OCN Sebo Credit SRL

(IDNO 1017600000371)

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

PREPARED IN ACCORDANCE WITH
INTERNATIONAL FINANCIAL REPORTING STANDARDS

(FREE TRANSLATION*)

*Translator's explanatory note: The translation of this document is provided as a free translation from Romanian which is the official and binding version.

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Tel: +373-22-902 300
Fax: +373-22-902 301
www.bdo.md

45B Puskin Street, 4th floor
MD-2005, Chisinau, Moldova

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 2022, 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 2022, 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 Matters

The financial statements of the Company for the year ended 31 December 2021 were audited by another auditor who expressed an unmodified opinion on those statements on 24 January 2023.

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

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
30 May 2023

Eugeniu Raietchi
Licensed Auditor
License AG 000294

OCN Sebo Credit SRL
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022
(All amounts expressed in MDL, if not stated otherwise)

	Notes	31 December 2022 MDL	31 December 2021 MDL
Assets			
Cash and cash equivalents	**4**	13 981 811	14 998 888
Loans to customers	**5**	404 796 415	482 540 988
Property and equipment	**6**	16 115 140	24 797 753
Intangible assets	**7**	18 932 826	18 147 159
Deferred tax asset	**8**	948 829	-
Other assets	**9**	6 416 887	7 532 931
Total assets		**461 191 908**	**548 017 719**
Shareholders' equity and liabilities			
Liabilities			
Borrowings	**10**	242 437 736	290 936 921
Customer advances		-	8 703 123
Current income tax liabilities		337 577	3 157 426
Deferred tax liabilities	**8**	-	8 117 066
Other liabilities	**12**	48 370 146	36 118 470
Total liabilities		**291 145 459**	**347 033 006**
Shareholders' equity			
Share capital	**13**	4 200 000	54 550 000
Reserve capital	**13**	5 455 000	5 455 000
Retained earnings		160 391 449	140 979 713
Total shareholders' equity		**170 046 449**	**200 984 713**
Total shareholders' equity and liabilities		**461 191 908**	**548 017 719**

The accompanying notes on pages 5 to 58 are an integral part of these financial statements.

The financial statements were authorized for issue on 30 May 2023:

Mr. Ozolins Martins
Administrator

Mrs. Rodica Paun
CFO

OCN Sebo Credit SRL
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022
(All amounts expressed in MDL, if not stated otherwise)

	Notes	2022 MDL	2021 MDL
Interest income	**14**	320 883 806	367 968 446
Interest expense	**14**	(35 154 711)	(46 514 949)
Net interest income/ (expense)		**285 729 095**	**321 453 497**
Commission income	**15**	813 456	972 905
Net commission income/ (expense)		**813 456**	**972 905**
Net trading income (expense)	**16**	(6 324 632)	15 058 322
Other operating income	**17**	30 079 621	30 155 220
Operating income		**23 754 989**	**45 213 542**
Impairment expense	**5**	(134 372 033)	(117 433 460)
Personnel expenses	**18**	(42 615 174)	(44 563 348)
General and administrative expenses	**19**	(55 145 241)	(53 248 365)
Depreciation and amortization	**20**	(14 751 158)	(14 719 172)
Operating expenses		**(246 883 606)**	**(229 964 345)**
Net profit/ (loss) before taxation		**63 413 934**	**137 675 599**
Income tax (expense) / credit	**8**	(4 002 198)	(19 324 483)
Net profit/ (loss) for the year		**59 411 736**	**118 351 116**
Other comprehensive income		-	-
Total comprehensive income		**59 411 736**	**118 351 116**

The accompanying notes on pages 5 to 58 are an integral part of these financial statements.

The financial statements were authorized for issue on 30 May 2023:

Mr. Ozolins Martins
Administrator

Mrs. Rodica Paun
CFO

	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**
Comprehensive income				
Profit for the year	-	-	59 411 736	59 411 736
Total comprehensive income	**-**	**-**	**59 411 736**	**59 411 736**
Transactions with shareholders				
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**

	Share capital MDL	**Reserve capital MDL**	**Retained earnings MDL**	**Total equity MDL**
At 1 January 2021	**54 550 000**	**30 000**	**73 053 597**	**127 633 597**
Comprehensive income				
Profit for the year	-	-	118 351 116	118 351 116
Total comprehensive income	**-**	**-**	**118 351 116**	**118 351 116**
Transactions with shareholders				
Increase/decrease of capital	-	5 425 000	-	5 425 000
Distribution of dividends	-	-	(50 425 000)	(50 425 000)
Total transactions with shareholders	**-**	**5 425 000**	**(50 425 000)**	**(45 000 000)**
At 31 December 2021	**54 550 000**	**5 455 000**	**140 979 713**	**200 984 713**

The accompanying notes on pages 5 to 58 are an integral part of these financial statements.

	Notes	2022 MDL	2021 MDL
Cash flows from operating activities			
Loans disbursed to customers		(739 069 834)	(906 969 168)
Loans reimbursed by customers		677 180 618	742 835 078
Interest, commissions and other servicing fees received		334 117 657	359 959 272
Interest and commissions paid		(7 095 380)	(5 652 139)
Other operating receipts		22 649 988	13 479 824
Payments for employee's remuneration		(39 568 083)	(38 773 357)
Other operating payments		(82 144 348)	(86 520 367)
Net cash from operating activities before income tax		**166 070 618**	**78 359 143**
Income tax paid		(15 630 007)	(3 000 000)
Net cash from operating activities		**150 440 611**	**75 359 143**
Cash flows from investing activities			
Acquisition of property and equipment and intangible assets		(3 982 255)	(7 223 924)
Net cash used in investing activities		**(3 982 255)**	**(7 223 924)**
Cash flows from financing activities			
Share capital reduction		(50 350 000)	-
Dividends paid		(18 800 037)	(53 296 192)
Proceeds from borrowings		233 912 344	143 914 752
Repayment of borrowings		(311 511 117)	(153 822 870)
Net cash used in financing activities		**(146 748 810)**	**(63 204 310)**
Effects of exchange rate changes on cash and cash equivalents		(726 623)	(348 550)
Net increase in cash and cash equivalents		**(1 017 077)**	**4 582 359**
Cash and cash equivalents at 1 January		**14 998 888**	**10 416 529**
Cash and cash equivalents at 31 December	**4**	**13 981 811**	**14 998 888**

The accompanying notes on pages 5 to 58 are an integral part of these financial statements.

