repayment of loans.

	2023	2022
	MDL	MDL
<i>Commission income</i>		
Commissions for early repayment of loans	70,078	813,456
Net income from fees and commissions	70,078	813,456

16. NET TRADING INCOME (EXPENSE)

	2023	2022
	MDL	MDL
Revaluation of foreign currency balances	9,848,281	(5,117,382)
Income/(expenses) from foreign currency conversion	(705,376)	(1,207,250)
Total	9,142,905	(6,324,632)

17. Other operating income

	2023	2022
	MDL	MDL
Penalties on loans to customers	2,952,287	10,196,546
Sale of portfolio	9,993,964	15,077,932
Income from Sebo Club	19,343,713	4,307,432
Other	405,787	497,711
Total	32,695,751	30,079,621

During 2023, the Company monthly sold the portfolio that registers + 360 days overdue.

The composition of other income includes income from the exit of long-term assets and exceptional income.

18. PERSONNEL EXPENSES

	2023	2022
	MDL	MDL
Salaries and bonuses	33,854,514	34,287,562
Social insurance and contributions	8,203,059	8,356,340
Provision for unused vacation	(406,328)	(894,498)
Other	7,705	865,770
Total	41,658,950	42,615,174

Social insurance contributions include the contributions calculated by the Company from the gross salary, in 2023 they constitute 24% (2022: similar). These contributions are reflected in the profit and loss account in the period in which the related salary is earned by the employee.

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OCN Sebo Credit SRL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts expressed in MDL, if not stated otherwise)

19. GENERAL AND ADMINISTRATIVE EXPENSES

	2023	2022
	MDL	MDL
Business development support	18,226,125	21,675,551
Business promotion and advertising	5,750,012	7,226,603
IT services	8,555,175	9,789,423
Professional services	4,697,279	5,487,428
Postage, telephone and internet	1,719,762	2,044,945
Database access	1,551,510	1,704,821
Stationery and supplies	1,186,262	1,183,859
Donations	10,770	397,665
Utilities and rent	921,679	1,196,044
Bank charges	341,509	434,478
Transportation	562,810	731,946
NCFM regulatory tax	353,711	476,098
Training	106,617	171,815
Membership and association expenses	32,287	37,036
Accommodation and representation	128,145	182,836
Repairs and maintenance	211,152	213,049
Other	1,664,816	2,191,644
Total	46,019,621	55,145,241

20. DEPRECIATION AND AMORTIZATION

	2023	2022
	MDL	MDL
Depreciation of property and equipment	5,526,648	4,476,347
Amortization of intangible assets	1,475,532	2,029,354
Depreciation of the right-of-use asset	7,182,681	8,245,457
Total	14,184,861	14,751,158

The Company rents several branches for carrying out its operational activity. At 31 December 2023, the Company had 29 branches (excluding the head office), of which: 6 are in Chisinau and 23 are located outside Chisinau (in 2022: 31 branches). During 2023, 2 branches were closed. The expenses with the depreciation of the right-of-use asset leased for the activity of the branches in 2023 amounted to MDL 7,182,681 (2022: MDL 8,245,457).

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OCN Sebo Credit SRL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts expressed in MDL, if not stated otherwise)

21. 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. The list of related parties and the nature of their relationships are detailed below:

- Eleving Consumer Finance AS (Funderly Group AS) (shareholder)
- Eleving Group (MOGO FINANCE S.A.) (shareholder)
- Mogo Loans SRL OCN (Company part of the Group)
- Se Finance SRL OCN (Company part of the Group)
- Sergiu Sobuleac (administrator till May 2023 and shareholder till August 2023)
- Martins Ozolins (administrator from March 2023)
- Sergiu Cherdivara (administrator from June 2023)
- Rodica Păun (CFO, shareholder)
- Savciuc Irina (Manager Department Call Center till November 2023, shareholder)
- Tetelea Silvia (Head of department, shareholder)
- Orhei Aelita (shareholder)

The following table provides the total amount of transactions which have been entered into with related parties during the financial year and balances with those as of 31 December:

	2023		2022	
	Shareholders	Other related entities	Shareholders	Other related entities
Equity transaction				
Share capital decrease	-	-	50,350,000	-
Dividends declared	48,000,000	-	40,000,000	-
Dividends payables	-	-	18,848,113	-
Balance at 31 December				
Borrowings	3,800,000	1,000,000	3,800,000	1,000,000
Interest payable	51,638	19,033	58,093	258,139
Procurement of assets	-	2,442,886	-	4,293,143
Liabilities related to procurement of assets and services	-	5,753,060	-	2,080,360
Profit or loss				
Interest expense	651,101	612,780	684,000	1,403,139
Expenses related to the services purchased	-	21,582,769	-	25,538,455

On 13 September 2023, the Minutes of the Extraordinary General Meeting of Associates were signed regarding the distribution of dividends in the amount of MDL 48,000,000 and on 23 June 2023, the distribution of MDL 40,000,000.

