MOGO IFN SA

FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED ON DECEMBER 31, 2021

PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS ADOPTED BY THE EUROPEAN UNION

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Draft, subject to:

- Final review of the financial statements
- Completion of subsequent events audit procedures
- Receipt of signed management representation letter
- Approval of the financial statements by the Board of Directors

Independent Auditors' Report

To the Shareholders of Mogo IFN SA

51 Calea Mosilor, 2nd floor, district 3, Bucharest
Unique Registration Code: 35917970

Report on the Audit of the Financial Statements

Opinion

1. We have audited the financial statements of Mogo IFN SA ("the Company"), which comprise the statement of financial position as at 31 December 2021, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.
2. The financial statements as at and for the year ended 31 December 2021 are identified as follows:

• Net assets:	Lei 26,837,568
• Net profit for the year:	Lei 7,012,614

3. In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2021, and of its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the European Union.

Fiscal registration code
RO12997279
Trade Registry no.J40/4439/2000
Share Capital 2,000 RON

Basis for Opinion

4. We conducted our audit in accordance with International Standards on Auditing (”ISAs”), Regulation (EU) no. 537/2014 of the European Parliament and of the Council (“the Regulation”) and Law no. 162/2017 (“the Law”). Our responsibilities under those standards and regulations are further described in the *Auditors’ Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with *International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (”IESBA Code”)* together with the ethical requirements that are relevant to our audit of the financial statements in Romania, including the Regulation and the Law and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Impairment of loans to customers

As at 31 December 2021, the financial statements include:

- gross loans and advances to customers: RON 89,857,375 (31 December 2020: RON 18.058,415)
- gross lease receivables: RON 45,145,348 (31 December 2020: RON 80,332,168)
- expected credit losses of gross loans and advances to customers: RON 7,630,594 (31 December 2020: RON 824,117)
- expected credit losses of gross lease receivables: RON 9,530,069 (31 December 2020: RON 17,084,228)

and for the year then ended:

- net impairment charge recognized in the statement of profit or loss and other comprehensive income for gross loans and advances to customers: RON 6,806,478 (2020: net impairment charge of RON 723,019)
- net impairment release recognized in the statement of profit or loss and other comprehensive income for gross lease receivables: RON 7,554,159 (2020: net impairment charge of RON 8,065,057).

See Notes 3. Accounting policies, 3.9 Financial instruments, 4 Risk management, b) Credit Risk, and 10 Allowance for impairment losses on financial assets to the financial statements.

The key audit matter	How the matter was addressed in our audit
As described in Note 3.9 to the financial statements, impairment of loans and advances to customer has been determined in accordance with the Company’s accounting policies based on the requirements of IFRS 9 *Financial Instruments* (“IFRS 9” or “the standard”). Impairment allowances represent management’s best estimate of the expected credit losses (“ECLs”) within the loans and advances to customers portfolio (collectively: “loans”, “exposures”) at amortized cost at the reporting	Our audit procedures in this area, performed, where applicable, with the assistance from our own financial risk management and information technology specialists, included, among others: • Evaluating the appropriateness of the credit loss-related accounting policies, credit risk modelling techniques and methodology against the requirements of the relevant financial reporting

date. IFRS 9 requires an assessment of whether there is a significant increase in credit risk since initial recognition, based on the assessment of the borrowers' debt service and future cash flows expected from the borrowers. Pursuant to the standard, individual loans are allocated into one of three stages for the purposes of estimating the loss allowances, where stage 1 and stage 2 relate to performing loans and stage 3 to non-performing exposures. The Company estimates impairment allowances for all exposures by modelling techniques, relying on key parameters such as the probability of default (PD), exposure at default (EAD) and loss given default (LGD), taking into account historical experience, identification of exposures with a significant increase in credit risk ("SICR") and forward-looking information. In the context of the COVID-19 pandemic and the downward macroeconomic effects of the increase in energy and other commodity prices and resulting inflationary pressures and disruptions in the global supply chains, measurement of ECLs was associated with additional complexities and an increased estimation uncertainty. Considering the complex management judgements over the amount of impairment and the underlying impairment parameters, we determined impairment of loans and advances to customers to be associated with a significant risk of material misstatement in the financial statements. Therefore, the area required our increased attention in the audit and as such was determined to be a key audit matter.	standards, our business understanding and industry practice; • Testing of the design, implementation and operating effectiveness of the selected controls in the Company's ECL estimation process, including controls over system configuration for the allocation of loan repayments and computation of debt service; • Assessing whether the definition of impairment, SICR and the staging criteria were consistently applied and are appropriate by reference to the standard; • Challenging the macroeconomic forecasts used in the ECL model in terms of their relevance and source accuracy by comparing them to publicly available data. As part of the procedure, we challenged the consideration of the economic uncertainty relating to COVID-19 and the increase in energy and other commodity prices and resulting inflationary pressures and disruptions in the global supply chains, by means of corroborating inquiries of the management board members and inspection of publicly available information; • Testing, on a sample basis, the relevance and reliability of the data used in the Company's process of calculating the EAD, PD and LGD parameters, by reference to the supporting documentation, including repayment schedules and underlying data for collections; • Based on the outcome of the preceding procedures, challenging the key parameters and assessing the appropriateness of the overall ECL amount as at reporting date; • Assessing whether the Company's loan impairment and credit risk-related disclosures in the financial statements appropriately include and describe the relevant quantitative and qualitative information required by the applicable financial reporting framework.