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 Albisoara 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 2022, the Company had 31 branches (2021:42).

As at 31 December 2022, the Company had a total number of 191 employees (31 December 2021: 227 employees).

As at 31 December 2022, the shareholders of OCN Sebo Credit SRL are:

AS Eleving Consumer Finance (the old name Funderly Group AS), Latvia – 95,98%;

Eleving Group (the old name Mogo Finance SA), Luxemburg – 0,0002%;

Individuals, Republic of Moldova – 4,0198%.

Eleving Group, Luxembourg, 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 2022.

In the context of the COVID-19 pandemic, responding to the potentially serious threat that COVID-19 presents to public health, the authorities of the Republic of Moldova have taken measures to counter the pandemic, including the establishment of a special regime for entry and exit from the country, a special regime for circulation on the territory of the country, the introduction of the quarantine regime and the taking of other mandatory sanitary - anti-epidemiological measures, the establishment of a special work regime for all entities. The Government of the Republic of Moldova has gradually instituted restrictive measures to limit the exposure of citizens to the risk of infection, including the cessation of the activity of economic agents.

During 2022, the Company complied with all the measures imposed by the authorities and carried out its operational activity continuously, in accordance with the decisions approved by the authorities at both national and local levels. The Company focused on continuous and high-quality customer service, offering direct support in the branches, which operated according to the regime imposed by the authorities, and ensuring the remote work of some employees allowed the maintenance of all operational processes, without limiting the access of customers to the teams that provides support.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

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

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 2022, respectively 31 December 2021.

2. SUMMARY OF SIGNIFICANT 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 are included in the profit or loss.

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

	2022		2021	
	USD	**Euro**	**USD**	**Euro**
Average for the period	18,9032	19,8982	17,6816	20,9255
Year end	19,1579	20,3792	17,7452	20,0938

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.

2. SUMMARY OF SIGNIFICANT 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 tranzaction date is the date on which the Company undertakes to buy or sell an asset.

On <u>initial recognition</u>, 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 SIGNIFICANT 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 honoured, 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 SIGNIFICANT 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 SIGNIFICANT 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 loans portfolio basis and other financial assets management. Overall, the periods used vary between one and three months.

2. SUMMARY OF SIGNIFICANT 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 recognises 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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	Years
Software and licences	1 – 7
Other intangible assets	3– 5

2.5 Property and equipment

Property and equipment is 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 6,000 and with a useful life of more than one year are recognized as part of these assets.

Property and equipment is 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 2022, 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.

2. SUMMARY OF SIGNIFICANT 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 SIGNIFICANT 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 SIGNIFICANT 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 2022 at 24% (31 December 2021: 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 SIGNIFICANT 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 SIGNIFICANT 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 SIGNIFICANT 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.

The Company was founded in 2017 and is at a start-up phase and does not have indications that will not continue as a going concern.

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 2023 both from the operational perspective and from the perspective of the future availability of financing.

Operations have not been affected by the third wave of Covid-19 in 2021, therefore the Company's management believes that further growth in service volumes is possible.

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 SIGNIFICANT 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 SIGNIFICANT 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.

The values of these variables as of 31.12.2022 are:

Indicator	31.12.2021	31.12.2022
GDP	18,9	-10,6
Unemployment rate (UR)	2,6	4,6
Inflation rate (IR)	13,94	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:

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

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 SIGNIFICANT 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) Standards effective for annual periods beginning on or after 1 January 2022

The following new standards and interpretations entered into force on 1 January 2022:

Reference to the conceptual framework - Amendments to IFRS 3
In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018, without significantly changing its requirements. The Board also added an exception to the IFRS 3 recognition principle to avoid issuing potential "day 2" gains or losses arising for contingent liabilities and liabilities that would fall within the scope of IAS 37 or IFRIC charges 21, if they were supported separately. At the same time, the Board decided to clarify the existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the preparation and presentation of financial statements. The respective amendment did not have a significant impact on the Company's financial statements.

Property, plant and equipment: receipts before intended use - Amendments to IAS 16.
In May 2020, the IASB issued Property, plant and equipment - Revenue before intended use, which prohibits entities from deducting from the cost of an item of property, plant and equipment any proceeds from the sale of items produced while bringing that asset to location and the condition that it can function in the desired driving mode. Instead, an entity recognizes revenue from the sale of those items and the costs of producing those items in profit or loss. The respective modification did not have a significant impact on the Company's financial statements.

IAS 16 Property, plant and equipment (amendment – Receipts before intended use)
In May 2020, the IASB issued amendments to IAS 16, which prohibit a company from deducting amounts received from the sale of manufactured items while the company is preparing the asset for its intended use from the cost of property, plant and equipment. Instead, a company will recognize such sales revenue and any related costs in profit or loss. The respective amendment did not have a significant impact on the Company's financial statements.