During 2023, software improvements and developments were purchased from related parties: ERP system in the amount of MDL 2,442,886 (similar 2022: MDL 4,293,143) and management services, marketing, financial consulting, human resources, legal services and others in the amount of MDL 21,582,769 (similar 2022: MDL 25,538,455).

During the year ended 31 December 2023 management personnel received remuneration in the amount of MDL 12,148,189 (2022: MDL 7,376,430), this amount includes the mandatory state social insurance contributions. The management staff received no other benefits, with the exception of the optional medical insurance offered to all employees of the Company, as well as interest-free loans.

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21. TRANSACTIONS WITH RELATED PARTIES (continued)

The balance of short-term interest-free loans granted to the Company's management personnel on 31 December 2023 amounts to MDL 0 (31 December 2022: MDL 95,000).

22. COMMITMENTS AND CONTINGENCIES

Capital commitments

There were no capital commitments as at 31 December 2023.

Legal claims

As at 31 December 2023 the Company was involved in several lawsuits arising out of normal corporate activities. In none of these the Company has a role of defendant.

23. FAIR VALUE OF FINANCIAL INSTRUMENTS

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 loans and advances to customers, long-term and current loans, 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 loan receivables is equal to the book value, which is the discounted value of the loan payments discounted using the effective interest rate of the agreement and adjusted for impairment.

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23. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

The fair value of loan and advances to customers 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 on 31 December 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.

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 2).

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.

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.

OCN Sebo Credit SRL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts expressed in MDL, if not stated otherwise)

23. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

The table below combine the carrying amount and fair value of those financial assets and liabilities on each hierarchical level which are not presented at fair value in the balance sheet:

2023	Carrying value	Level 1	Level 2	Level 3	Fair value
Financial assets					
Cash and cash equivalents	11,573,116	11,573,116	-	-	11,573,116
Loans to customers	367,928,137	-	-	462,911,356	462,911,356
Other financial assets	7,252,841	-	-	7,252,841	7,252,841
Financial liabilities					
Borrowings	147,161,507	-	-	147,161,507	147,161,507
Other financial liabilities	22,993,516	-	-	22,993,516	22,993,516
2022	Carrying value	Level 1	Level 2	Level 3	Fair value
Financial assets					
Cash and cash equivalents	13,981,811	13,981,811	-	-	13,981,811
Loans to customers	404,796,415	-	-	556,306,484	556,306,484
Other financial assets	4,152,836	-	-	4,152,836	4,152,836
Financial liabilities					
Borrowings	242,437,736	-	-	242,437,736	242,437,736
Other financial liabilities	44,350,770	-	-	44,350,770	44,350,770

(i) Loans to customers

The estimated fair value of loans represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates of similar companies for retail loans.

(ii) Borrowings and other payables

The estimated fair value of borrowings represents the discounted amount of estimated future cash flows expected to be paid. Expected cash flows are discounted at current market rates for similar instruments to determine fair value.

24. RISK MANAGEMENT

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 could arise as a result of changes in legislation that have an impact on operational activity, but the Company successfully administers and manages them with the help of the internal legal department and external legal advisors, who help identify appropriate solutions, including addressing any changes and legislation that could have an impact on the Company's commercial activities, with the aim of preventing possible difficulties in carrying out business processes.

Compliance risk

Compliance risk is defined as the risk of business process losses or interruptions, resulting from inadequate or failed internal processing systems, which have led to non-compliance with applicable legislation or other regulations in force, which entails the application of fines, damages, including excessive termination of contracts that may also damage the entity's reputation. When assessing the compliance risk, the focus is not only on the potential financial impact, but also non-financial with reference to the operational, legal or reputational one. The compliance risk is evaluated from the perspective of the measures aimed at being in compliance with the new legal provisions, instructions, methodologies, regulations, including the result of non-compliance with them.