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

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

7. 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.

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

Auditors' Responsibility for the Audit of the Financial Statements

9. 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 auditors' 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.

10. 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 auditors' 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 auditors' 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.

11. 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.

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

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

Report on Other Legal and Regulatory Requirements

14. We were appointed by the General Shareholders' Meeting on 28 September 2021 to audit the financial statements of Mogo IFN SA for the year ended 31 December 2021. Our total uninterrupted period of engagement is 3 years, covering the periods ending 31 December 2019 to 31 December 2021.

15. We confirm that:

- our audit opinion is consistent with the additional report presented to the Audit Committee of the Company, which we issued on 27 June 2022. We also remained independent of the audited entity in conducting the audit.
- we have not provided to the Company the prohibited non-audit services (NASs) referred to in Article 5(1) of EU Regulation (EU) No 537/2014.

Refer to the original signed Romanian version

For and on behalf of KPMG Audit S.R.L.:

RUBELI IRINA	**KPMG Audit SRL**
registered in the electronic public register of financial auditors and audit firms under no AF4092	registered in the electronic public register of financial auditors and audit firms under no FA9

Bucharest, 29 June 2022

	Note	Year ended 31.12.2021	Year ended 31.12.2020
Interest revenue calculated using the effective interest method	6	46,580,215	34,781,068
Interest expenses calculated using the effective interest method	6	(11,801,218)	(8,798,358)
Net interest income		**34,778,997**	**25,982,710**
Fee and commission income	7	290,505	119,276
Fee and commission expense	7	(500,943)	(1,038,635)
Income from penalties received	7	289,663	214,456
Income from fees and commissions, net		**79,225**	**(704,903)**
Income from derecognition of financial assets	8	488,022	-
Other operating income	9	1,282,778	1,589,139
		1,770,800	**1,589,139**
Total operating income		**36,629,022**	**26,866,946**
Impairment expense	10	(8,594,608)	(8,872,229)
Personnel expenses	11	(6,094,431)	(5,306,362)
Other operating expenses	12	(11,117,259)	(7,875,134)
Net foreign exchange result	13	(1,202,549)	(1,102,472)
		(27,008,847)	**(23,156,198)**
Profit / (loss) before tax		**9,620,175**	**3,710,748**
Income tax expense	14	(2,607,561)	(207,957)
Net profit for the year		**7,012,614**	**3,502,791**
Other elements of comprehensive income		-	-
Total net comprehensive income for the year		**7,012,614**	**3,502,791**

The financial statements were approved by the Board of Directors on June 27, 2022 and were signed on its behalf by:

CEO, CFO,
BADIU IONUT TETICI MARILENA

Assets	**Note**	**December 31, 2021**	**December 31, 2020**
Cash and cash equivalents	15	3,730,508	11,266,591
Finance lease receivables	16. 17	35,615,279	63,247,940
Loans and advances granted to customers	16	82,226,781	18,058,415
Loans to related parties	25	26,279,224	14,575,690
Other assets	18	1,220,685	342,630
Assets held for sale	19	369,097	512,798
Intangible assets	20	73,408	39,332
Tangible assets	21	1,923,073	1,486,769
Deferred tax assets	22	348,630	617,534
TOTAL ASSETS		**151,786,685**	**110,147,699**
LIABILITIES			
Borrowings	2. 3	116,715,007	83,194,012
Liabilities for right of use assets	24	1,698,368	1,341,537
Provisions for financial guarantees	26	2,707,833	2,105,612
Other liabilities	27	3,827,909	1,845,408
TOTAL LIABILITIES		**124,949,117**	**88,486,569**
EQUITY			
Share capital	28	924,000	924,000
Share premium	29	28,654,000	28,654,000
Other reserves	26	(2,853,749)	(3,827,487)
Retained earnings/(losses)		113,317	(4,089,383)
TOTAL EQUITY		**26,837,568**	**21,661,130**
TOTAL LIABILITIES AND EQUITY		**151,786,685**	**110,147,699**

The financial statements were approved by the Board of Directors on June 27, 2022 and were signed on its behalf by:

CEO, CFO,

BADIU IONUT TETICI MARILENA

Cash flows from operating activity	**Year ended 31.12.2021**	**Year ended 31.12.2020 rectified***
Profit/(loss) before tax	9,620,175	3,710,748
Adjustments for:		
Amortization and depreciation of assets	623,569	552,881
Interest expense	11,801,218	8,798,358
Interest income	(46,580,215)	(34,781,068)
Disposals of non-current assets	35,075	97,040
Financial guarantees	8,594,608	8,872,229
(Decrease) / increase in current provisions	(1,379,970)	(1,395,041)
(Gain)/loss from derecognition of financial assets	(488,022)	-
(Gain)/loss from currency exchange rate fluctuations	1,202,549	1,102,472
Operating profit before the change in operating assets and liabilities	**(16,571,013)**	**(13,042,380)**
The variation of assets and liabilities from exploitation		
(Increase)/decrease in operating assets	(52,719,599)	(26,118,739)
Increase / (decrease) in operating liabilities	800,299	(788,204)
Cash from operating activity	**(68,490,313)**	**(39,949,323)**
Interest received	42,544,549	30,050,720
Interest paid	(6,377,592)	(7,327,827)
Corporate income tax paid	(1,012,981)	-
Cash flows from operating activity	**(33,336,337)**	**(17,226,430)**
Cash flows from investing activity		
Payments for purchases of tangible and intangible assets	(168,657)	(132,508)
Cash flows from investing activity	**(168,657)**	**(132,508)**
Cash flows from financing activity		
Receipts from borrowings	141,280,206	71,702,982
Borrowings repayments	(114,699,883)	(42,940,590)
Payments for right-of-use assets	(611,412)	(501,830)
Cash flows from financing activity	**25,968,911**	**28,260,563**
Net increase/(decrease) in cash and cash equivalents	**(7,536,083)**	**10,901,625**
Cash and cash equivalents on January 1	11,266,591	364,967
Cash and cash equivalents at 31 December	**3,730,508**	**11,266,591**

*See Note 3.2 for details on the nature of the corrections.

The financial statements were approved by the Board of Directors on June 27, 2022 and were signed on its behalf by:

CEO, BADIU IONUT

CFO, TETICI MARILENA

MOGO IFN SA

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2021

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

	Share capital	Share premium	Reserves for financial guarantees	Retained earnings/(losses)	Total
Balance at January 1, 2020	**924,000**	**28,654,000**	**(3,672,598)**	**(7,592,176)**	**18,313,226**
Overall result					
Net profit for the year	-	-	-	3,502,794	3,502,794
Overall overall result	-	-	-	**3,502,794**	**3,502,794**
Transactions with shareholders					
Guarantee derecognition	-	-	(154,890)	-	(154,890)
Balance at December 31, 2020	**924,000**	**28,654,000**	**(3,827,488)**	**(4,089,382)**	**21,661,130**
Balance at January 1, 2021	**924,000**	**28,654,000**	**(3,827,488)**	**(4,089,382)**	**21,661,130**
Overall result					
Net profit for the year	-	-	-	7,012,614	7,012,614
Overall overall result	-	-	-	**7,012,614**	**7,012,614**
Transactions with shareholders					
Issuance of financial guarantees	-	-	973,738	(2,809,914)	(1,836,176)
Balance at December 31, 2021	**924,000**	**28,654,000**	**(2,853,750)**	**113,318**	**26,837,568**

The financial statements were approved by the Board of Directors on June 27, 2022 and were signed on its behalf by:

CEO,
BADIU IONUT

CFO,
TETICI MARILENA

1. GENERAL INFORMATION ABOUT THE COMPANY

The joint-stock company MOGO IFN (hereinafter referred to as the Company) was registered at the Trade Registry Office at the Bucharest Court on June 4, 2016, having the unique registration code 35917970 and order number in the Trade Registry J40/5043/2016. The company is established and operates for an unlimited duration, in accordance with the legal provisions in force.
In 2021, the Company carried out its activity through its registered office, established in Bucharest, sector 3, Calea Moșilor street no. 51, second floor.

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

The company is registered in the General Register kept by the National Bank of Romania under number RG-PJR-41-110316/ 09.11.2016. On February 16, 2018, the Company was registered in the Special Register of the National Bank of Romania under number RS-PJR-41-110097/16.02.2018.

Until June 29, 2020, the majority shareholder with a holding percentage of 99.9904% of the shares was Mogo Finance SA (renamed Eleving Group SA), with headquarters at 8-10, Avenue de la Gare, 1610 Luxembourg. Based on the AGM of March 31, 2020, it was decided to sell the entire portfolio owned by Mogo Finance SA (renamed Eleving Group SA) in favor of AS Mogo Eastern Europe (renamed AS Eleving Stella), with headquarters in Skanstes iela, no. 50, Riga, Latvia, so that on July 10, 2020 (according to the registration certificate mentions), the majority shareholder becomes AS Mogo Eastern Europe (renamed AS Eleving Stella).
During 2021, there were no changes in the shareholding structure.