Onerous contracts - Costs to fulfil a contract - Amendments to IAS 37
In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity must include when assessing whether a contract is onerous or loss-making. The changes apply a "direct cost approach". Costs that relate directly to a contract for the supply of goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The respective changes did not have a significant impact on the Company's financial statements.

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

a) Standards effective for annual periods beginning on or after 1 January 2022 (continued)

IFRS 1 First-time Adoption of International Financial Reporting Standards - Branch as a first-time adopter
As part of the 2018-2020 annual improvements to the IFRS standards process, the IASB issued an amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards. The amendment allows a branch that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using amounts reported by the parent based on the parent's transition date to IFRS. This amendment also applies to an association or joint venture that elects to apply paragraph D16(a) of IFRS 1. The amendments do not apply to the Company.

IFRS 9 "Financial instruments" - Fees in the "10%" test for derecognition of financial liabilities (2014)
As part of its 2018-2020 annual improvements to IFRS standards, the IASB issued the amendment to IFRS 9. The amendment clarifies the fees an entity includes when assessing whether the terms of a new or amended financial liability are materially different from the terms of the financial liability initial. These fees include only those paid or received by the borrower and the lender, including fees paid or received by either the borrower or the lender on behalf of the other. An entity applies the amendment to financial liabilities that are amended or changed on or after the beginning of the annual reporting period in which the entity applies the amendment for the first time. The respective changes did not have a significant impact on the Company's financial statements.

b) New or revised standards and interpretations that will apply for periods beginning on 1 January 2023

The following new and amended standards are effective for annual periods beginning after January 1, 2023, and application prior to this date is permitted. The Company has not pre-adopted any of these new or amended standards and it is not expected that they will have a significant impact on the Company's financial statements when they become effective.

IFRS 17 Insurance contracts
(Initially effective for annual periods beginning on or after 1 January 2021, which was later extended and determined to be on or after January 1, 2023; applicable prospectively. Earlier application is permitted)

IFRS 17 replaces IFRS 4, which was introduced as an interim standard in 2004. IFRS 4 gave companies the freedom to account for insurance contracts using national accounting standards, resulting in a multitude of different approaches.

IFRS 17 solves the comparability problems created by IFRS 4, requiring that all insurance contracts be accounted for consistently, to the benefit of both investors and insurance companies. Insurance obligations will be accounted for using current value instead of historical cost.

The company expects that the new standard will not have a material impact on the financial statements when it is first applied.

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

b) New or revised standards and interpretations that will apply for periods beginning on 1 January 2023 (continued)

Amendments to IAS 1: Classification of liabilities as current or non-current.

In January 2020, the IASB issued amendments to paragraphs 69-76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current.

The amendments clarify:

- What is meant by the right to postpone settlement;
- That a right of deferment must exist at the end of the reporting period;
- This classification is not affected by the probability that an entity will exercise its right of deferment;
- That only if a derivative embedded in a convertible debt is itself an equity instrument, the terms of a debt would not impact its classification.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Company expects that the amendments will not have a material impact on the financial statements when first applied.

Presentation 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 on accounting policies from "significant accounting policies" to "material accounting policy information". The amendments provide guidance on when accounting policy information may 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. The amendments are not expected to have a significant impact on the Company.

Deferred tax on 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 under IAS 12.15 whereby the exemption does not apply to the initial recognition of an asset or liability that, at the time of the transaction, gives rise to equal taxable and deductible temporary differences. The changes are not expected to have a material impact on the Company.

4. CASH AND CASH EQUIVALENTS

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

	31 December 2022 MDL	31 December 2021 MDL
Cash in hand	6 044 223	6 728 907
Current accounts at banks in foreign currency	43 271	3 286 063
Current accounts at banks in local currency	6 887 159	4 089 906
	12 974 653	**14 104 876**
Cash in transit	1 007 158	894 012
Total	**13 981 811**	**14 998 888**

Cash on hand is used to make loans to customers.

The bank accounts are held exclusively in the banks of the Republic of Moldova. On 31 December 2022 and 2021, the Company did not hold restricted cash, current accounts being opened in BC Moldova Agroindbank SA, BC Moldindconbank SA, BC Eximbank SA and Banca de Finanțe si Comert SA.

5. LOANS TO CUSTOMERS

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

	31 December 2022 MDL	31 December 2021 MDL
Loans to individuals, gross	515 662 821	585 320 715
Less: Allowance for impairment losses	(110 866 406)	(102 779 727)
Loans to customers, net	**404 796 415**	**482 540 988**

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

	31 December 2022 MDL	31 December 2021 MDL
Loans to customers at nominal value	478 799 783	509 182 167
Add: Accrued interest and commission payable	44 205 538	120 154 548
Less: Unamortized commission	(7 342 500)	(44 016 000)
Loans to customers, gross	**515 662 821**	**585 320 715**

5. LOANS TO CUSTOMERS (CONTINUED)

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

	31 December 2022 MDL	31 December 2021 MDL
Short term loans	9 402 802	143 954 726
Long term loans	395 393 613	338 586 262
	404 796 415	**482 540 988**

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

	31 December 2022 MDL	31 December 2021 MDL
Up to 12 months	45 259 961	217 354 432
12 to 48 months	359 536 454	265 186 556
	404 796 415	**482 540 988**

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

	31 December 2022 MDL	31 December 2021 MDL
Balance as at 1 January	102 779 727	167 838 769
Charge for the year	134 372 033	117 433 460
Write-offs	(126 285 354)	(182 492 502)
Balance as at 31 December	**110 866 406**	**102 779 727**

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 2022:

	31 December 2022 MDL	31 December 2021 MDL
Short term loans	14 214 840	40 488 081
Long term loans	96 651 566	62 291 646
	110 866 406	**102 779 727**

6. PROPERTY AND EQUIPMENT

The composition of property and equipment as of 31 December 2022 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 2022	49 464	7 420 426	1 893 322	849 746	39 912 402	477 726	50 603 086
Additions	76 250	147 612	47 317	638 827	1 189 214	117 150	2 216 370
Disposals	-	(1 624 173)	(1 244 530)	(581 142)	(4 015 507)	(294 901)	(7 760 253)
As at 31 December 2022	**125 714**	**5 943 865**	**696 109**	**907 431**	**37 086 109**	**299 975**	**45 059 203**
Accumulated depreciation							
As at 1 January 2022	-	(3 531 229)	(1 211 466)	(123 511)	(20 487 818)	(451 309)	(25 805 333)
Depreciation charge	-	(1 363 504)	(358 333)	(163 950)	(8 245 457)	(143 567)	(10 274 811)
Disposals	-	1 618 471	1 153 013	163 512	3 906 184	294 901	7 136 081
As at 31 December 2022	**-**	**(3 276 262)**	**(416 786)**	**(123 949)**	**(24 827 091)**	**(299 975)**	**(28 944 063)**
Net book value							
As at 31 December 2022	**125 714**	**2 667 603**	**279 323**	**783 482**	**12 259 018**	**-**	**16 115 140**
As at 1 January 2022	**49 464**	**3 889 197**	**681 856**	**726 235**	**19 424 584**	**26 417**	**24 797 753**

* Assets in progress represent IT equipment that on 31 December 2022 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 2022 represent MDL 9 094 997 (31 December 2021: MDL 6 539 099). The Company does not holds pledged property and equipment.

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6. PROPERTY AND EQUIPMENT (CONTINUED)

The composition of property and equipment as of 31 December 2021 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 2021	49 464	8 091 782	2 127 189	1 170 229	38 345 627	743 740	50 528 031
Additions	-	526 959	558 286	520 136	2 515 455	23 690	4 144 526
Disposals	-	(1 198 315)	(792 153)	(840 619)	(948 680)	(289 704)	(4 069 471)
As at 31 December 2021	**49 464**	**7 420 426**	**1 893 322**	**849 746**	**39 912 402**	**477 726**	**50 603 086**
Accumulated depreciation							
As at 1 January 2021	-	(3 036 255)	(1 189 723)	(301 288)	(12 663 905)	(514 417)	(17 705 588)
Depreciation charge	-	(1 693 289)	(813 896)	(169 078)	(8 772 593)	(226 596)	(11 675 452)
Disposals	-	1 198 315	792 153	346 855	948 680	289 704	3 575 707
As at 31 December 2021	**-**	**(3 531 229)**	**(1 211 466)**	**(123 511)**	**(20 487 818)**	**(451 309)**	**(25 805 333)**
Net book value							
As at 31 December 2021	**49 464**	**3 889 197**	**681 856**	**726 235**	**19 424 584**	**26 417**	**24 797 753**
As at 1 January 2021	**49 464**	**5 055 527**	**937 466**	**868 941**	**25 681 722**	**229 323**	**32 822 443**

* Assets in progress represent IT equipment that on 31 December 2021 has not been put into use.

7. INTANGIBLE ASSETS

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

	2022 MDL	2021 MDL
Cost		
At 1 January	**27 576 005**	**19 969 556**
Additions	5 262 014	7 924 904
Disposals	-	(318 455)
At 31 December	**32 838 019**	**27 576 005**
Accumulated amortization		
At 1 January	**(9 428 846)**	**(6 703 581)**
Charge for the period	(4 476 347)	(3 043 720)
Disposals	-	318 455
At 31 December	**(13 905 193)**	**(9 428 846)**
Net Book Value		
At 1 January	**18 147 159**	**13 265 975**
At 31 December	**18 932 826**	**18 147 159**

Additions during the year ended 31 December 2022 represent software and software licenses (1C, MS Windows, MS Office, Adobe Creative Cloud, specially designed ERP). The value of depreciable intangible assets on 31 December 2022 is equal to MDL 18 932 826 (2021: MDL 18 147 159). The Company does not own any non-depreciable intangible assets. On 31 December 2022 the value of fully amortized intangible assets that are in use amounts to MDL 2 165 451 (31 December 2021: MDL 2 156 407).

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:

	2022 MDL	2021 MDL
Profit before tax	63 413 934	137 675 599
Moldovan statutory income tax rate	12%	12%
Expected tax expense	7 609 672	16 521 072
Non-taxable income/ non-deductible expense	(3 607 474)	2 803 411
Actual tax expense	**4 002 198**	**19 324 483**
Current tax expense	13 068 093	13 567 778
Deferred tax expense/ (credit)	(9 065 895)	5 756 705
Tax expense	**4 002 198**	**19 324 483**

Starting 2012 the income tax rate is 12%.