Regulatory risks

The Company's operations are subject to regulation by several authorities, such as: supervisory, consumer protection, financial services and other state authorities, including but not limited to consumer lending and consumer protection laws and regulations debt collection and personal data processing. The regulatory risk can be attributed a major risk due to the uncertainties related to the regulatory framework in the next period in relation to the replacement of the supervisory body, a fact that could cause certain deviations and limits related to the operational activity process.

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

The Company respects and complies with the requirements and demands of the legislation on the prevention and combating of money laundering and the financing of terrorism, taking into account the financial impact in case of non-compliance. The Company has developed its own Program for the prevention and combating of money laundering and the financing of terrorism, where all the necessary processes are reflected regarding the identification of the customer, the beneficial owner and the PEP, the application of precautionary measures, data retention, monitoring of customer transactions, reporting to the competent bodies, updating restrictive lists, etc. The company has established an internal control framework expressed by the implementation of several scenarios with a combination of IT solutions in order to identify and report possible transactions with indicators of suspicion in the field of ML/FT. The Company also carried out the risk assessment in the field of activity, including the products offered, at the same time it carried out the internal audit in order to comply with the requirements of the legislation in the field of preventing and combating money laundering and terrorist financing.

24. RISK MANAGEMENT (continued)

Confidentiality, 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.

Individual risks 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.

Financial risk

The Company's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks at a certain degree. Taking risk is essential to the financial business, and the operational risks are an inevitable consequence of being in business. The Company's aim is therefore to achieve an appropriate balance between risk and return and minimize potential adverse effects on the Company's financial performance.

The Company's risk management policies are designed to identify and analyze these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Company regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

Together with the Company's operating units, the management team identifies, evaluates and mitigates the financial risks under policies approved by the shareholder. The shareholder provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, and credit risk. The most important types of risk are credit risk, liquidity risk, market risk and other operational risks. Market risk includes currency risk, interest rate and other price risk.

Credit risk

The Company takes on exposure to credit risk, which is the risk that counterparty will cause a financial loss for the Company by failing to discharge an obligation. Credit risk is the most important risk for the Company's business; management therefore carefully manages its exposure to credit risk. Credit exposures arise principally in lending activities that lead to loans. The credit risk management and control are performed by the management team on a monthly basis.

The Company structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower. Such risks are monitored on a revolving basis and subject to a monthly or more frequent review. Limits on the level of credit risk by product and client, are approved by the shareholder.

24. RISK MANAGEMENT (continued)

Credit risk (continued)

Exposure to credit risk is managed through regular analysis of the ability of clients and potential clients to meet interest and commissions and capital repayment obligations and by changing these lending limits where appropriate. As the Company is oriented to lend loans to individuals only, the maximum lending limit is set at an acceptable low level.

The Shareholder delegated responsibility for the oversight of credit risk to its management team, which includes:

- Formulating credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements;
- Providing advice, guidance and specialist skills to business units to promote best practice throughout the Company in the management of credit risk;
- Approval of the provisions and write-offs.

The impairment allowances are recognized for losses that have been incurred at the date of the statement of financial position, based on objective evidence of impairment.

The future cash flows related to loans that are analyzed for impairment are estimated based on contractual cash flows and managements historical experience of the probabilities that payments will become overdue, determined from the history of previous losses and from the recoveries of overdue amounts. The historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

The coefficient of non-performing loans' recovery (Loss given default, LGD) is calculated for loans to customers.

The management team is required to implement Company's credit policies and procedures. The management team is responsible for the quality and performance of its credit portfolio and for monitoring and controlling all credit risks in its portfolios.

Credit risk exposures relating to on-balance sheet assets are as follows:

	31 December 2023 MDL	31 December 2022 MDL
Cash and cash equivalents	5,838,363	7,937,588
Loans to customers	367,928,137	404,796,415
Other financial assets	7,252,841	4,152,836
	381,019,341	416,886,839

OCN Sebo Credit SRL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts expressed in MDL, if not stated otherwise)

24. RISK MANAGEMENT (continued)

Credit risk (continued)

The table below shows the Company's maximum credit risk exposure as of 31 December 2023 and 2022, to a customer or counterparty.

	31 December 2023	31 December 2022
	MDL	MDL
Cash and cash equivalents	3,669,349	3,692,272
Loans to customers	97,899	95,040
Trade receivables	1,240,189	1,474,623
Other financial assets	902,632	987,324
	5,910,069	6,249,259

The Company uses the following quality categories for the management of credit risk related the loan portfolio:

Stage 1 - if payments are made on a regular basis and in accordance with contractual terms, outstanding payments are allowed up to 30 days;

Stage 2 - if payments are overdue from 31 to 90 days;

Stage 3 - if payments are overdue for more than 91 days.