8. TAXATION (CONTINUED)

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**
Assets			
Property and equipment	(2 263 215)	8 968 785	6 705 570
Loans to customers	(8 187 683)	2 415 500	(5 772 183)
Other assets	203 754	(8 558)	195 196
Total assets	**(10 247 144)**	**11 375 727**	**1 128 583**
Liabilities			
Other payables	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**	

As at 31 December 2021 deferred taxes arising from temporary differences are summarized as follows:

Deferred tax assets (liabilities)	**1 January 2021**	**Recognized in profit or loss**	**31 December 2021**
Assets			
Property and equipment	(3 105 466)	842 251	(2 263 215)
Loans to customers	(3 039 979)	(5 147 704)	(8 187 683)
Other assets	209 544	(5 790)	203 754
Total assets	**(5 935 901)**	**(4 311 243)**	**(10 247 144)**
Liabilities			
Other payables	3 575 540	(1 445 462)	2 130 078
Total liabilities	**3 575 540**	**(1 445 462)**	**2 130 078**
Recognized as:			
Deferred tax asset (liability)	**(2 360 361)**		**(8 117 066)**
Deferred tax credit/ (expenses)	**-**	**(5 756 705)**	**-**

9. OTHER ASSETS

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

	31 December 2022 MDL	31 December 2021 MDL
Other financial assets		
Trade receivables	1 553 965	3 523 984
Other receivables	1 392 493	129 476
Other receivables from employees	2 613 956	2 833 956
Less: Amortization difference on other receivables from employees	(1 626 633)	(1 697 956)
Loans to employees	219 055	157 252
Total	**4 152 836**	**4 946 712**
Other non-financial assets		
Advances granted in the country	326 790	214 751
Advances granted abroad	35 345	39 496
Guarantees paid	1 136 229	1 333 000
Prepaid expenses	329 304	470 598
Stocks and supplies	341 412	346 118
Prepaid taxes	25 469	117 729
Other	69 502	64 527
Total	**2 264 051**	**2 586 219**
	6 416 887	**7 532 931**

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

10. BORROWINGS

	Currency	Maturity	31 December 2022 MDL	31 December 2021 MDL
Fixed rate loan	EUR	08.01.2028	192 439 790	232 081 401
Fixed rate loan	MDL	01.06.2022	26 000 000	30 000 000
Fixed rate loan	MDL	03.09.2022	-	22 000 000
Fixed rate loan	EUR	11.11.2027	16 303 360	-
Fixed rate loan	MDL	undetermined	1 000 000	1 000 000
Subordinated loan	MDL	22.07.2023	3 800 000	3 800 000
			239 543 150	**288 881 401**
Add: interest and commissions payable			2 894 586	2 055 520
TOTAL			**242 437 736**	**290 936 921**

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 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, 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 5 July 2022 the Company signed a new cooperation agreement with a credit limit of EUR 15 000 000 and maturity on 8 January 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 point two) applied to the contractual obligations.

During 2020-2022 a number of 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 25 000 000 MDL; on 29.12.2020 an amendment regarding the increase of the amount up to 30 000 000 MDL; 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 3 September 2020 a revolving loan line was contracted, in the amount of MDL 20 000 000, for a term of 12 months; on 30 September 2020 an addendum regarding the increase of the amount up to MDL 100 000 000 and on 2 September 2021 an addendum extending the term until 3 September 2022;
- 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 MDL, for a period of 3 years;
- 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 2022	19 424 584
Additions	1 189 214
Disposals	(109 323)
Depreciation expenses	(8 245 457)
At 31 December 2022	**12 259 018**

11. LEASING CONTRACTS (CONTINUED)

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

	Premises MDL
At 1 January 2021	25 681 722
Additions	2 515 455
Disposals	-
Depreciation expenses	(8 772 593)
At 31 December 2021	**19 424 584**

Maturity analysis of leasing liabilities, non-discounted

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

	31 December 2022 MDL	31 December 2021 MDL
Up to 1 year	9 350 059	9 672 174
Between 1 year and 5 years	6 655 773	12 062 761
Value of leasing liabilities, gross	**16 005 832**	**21 734 935**

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

	2022 MDL	2021 MDL
Interest expenses regarding operational leasing	902 504	1 253 983

11.3 Amounts recognized in the Statement of cash flows

	2022 MDL	2021 MDL
Cash outflows related to leasing contracts	9 760 655	10 217 644

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

On 31 December 2022 the Company recognizes 32 premises with right of use.

12. OTHER PAYABLES

	31 December 2022 MDL	31 December 2021 MDL
Financial liabilities		
Dividends payable	18 848 113	-
Right-of-use liabilities	13 471 259	19 912 250
Accrued liabilities	3 249 688	1 574 455
Trade payables to local suppliers	1 725 390	1 539 464
Trade payables to foreign suppliers	2 100 304	4 823 901
Settlements with employees	1 224 435	1 407 809
Provision for unused vacation	3 238 337	4 132 835
Provision for audit services	476 444	332 742
Other	16 800	18 705
Total	**44 350 770**	**33 742 161**
Non-financial liabilities		
Other taxes and fees	3 188 237	2 376 309
Anticipated income	831 139	-
Total	**4 019 376**	**2 376 309**
Total	**48 370 146**	**36 118 470**

On 31 December 2022, trade payables to foreign suppliers represent costs for IT services, consultancy, business development and marketing of MDL 2 100 304 (31 December 2021: MDL 4 823 901).

Dividend liabilities 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.

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 2022		31 December 2021	
		MDL	%	MDL	%
Eleving Consumer Finance AS (former Funderly Group AS)	Latvia	4 031 160	95,98	52 507 685	96,2561
Eleving Group (former Mogo Finance SA)	Luxemburg	8	0,0002	100	0,0002
Individuals	Moldova	168 832	4,0200	2 042 215	3,7437
		4 200 000	**100**	**54 550 000**	**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 in 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, the information for the situation as of 31 December 2022 is presented below:

	2022	2021
	MDL	MDL
Interest income		
Loans to customers	320 883 806	367 968 446
	320 883 806	**367 968 446**
Interest expense		
Borrowings	(34 252 207)	(45 260 966)
Right-of-use interest	(902 504)	(1 253 983)
	(35 154 711)	**(46 514 949)**
Net interest income	**285 729 095**	**321 453 497**

15. NET COMMISSION INCOME

Commission income represents fee for the early repayment of loans.

	2022 MDL	2021 MDL
Commission income		
Commissions for early repayment of loans	813 456	972 905
Net income from fees and commissions	**813 456**	**972 905**

16 NET TRADING INCOME (EXPENSE)

	2022 MDL	2021 MDL
Revaluation of foreign currency balances	(5 117 382)	15 433 069
Income/(expenses) from foreign currency conversion	(1 207 250)	(374 747)
Total	**(6 324 632)**	**15 058 322**

17 OTHER OPERATING INCOME

	2022 MDL	2021 MDL
Penalties on loans to customers	10 196 546	18 354 178
Sale of portfolio	15 077 932	11 309 136
Other	4 805 143	491 906
Total	**30 079 621**	**30 155 220**

The composition of other operating income includes: income from penalties paid by customers, income from the sale of the outstanding portfolio and other income (income from the Sebo Club service, income from the disposal of long-term assets and exceptional income). During 2022, the Company each month sold the portfolio that registers + 360 days overdue, and in the period January-September 2022 it also sold the portfolio with 180-210 days overdue.

18. PERSONNEL EXPENSES

	2022 MDL	2021 MDL
Salaries and bonuses	34 287 562	33 689 197
Social insurance and contributions	8 356 340	8 227 831
Provision for unused vacation	(894 498)	1 260 031
Other	865 770	1 386 289
Total	**42 615 174**	**44 563 348**

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

19. GENERAL AND ADMINISTRATIVE EXPENSES

	2022 **MDL**	**2021** **MDL**
Business development support	21 675 551	16 030 214
Business promotion and advertising	7 226 603	9 928 040
IT services	9 789 423	9 675 125
Professional services	5 487 428	6 012 500
Postage, telephone and internet	2 044 945	2 511 435
Database access	1 704 821	1 640 800
Stationery and supplies	1 183 859	1 237 083
Donations	397 665	789 530
Utilities and rent	1 196 044	334 556
Bank charges	434 478	572 972
Transportation	731 946	567 497
NCFM regulatory tax	476 098	479 545
Training	171 815	129 516
Membership and association expenses	37 036	57 624
Accommodation and representation	182 836	165 331
Repairs and maintenance	213 049	203 949
Other	2 191 644	2 912 648
Total	**55 145 241**	**53 248 365**

20. DEPRECIATION AND AMORTIZATION

	2022 **MDL**	**2021** **MDL**
Depreciation of property and equipment	4 476 347	3 043 720
Amortization of intangible assets	2 029 354	2 902 859
Depreciation of the right-of-use asset	8 245 457	8 772 593
Total	**14 751 158**	**14 719 172**

The Company rents several branches for carrying out its operational activity. On 31 December 2022, the Company had 31 branches (excluding the head office), of which: 8 are in Chisinau and 23 are located outside Chisinau (in 2021: 42 branches). During 2022, 11 branches were closed. The expenses with the depreciation of the right-of-use asset leased for the activity of the branches in 2022 amounted to MDL 8 245 457 MDL (2021: MDL 8 772 593).

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 (shareholder)
- Rodica Paun (CFO, shareholder)
- Savciuc Irina (Manager Departament Call Center, 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:

	2022		2021	
	Shareholders	**Other related entities**	**Shareholders**	**Other related entities**
Equity transaction				
Share capital decrease	50 350 000	-	-	-
Dividends declared	40 000 000	-	45 000 000	-
Dividends payables	18 848 113	-	-	-
Balance at 31 December				
Borrowings	3 800 000	1 000 000	3 800 000	23 000 000
Interest payable	58 093	258 139	58 093	113 666
Procurement of assets	-	4 293 143	-	6 473 760
Liabilities related to procurement of assets and services	-	2 080 360	-	4 641 617
Profit or loss				
Interest expense	684 000	1 403 139	684 000	198 268
Expenses related to the services purchased	-	25 538 455	-	20 101 862

On 10 February 2021, the Minutes of the Extraordinary General Meeting of Associates were signed regarding the distribution of dividends in the amount of MDL 20 000 000, on 1 March 2021 the distribution of the amount of MDL 25 000 000 and on 23 June 2022 for the distribution of the amount of MDL 40 000 000 MDL.

During 2022, software improvements and developments were purchased from related parties: ERP system in the amount of MDL 4 293 143 (2021: MDL 6 473 760) and management services, marketing, financial consulting, human resources, legal services and others in the amount of MDL 25 538 455 (2021: MDL 20 101 862).

During the year ended 31 December 2022 management personnel received remuneration in the amount of MDL 7 376 430 (2021: MDL 7 965 917), 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. The balance of short-term interest-free loans granted to the Company's management personnel on 31 December 2022 is in the amount of MDL 95 000 (31 December 2021: 0).

22. COMMITMENTS AND CONTINGENCIES

Capital commitments

There were no capital commitments as at 31 December 2022.

Legal claims

As at 31 December 2022 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 sash 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.

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 2022 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.