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

	31 December 2023			
Loans to customers	Stage 1	Stage 2	Stage 3	TOTAL
No days overdue	315,530,236	-	-	315,530,236
Overdue <35 days	43,705,196	-	-	43,705,196
Overdue <60 days	-	18,745,373	-	18,745,373
Overdue >60 days	-	-	74,768,519	74,768,519
Expected credit losses	(26,071,101)	(10,037,367)	(48,712,719)	(84,821,187)
Total	333,164,331	8,708,006	26,055,800	367,928,137

	31 December 2022			
Loans to customers	Stage 1	Stage 2	Stage 3	TOTAL
No days overdue	385,037,091	-	-	385,037,091
Overdue <35 days	43,203,065	-	-	43,203,065
Overdue <60 days	-	22,874,232	-	22,874,232
Overdue >60 days	-	-	64,548,433	64,548,433
Expected credit losses	(46,376,406)	(15,442,137)	(49,047,863)	(110,866,406)
Total	381,863,750	7,432,095	15,500,570	404,796,415

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OCN Sebo Credit SRL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts expressed in MDL, if not stated otherwise)

24. RISK MANAGEMENT (continued)

Credit risk (continued)

An analysis of changes in the gross carrying amount and corresponding ECL allowances related to loans and advances to customers is presented below.

Loans to customers	Stage 1	Stage 2	Stage 3	Total
Balance at 01 January 2023	428,240,156	22,874,232	64,548,433	515,662,821
Transfer to Stage 1	1,290,703	(771,957)	(518,746)	-
Transfer to Stage 2	(12,207,172)	12,357,859	(150,687)	-
Transfer to Stage 3	(54,690,294)	(5,324,240)	60,014,534	-
Increases due to initiation and acquisition	270,186,384	10,666,364	16,513,998	297,366,746
Decreases due to derecognition	(237,622,808)	(4,422,654)	(7,598,168)	(249,643,630)
The decrease in the account of adjustments for depreciation due to write-offs from the balance sheet	(8,573,402)	(16,638,245)	(64,470,039)	(89,681,686)
The net change due to the increase/decrease in credit risk	(27,388,135)	4,014	6,429,194	(20,954,927)
Balance at 31 December 2023	359,235,432	18,745,373	74,768,519	452,749,324

Loans to customers	Stage 1	Stage 2	Stage 3	Total
Balance at 01 January 2022	494,434,290	28,980,826	61,905,599	585,320,715
Transfer to Stage 1	584,071	(409,809)	(174,262)	-
Transfer to Stage 2	(9,112,658)	9,134,566	(21,908)	-
Transfer to Stage 3	(37,196,654)	(1,296,062)	38,492,716	-
Increases due to initiation and acquisition	1,023,818,223	22,219,271	37,113,980	1,083,151,474
Decreases due to derecognition	(690,616,975)	(5,898,917)	(1,452,089)	(697,967,981)
The decrease in the account of adjustments for depreciation due to write-offs from the balance sheet	(40,700,528)	(23,259,209)	(65,139,866)	(129,099,603)
The net change due to the increase/decrease in credit risk	(312,969,613)	(6,596,434)	(6,175,737)	(325,741,784)
Balance at 31 December 2022	428,240,156	22,874,232	64,548,433	515,662,821

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 loan receivables is transferred to a particular Stage.

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OCN Sebo Credit SRL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts expressed in MDL, if not stated otherwise)

24. RISK MANAGEMENT (continued)

Credit risk (continued)

The movement of allowances for expected credit risk losses of loans and advances for the period 2023 and 2022 is presented in the following tables:

Expected credit losses	Stage 1	Stage 2	Stage 3	Total
Balance at 01 January 2023	46,376,407	15,442,138	49,047,861	110,866,406
Transfer to Stage 1	111,624	(196,787)	85,163	-
Transfer to Stage 2	(6,558,340)	6,635,402	(77,062)	-
Transfer to Stage 3	(35,645,388)	(3,509,305)	39,154,693	-
Increases due to initiation and acquisition	9,437,983	3,054,161	7,979,853	20,471,997
Decreases due to derecognition	(8,906,356)	6,347,187	19,039,517	16,480,348
The decrease in the account of adjustments for depreciation due to write-offs from the balance sheet	(8,561,678)	(16,653,312)	(65,609,636)	(90,824,626)
The net change due to the increase/decrease in credit risk	29,816,849	(1,082,117)	(907,670)	27,827,062
Balance at 31 December 2023	26,071,101	10,037,367	48,712,719	84,821,187

Expected credit losses	Stage 1	Stage 2	Stage 3	Total
Balance at 01 January 2022	36,024,334	18,797,294	47,958,099	102,779,727
Transfer to Stage 1	74,287	(56,732)	(17,555)	-
Transfer to Stage 2	(6,072,335)	6,086,916	(14,581)	-
Transfer to Stage 3	(28,485,816)	(1,008,370)	29,494,186	-
Increases due to initiation and acquisition	48,030,784	9,326,189	24,009,061	81,366,034
Decreases due to derecognition	(31,740,312)	(3,625,567)	(2,167,717)	(37,533,596)
The decrease in the account of adjustments for depreciation due to write-offs from the balance sheet	(5,546,628)	(13,507,191)	(49,861,885)	(68,915,704)
The net change due to the increase/decrease in credit risk	34,092,092	(570,402)	(351,745)	33,169,945
Balance at 31 December 2022	46,376,406	15,442,137	49,047,863	110,866,406

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OCN Sebo Credit SRL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts expressed in MDL, if not stated otherwise)

24. RISK MANAGEMENT (continued)

Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its payment obligations when they fall due under normal and stress circumstances. The Company manages its liquidity risk through thorough liquidity GAP analysis.

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.

At 31 December 2023	Book value	On demand	Less than 1 year	From 1 to 5 years
	MDL	MDL	MDL	MDL
Assets				
Cash and cash equivalents	11,573,116	11,573,116	-	-
Loans to customers	367,928,137	-	522,615,244	334,348,076
Other financial assets	7,252,841	-	5,479,637	1,773,204
Total assets	386,754,094	11,573,116	528,094,881	336,121,280
Liabilities				
Borrowings	147,161,507	-	29,328,697	214,759,598
Other financial liabilities	22,993,516	-	20,328,764	3,798,671
Total liabilities	170,155,023	-	49,657,461	218,558,269
Maturity GAP	216,599,071	11,573,116	478,437,420	117,563,011
Cumulative maturity GAP	-	11,573,116	490,010,536	607,573,547

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OCN Sebo Credit SRL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts expressed in MDL, if not stated otherwise)

24. RISK MANAGEMENT (continued)

Liquidity risk (continued)

At 31 December 2022	Book value	On demand	Less than 1 year	From 1 to 5 years
	MDL	MDL	MDL	MDL
Assets				
Cash and cash equivalents	13,981,811	13,981,811	-	-
Loans to customers	404,796,415	-	807,691,579	339,651,027
Other financial assets	4,152,836	-	2,178,976	1,973,860
Total assets	422,931,062	13,981,811	809,870,555	341,624,887
Liabilities				
Borrowings	242,437,736	-	78,984,649	300,920,323
Other financial liabilities	44,350,770	-	40,229,570	6,655,773
Total liabilities	286,788,506	-	119,214,219	307,576,096
Maturity GAP	136,142,556	13,981,811	690,656,336	34,048,791
Cumulative maturity GAP	-	13,981,811	704,638,147	738,686,938

Market risk

The economy of the Republic of Moldova continues to display characteristics of an emerging market. These characteristics include, but are not limited to, the existence of a currency that is not freely convertible outside of the country; a low level of liquidity in the public and private debt and equity markets and relatively high inflation.

Additionally, the financial services sector in the Republic of Moldova is vulnerable to adverse currency fluctuations and economic conditions.

The prospects for future economic stability in the Republic of Moldova are largely dependent upon the effectiveness of economic measures undertaken by the government, together with legal and regulatory developments.

The Company takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate, currency and, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads, foreign exchange rates and equity prices.

Interest rate risk

Interest rate risk is the risk of loss resulting from changes in interest rates. Interest rate risk consists of two elements: trading, which is being evaluated through GAP analysis and scenario modelling and non-trading, which is being evaluated through sensitivity analysis of the market prices of investments.

The company is not exposed to interest rate risk as all interest bearing assets and liabilities are at a fixed interest rate.