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:

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

2021	**Carrying value**	**Level 1**	**Level 2**	**Level 3**	**Fair value**
Financial assets					
Cash and cash equivalents	14 998 888	14 998 888	-	-	14 998 888
Loans to customers	482 540 988	-	-	638 494 303	638 494 303
Other financial assets	4 946 712	-	-	4 946 712	4 946 712
Financial liabilities					
Borrowings	290 936 921	-	-	290 936 921	290 936 921
Advances from customers	8 703 123	-	-	8 703 123	8 703 123
Other financial liabilities	33 742 161	-	-	33 742 161	33 742 161

(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 2022 MDL	**31 December 2021 MDL**
Cash and cash equivalents	7 937 588	8 269 981
Loans to customers	404 796 415	482 540 988
Other financial assets	4 152 836	4 946 712
	416 886 839	**495 757 681**

24. RISK MANAGEMENT (CONTINUED)

Credit risk (continued)

The maximum credit exposure to one client or counterparty is presented below:

	31 December 2022	**31 December 2021**
	MDL	**MDL**
Cash and cash equivalents	3 692 272	4 148 106
Loans to customers	95 040	74 958
Trade receivables	1 474 623	3 444 293
Other financial assets	987 324	1 136 000
	6 249 259	**8 803 357**

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 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**

				31 December 2021
Loans to customers	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
No days overdue	454 424 269	-	-	454 424 269
Overdue <35 days	40 010 021	-	-	40 010 021
Overdue <60 days	-	28 980 826	-	28 980 826
Overdue >60 days	-	-	61 905 599	61 905 599
Expected credit losses	(36 024 334)	(18 797 294)	(47 958 099)	(102 779 727)
Total	**458 409 956**	**10 183 532**	**13 947 500**	**482 540 988**

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 on 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 removals 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 on 31.12.2022	**428 240 156**	**22 874 232**	**64 548 433**	**515 662 821**

Loans to customers	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Balance on 01 January 2021	412 092 043	13 700 707	135 744 873	561 537 623
Transfer to Stage 1	580 233	(252 729)	(327 504)	-
Transfer to Stage 2	(11 879 116)	11 923 329	(44 213)	-
Transfer to Stage 3	(33 870 003)	(739 831)	34 609 834	-
Increases due to initiation and acquisition	1 258 746 728	23 632 853	47 663 700	1 330 043 281
Decreases due to derecognition	(894 253 834)	(3 410 924)	(10 288 221)	(907 952 979)
The decrease in the account of adjustments for depreciation due to removals from the balance sheet	(34 031 645)	(11 686 189)	(141 450 368)	(187 168 202)
The net change due to the increase/decrease in credit risk	(202 950 116)	(4 186 390)	(4 002 502)	(211 139 008)
Balance on 31.12.2021	**494 434 290**	**28 980 826**	**61 905 599**	**585 320 715**

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.

24. RISK MANAGEMENT (CONTINUED)

Credit risk (continued)

The movement of allowances for expected credit risk losses of loans and advances for the period 2022 and 2021 is presented in the following tables:

Expected credit losses	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Balance on 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 removals 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 on 31.12.2022	**46 376 406**	**15 442 137**	**49 047 863**	**110 866 406**

Expected credit losses	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Balance on 01 January 2021	61 778 846	9 115 390	101 299 222	172 193 458
Transfer to Stage 1	34 312	(18 483)	(15 829)	-
Transfer to Stage 2	(7 561 118)	7 590 902	(29 784)	-
Transfer to Stage 3	(26 233 487)	(581 682)	26 815 169	-
Increases due to initiation and acquisition	56 251 665	11 308 648	23 746 032	91 306 345
Decreases due to derecognition	(56 223 321)	(1 403 294)	(5 543 933)	(63 170 548)
The decrease in the account of adjustments for depreciation due to removals from the balance sheet	(13 131 085)	(7 071 713)	(97 993 013)	(118 195 811)
The net change due to the increase/decrease in credit risk	21 108 522	(142 474)	(319 765)	20 646 283
Balance on 31.12.2021	**36 024 334**	**18 797 294**	**47 958 099**	**102 779 727**

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 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**

24. RISK MANAGEMENT (CONTINUED)

Liquidity risk (continued)

At 31 December 2021	Book value MDL	On demand MDL	Less than 1 year MDL	From 1 to 5 years MDL
Assets				
Cash and cash equivalents	14 998 888	14 998 888	-	-
Loans to customers	482 540 988	-	586 271 373	306 889 848
Other financial assets	4 946 712	-	2 646 391	2 300 321
Total assets	**502 486 588**	**14 998 888**	**588 917 764**	**309 190 169**
Liabilities				
Borrowings	290 936 921	-	69 964 725	368 985 387
Other financial liabilities	33 742 161	-	23 502 085	12 062 761
Total liabilities	**324 679 082**	**-**	**93 466 810**	**381 048 148**
Maturity GAP	**177 807 506**	**14 998 888**	**495 450 954**	**(71 857 979)**
Cumulative maturity GAP	**-**	**14 998 888**	**510 449 842**	**438 591 863**

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.

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 2022	Total MDL	Less than 12 months MDL	More than 12 months MDL	Non-interest bearing 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**

As at 31 December 2021	Total MDL	Less than 12 months MDL	More than 12 months MDL	Non-interest bearing MDL
Assets				
Cash and cash equivalents	14 998 888	-	-	14 998 888
Loans to customers	482 540 988	217 354 432	265 186 556	-
Other financial assets	4 946 712	-	-	4 946 712
Total assets	**502 486 588**	**217 354 432**	**265 186 556**	**19 945 600**
Liabilities				
Borrowings	290 936 921	206 243 838	84 693 083	-
Other financial liabilities	33 742 161	7 812 731	12 099 519	13 829 911
Total liabilities	**324 679 082**	**214 056 569**	**96 792 602**	**13 829 911**
Re-pricing GAP	**177 807 506**	**3 297 863**	**168 393 954**	**6 115 689**
Cumulative re-pricing GAP	**-**	**3 297 863**	**171 691 817**	**177 807 506**

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.