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OCN Sebo Credit SRL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts expressed in MDL, if not stated otherwise)

24. RISK MANAGEMENT (continued)

Interest rate risk (continued)

The tables below provide information on the extent of the Company's interest rate exposure based either on the contractual maturity date of its financial instruments or, in the case of instruments that re-price to a market interest rate before maturity, the next re-pricing date.

As at 31 December 2023	Total	Less than 12 months	More than 12 months	Non-interest bearing
	MDL	MDL	MDL	MDL
Assets				
Cash and cash equivalents	11,573,116	-	-	11,573,116
Loans to customers	367,928,137	3,852,571	364,075,566	-
Other financial assets	7,252,841	-	-	7,252,841
Total assets	386,754,094	3,852,571	364,075,566	18,825,957
Liabilities				
Borrowings	147,161,507	133,328,131	13,833,376	-
Other financial liabilities	22,993,516	6,308,635	3,634,108	13,050,773
Total liabilities	170,155,023	139,636,766	17,467,484	13,050,773
Re-pricing GAP	216,599,071	(135,784,195)	346,608,082	5,775,184
Cumulative re-pricing GAP	-	(135,784,195)	210,823,887	216,599,071
As at 31 December 2022	Total	Less than 12 months	More than 12 months	Non-interest bearing
	MDL	MDL	MDL	MDL
Assets				
Cash and cash equivalents	13,981,811	-	-	13,981,811
Loans to customers	404,796,415	45,259,961	359,536,454	-
Other financial assets	4,152,836	-	-	4,152,836
Total assets	422,931,062	45,259,961	359,536,454	18,134,647
Liabilities				
Borrowings	242,437,736	194,710,570	47,727,166	-
Other financial liabilities	44,350,770	7,501,429	5,969,830	30,879,511
Total liabilities	286,788,506	202,211,999	53,696,996	30,879,511
Re-pricing GAP	136,142,556	(156,952,038)	305,839,458	(12,744,864)
Cumulative re-pricing GAP	-	(156,952,038)	148,887,420	136,142,556

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OCN Sebo Credit SRL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts expressed in MDL, if not stated otherwise)

24. RISK MANAGEMENT (continued)

Interest rate risk (continued)

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of the financial instruments.

The Company's interest bearing financial assets are priced at fixed rates, as well as the Company's interest bearing financial liabilities.

According to the internal and external financial market evolution, the Company forecasts the evolution of interest rates for its assets and liabilities and the impact of these possible changes on the net interest income. The Company estimates a fluctuation of +/- 100 and +/- 50 basis points.

The following table describes the sensitivity of a reasonable possible change in interest rates, with all other variables held constant, of the Company's income statement.

2023	Increase in basis points	Less than 12 months	More than 12 months	Total
	p.p.	MDL	MDL	MDL
	100	(1,357,842)	3,466,081	2,108,239
	50	(678,921)	1,733,040	1,054,119
2023	Increase in basis points	Less than 12 months	More than 12 months	Total
	p.p.	MDL	MDL	MDL
	-100	1,357,842	(3,466,081)	(2,108,239)
	-50	678,921	(1,733,040)	(1,054,119)
2022	Increase in basis points	Less than 12 months	More than 12 months	Total
	p.p.	MDL	MDL	MDL
	100	(1,569,520)	3,058,395	1,488,875
	50	(784,760)	1,529,197	744,437
2022	Increase in basis points	Less than 12 months	More than 12 months	Total
	p.p.	MDL	MDL	MDL
	-100	1,569,520	(3,058,395)	(1,488,875)
	-50	784,760	(1,529,197)	(744,437)

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OCN Sebo Credit SRL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts expressed in MDL, if not stated otherwise)

24. RISK MANAGEMENT (continued)

Currency risk

Currency risk is the risk of loss resulting from changes in exchange rates. The Company operates in an emerging country that is submitted to devaluation of the national currency. Consequently, this leads to the risk of losing the value of net monetary assets held in Moldovan Lei. The Company is exposed to the currency risk generated by the borrowings denominated in EUR.

The table below summarizes the Company's exposure to foreign currency exchange risk. The Company's monetary assets and liabilities at carrying amounts, categorized by currency are included in the table.

	31 December 2023				31 December 2022			
	MDL				MDL			
Monetary assets	in MDL	in EUR	in USD	Total	in MDL	in EUR	in USD	Total
Cash and cash equivalents	10,647,677	895,425	30,014	11,573,116	13,938,540	27,036	16,235	13,981,811
Loans to customers	367,928,137	-	-	367,928,137	404,796,415	-	-	404,796,415
Other financial assets	7,252,841	-	-	7,252,841	4,152,836	-	-	4,152,836
Total	385,828,655	895,425	30,014	386,754,094	422,887,791	27,036	16,235	422,931,062
Monetary liabilities								
Borrowings	4,865,227	142,296,280	-	147,161,507	31,357,490	211,080,246	-	242,437,736
Advances from customers	8,707,439	12,326,115	1,959,962	22,993,516	29,500,241	14,269,746	580,783	44,350,770
Total	13,572,666	154,622,395	1,959,962	170,155,023	60,857,731	225,349,992	580,783	286,788,506
TOTAL GAP	372,255,989	(153,726,970)	(1,929,948)	216,599,071	362,030,060	(225,322,956)	(564,548)	136,142,556

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OCN Sebo Credit SRL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts expressed in MDL, if not stated otherwise)

24. RISK MANAGEMENT (continued)

Sensitivity analysis to currency risk

Currency risk is the risk that the value of financial instrument will fluctuate due to changes in foreign exchange rates. The Company is exposed to currency risk from transactional exposures in currencies other than functional currency and borrowings denominated in currencies other than functional currency.

The following tables show the impact and the gross result of the sensitivity of the currency variation of the MDL in relation with the other currency to which the Company is exposed, because of the changes in revaluation of the monetary assets and liabilities denominated in other currencies.

2023	Changes in currency %	FX rate MDL	Effect on PBT MDL
EUR	5%	20.3253	(7,686,348)
EUR	-5%	18.3895	7,686,348
EUR	10%	21.2931	(15,372,697)
EUR	-10%	17.4217	15,372,697
USD	5%	18.2765	(96,497)
USD	-5%	16.5359	96,497
USD	10%	19.1468	(192,995)
USD	-10%	15.6656	192,995
2022	Changes in currency %	FX rate MDL	Effect on PBT MDL
EUR	5%	21.3982	(11,266,590)
EUR	-5%	19.3602	11,266,590
EUR	10%	22.4171	(22,533,180)
EUR	-10%	18.3413	22,533,180
USD	5%	20.1158	(28,228)
USD	-5%	18.2000	28,228
USD	10%	21.0737	(56,455)
USD	-10%	17.2421	56,455

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24. RISK MANAGEMENT (continued)

Taxation risk

The Moldovan Government has a number of agencies that are authorized to conduct audits (controls) of Moldovan companies. These controls are similar in nature to tax audits performed by tax authorities in many countries and may extend not only to tax matters, but to other legal and regulatory matters in which the applicable agency may be interested. In addition, the agencies conducting these controls appear to be subject to significantly less safeguard than is customary in many countries. It is likely that the Company will continue to be subject to controls from time to time as new laws and regulations are issued.

The taxation system in Moldova is at an early stage of development and is subject to varying interpretations. In preparation of financial statements, the management has used its best judgment based on current legislation.

Capital management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business, maintain an optimal capital structure, reduce the cost of capital and maximize shareholder value.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. The Company may adjust the amount of dividends paid to shareholders and return capital to shareholders.

No changes were made in the objectives, policies or processes during the year ending 31 December 2023.

The Company considers both equity and debt to be part of its overall capital risk management strategy. The company manages its capital to ensure that it can continue as a going concern.

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

OCN Sebo Credit SRL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts expressed in MDL, if not stated otherwise)

25. MATURITY STRUCTURE

The Company's assets and liabilities structure as at 31 December 2023 taking as a basis the remaining period to maturity, is as follows:

31 December 2023	Total MDL	Less than 1 year MDL	More than 1 year MDL
Assets			
Cash and cash equivalents	11,573,116	11,573,116	-
Loans to customers	367,928,137	3,852,571	364,075,566
Property and equipment	13,054,208	-	13,054,208
Intangible assets	16,403,163	-	16,403,163
Other assets	9,715,075	7,941,871	1,773,204
Total assets	418,673,699	23,367,558	395,306,141
Liabilities			
Borrowings	147,161,507	133,328,131	13,833,376
Current income tax liabilities	1,447,635	1,447,635	-
Deferred tax liabilities	2,421,255	-	2,421,255
Other liabilities	25,542,796	21,908,688	3,634,108
Total liabilities	176,573,193	156,684,454	19,888,739
Maturity GAP	242,100,506	(133,316,896)	375,417,402

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OCN Sebo Credit SRL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts expressed in MDL, if not stated otherwise)