2022	Increase in basis points p.p.	Less than 12 months MDL	More than 12 months MDL	Total MDL
	100	(1 569 520)	3 058 395	1 488 875
	50	(784 760)	1 529 197	744 437

2022	Decrease in basis points p.p.	Less than 12 months MDL	More than 12 months MDL	Total MDL
	-100	1 569 520	(3 058 395)	(1 488 875)
	-50	784 760	(1 529 197)	(744 437)

2021	Increase in basis points p.p.	Less than 12 months MDL	More than 12 months MDL	Total MDL
	100	32 979	1 683 940	1 716 919
	50	16 489	841 970	858 459

2021	Decrease in basis points p.p.	Less than 12 months MDL	More than 12 months MDL	Total MDL
	-100	(32 979)	(1 683 940)	(1 716 919)
	-50	(16 489)	(841 970)	(858 459)

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 2022					31 December 2021				
	MDL	MDL	MDL	MDL	MDL	MDL	MDL	MDL	MDL	MDL
Monetary assets	**in MDL**	**in EUR**	**in USD**	**in RUB**	**Total**	**in MDL**	**in EUR**	**in USD**	**in RUB**	**Total**
Cash and cash equivalents	13 938 540	27 036	16 235	-	**13 981 811**	11 712 825	3 264 561	21 502	-	**14 998 888**
Loans to customers	404 796 415	-	-	-	**404 796 415**	482 540 988	-	-	-	**482 540 988**
Other financial assets	4 152 836	-	-	-	**4 152 836**	4 946 712	-	-	-	**4 946 712**
Total	**422 887 791**	**27 036**	**16 235**	**-**	**422 931 062**	**499 200 525**	**3 264 561**	**21 502**	**-**	**502 486 588**
Monetary liabilities										
Borrowings	31 357 490	211 080 246	-	-	**242 437 736**	57 353 950	233 582 971	-	-	**290 936 921**
Advances from customers	-	-	-	-	**-**	8 703 123	-	-	-	**8 703 123**
Other financial liabilities	29 500 241	14 269 746	580 783	-	**44 350 770**	10 461 770	21 943 792	1 336 599	-	**33 742 161**
Total	**60 857 731**	**225 349 992**	**580 783**	**-**	**286 788 506**	**76 518 843**	**255 526 763**	**1 336 599**	**-**	**333 382 205**
Total GAP	**362 030 060**	**(225 322 956)**	**(564 548)**	**-**	**136 142 556**	**422 681 682**	**(252 262 202)**	**(1 315 097)**	**-**	**169 104 383**

24. GESTIONAREA RISCULUI (CONTINUARE)

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.

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

2021	**Changes in currency %**	**FX rate MDL**	**Effect on PBT MDL**
EUR	5%	21,0985	(12 613 236)
EUR	-5%	19,0891	12 613 236
EUR	10%	22,1032	(25 226 471)
EUR	-10%	18,0844	25 226 471
USD	5%	18,6325	(65 758)
USD	-5%	16,8579	65 758
USD	10%	19,5197	(131 516)
USD	-10%	15,9707	131 516

24. GESTIONAREA RISCULUI (CONTINUARE)

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 2022.

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%.

25. MATURITY STRUCTURE

The Company's assets and liabilities structure as at 31 December 2022 taking as a basis the remaining period to maturity, is as follows:

31 December 2022	Total MDL	Less than 1 year MDL	More than 1 year 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**

25. MATURITY STRUCTURE (CONTINUED)

La 31 December 2021	Total MDL	Less than 1 year MDL	More than 1 year MDL
Assets			
Cash and cash equivalents	14 998 888	14 998 888	-
Loans to customers	482 540 988	217 354 432	265 186 556
Property and equipment	24 797 753	-	24 797 753
Intangible assets	18 147 159	-	18 147 159
Other assets	7 532 931	5 409 378	2 123 553
Total assets	**548 017 719**	**237 762 698**	**310 255 021**
Liabilities			
Borrowings	290 936 921	243 209 755	47 727 166
Customer advances	8 703 123	8 703 123	-
Current income tax liabilities	3 157 426	3 157 426	-
Deferred tax liability	8 117 066	-	8 117 066
Other liabilities	36 118 470	30 148 640	5 969 830
Total liabilities	**347 033 006**	**285 218 944**	**61 814 062**
Maturity GAP	**200 984 713**	**(47 456 246)**	**248 440 959**

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.

27. SUBSEQUENT EVENTS

On 24 February 2023, the Minutes of the General Meeting of Associates were signed regarding the election and appointment of the second Administrator of the Company, for an unlimited term, in order to ensure a more efficient management of the companies in the group. The changes were registered by the Public Services Agency on 6 March 2023.

On 29 March 2023, Administrator Sergiu Sobuleac announced his resignation effective 2 May 2023. Taking into account the fact that the Company has two Administrators, the second Administrator Mr. Ozolins Martins took over the leadership, thus the Company will continue its activity without interruption. On 5 May 2023, the PSA registered the decision to delete from the State Register the data regarding the administrator, Mr. Sobuleac Sergiu.

In 2022 and 2023, many significant sanctions were imposed by the European Union and various countries on Russia and Belarus, certain Russian and Belarusian companies, companies from other jurisdictions, officials, businessmen and other individuals in connection with the ongoing war in Ukraine, which began on 24 February 2022. The imposed sanctions and restrictions and military actions create economic uncertainty in the world and in Moldova.

The total impact of the sanctions and restrictions and military actions on the Company's operations in 2023 cannot be fully anticipated, but the Company considers that the sanctions and restrictions imposed and the military actions after the date of the financial statements will not significantly affect the Company's operations, both directly and indirectly. The Company's hypothesis is based on the information available at the time of signing the financial statements, and the impact of future events on the Company's future operations may be different from the Company's assessment.