25. MATURITY STRUCTURE (continued)

31 December 2022	Total	Less than 1 year	More than 1 year
	MDL	MDL	MDL
Assets			
Cash and cash equivalents	13,981,811	13,981,811	-
Loans to customers	404,796,415	45,259,961	359,536,454
Property and equipment	16,115,140	-	16,115,140
Intangible assets	18,932,826	-	18,932,826
Deferred tax asset	948,829	-	948,829
Other assets	6,416,887	4,443,027	1,973,860
Total assets	461,191,908	63,684,799	397,507,109
Liabilities			
Borrowings	242,437,736	194,710,570	47,727,166
Current income tax liabilities	337,577	337,577	-
Other liabilities	48,370,146	42,400,316	5,969,830
Total liabilities	291,145,459	237,448,463	53,696,996
Maturity GAP	170,046,449	(173,763,664)	343,810,113

26. GUARANTEES

On 29 September 2020, the Company guaranteed, together with other group companies, the obligations resulting from the bond issue by Mogo Finance SA (group company) in the amount of EUR 100,000,000, with maturity on 10 July 2022. The Listing Prospectus was approved by the Luxembourg Financial Sector Supervisory Commission (Commission de Surveillance du Secteur Financier). On 19 March 2021, the National Bank of Moldova issued the authorization for granting the guarantee. In addition, a pledge agreement dated 14 June 2021 was established on the receivables (other than those pledged under the Cooperation Agreement for the granting of loans), intellectual property rights and cash in banks. The pledge was authorized by the NBM on 19 July 2021. The Company was released from the guarantees indicated above by the contract of release of guarantees, the pledge was waived and the NBM was duly informed. Eleving Group SA (former Mogo Finance SA) closed the previously issued bonds and issued other bonds in the amount of EUR 150,000,000, with maturity on 18 October 2026.

The Company (and other group companies) constituted a guarantee in order to ensure the payment of the bonds and constituted a pledge on the cash in banks and trademarks. The guarantee and pledge were authorized by the NBM on 28 January 2022.

In 2023, two amendments were signed to the pledge contract for movable assets, one dated 20 June 2023 and another dated 05 December 2023, according to its wording, the agreed value of the Company's pledged assets is EUR 17,865,376.86. The value of the obligations secured by the pledge is EUR 20,000,000. The modification of the pledge was registered at the notary on 22 January 2024.

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26. GUARANTEES (continued)

In connection with the issuance of bonds by Eleving Group SA, on 31 October 2023, the Guarantee Agreement was concluded between the bond issuer (Eleving Group SA), the Company as one of the guarantors and TMF Trustee Services as the guaranteed agent. Pursuant to the provisions of the Guarantee Agreement, the Company and the other guarantors have undertaken to pay the guaranteed agent, upon its first written demand, the amounts payable as principal, interest and other amounts owed by the secured creditors in accordance with the contractual terms and conditions. The obligations and liability of the Company (and each guarantor) is limited to an aggregate amount not to exceed EUR 75,000,000. For the guaranteed contract dated 31 October 2023, the NBM issued authorization on 26 January 2024.

27. SUBSEQUENT EVENTS

On 14 February 2024 were signed the Minutes of the General Meeting of Associates, which approved the constitution of the Audit Committee, the members of the Committee, the Charter of the Audit Committee and the approval of the resignation from the position of the second administrator - Martins Ozolins, as well as the registration of changes at Public Services Agency, in the Company's Statute and at the supervisory authority. The changes were registered with the Public Services Agency by the Decision dated 20 February 2024.

On 5 March 2024 were signed the Minutes of the General Meeting of Associates, which approved the appointment of Ms. Valentina Marhilevica as the second administrator of the Company, for an unlimited term, in order to ensure a more efficient management of the companies within the group; the resignation of Mrs. Tetelea Silvia as branch administrator and the appointment of Mr. Cherdivara Sergiu as branch administrator until 8 June 2028, as well as the registration of the changes at Public Services Agency and at the supervisory authority. The registration and recording of the data of the administrator Valentina Marhilevica were carried out by the Decision dated 26 March 2024, regarding the registration of data changes in the State Register of Legal Entities.

On 28 March 2024, were signed the Minutes of the General Meeting of Associates, which approved the distribution of dividends in amount of MDL 20,000,000, proportionally to the shares owned by the associates, for the undistributed profit of the year 2021. The payment of dividends was approved to be made within 12 months, until 28 March 2025.