On 31.12.2021, the shareholding structure is as follows:

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

On 31.12.2020, the shareholding structure was as follows:

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

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

2021	2020
55	48

AS Eleving Stella (renamed from Mogo Eastern Europe), with headquarters in Skanstes iela no, 50, Rīga, Latvia, is the company that prepares the consolidated annual financial statements of the smallest group of entities of which the Company is a part.
Eleving Group SA (renamed from Mogo Finance SA), with its registered office at 8-10, Avenue de la Gare, 1610 Luxembourg, Grand Duchy of Luxembourg, registered in the Luxembourg Trade Register under no,.B 174.457, is the company that prepares the annual financial statements consolidated of the largest group of entities (Eleving Group SA) of which the Company is a part. The consolidated annual financial statements are available on the official website of Eleving Group SA:Investors - Eleving Group.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

2.1. Declaration of conformity

These financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as adopted by the European Union.
According to Order no. 8/30.10.2019 issued by the National Bank of Romania, the financial statements of the Companies in accordance

with the International Financial Reporting Standards issued by the Committee for International Accounting Standards and adopted by the European Union are presented for information purposes, as part of the transition to IFRS , as the legal basis of accounting starting from January 1, 2023.

The present financial statements of the Company were approved by the Board of Directors on June 27, 2022.
The company prepares statutory financial statements in accordance with the provisions of BNR Order 6/2015 for the approval of the Accounting Regulations in accordance with the European Directives, as amended and supplemented later ("RAS Financial Statements"), on the basis of which the result of distributions to shareholders is determined.

The major differences compared to the statutory financial statements drawn up according to Romanian legislation, so that they are aligned with IFRS standards, are:
- different methodology for calculating the depreciation of the net investment in leasing and the loan portfolio;
- fair value assessments and impairment of other financial instruments, in accordance with IFRS 9;
- application of the IFRS 16 "Leasing" standard with related presentation requirements;
- recognition and measurement of deferred income tax;
- the classification of contracts following the principle of the prevalence of content over form;
- presentation of information required in accordance with IFRS.

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

2.2. The basics of evaluation

This set of financial statements has been prepared based on the historical cost principle, except when financial instruments are valued at fair value.

2.3. Functional and presentation currency

The financial statements of the Company are prepared and presented in lei (RON), which is the functional currency of the Company. The Company's management believes that this presentation provides reliable and relevant information for users of the financial statements due to the fact that all items included in the financial statements are valued using the currency of the economic environment in which the Company operates.

2.4. Use of significant estimates and judgments

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

2.5. The principle of business continuity

These financial statements have been prepared using the going concern principle, which assumes that the Company will continue its activity in the near future. In making this judgment, the Company's management considers the Company's current performance and access to financial resources. Thus, on December 31, 2021, the Company recorded a net profit in the amount of 7,012,614 (2020: 3,502,791 lei), the net assets of the Company are in the amount of 26,837,568 lei (2020: 21,661,130 lei) , and own funds amount to 85,074,187 lei.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1. Newly issued standards and new or revised interpretations

A series of new standards effective for annual periods beginning on or after January 1, 2021, and in which early application is permitted.

A. Reform of the reference index of the dob rateânzii – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

The amendments address matters that could affect financial reporting as a result of the reform of an interest rate benchmark, including the effects of changes in contractual cash flows or hedging relationships arising from the replacement of an interest rate benchmark with a rate of alternative reference.
The company adopted these amendments as of January 1, 2021. These amendments do not have a significant impact on its financial statements.

B. Other standards

At the date of approval of these financial statements, the following amendments to existing standards have been issued by the IASB and adopted by the EU, were not yet in force:

- Amendments to IAS 1 "Presentation of Financial Statements";
- Amendments to IAS 16 "Tangible assets";
- Amendments to IAS 12 "Deferred tax";
- Amendments to IAS 37 "Provisions, contingent liabilities and contingent assets";
- Amendments to IFRS 3 "Business Combinations";
- Onerous contracts - The cost of fulfilling a contract (Amendment of IAS 37);
- Extending the temporary exemption from the application of IFRS 9 (Amendments to IFRS 4);
- Annual improvements to IFRS standards (2018-2020 cycle),

Amendments to IAS 1 "Presentation of Financial Statements" - Classification of liabilities as current or long-term (in force for the annual periods starting January 1, 2023, with earlier application being allowed).

The changes in classification of liabilities as current or non-current (Amendments to IAS 1) affect only the presentation of liabilities in the statement of financial position – not the amount or timing of recognition of any asset, liability income or expense or the information that companies disclose about those items. The Company's management estimates that the adoption of this amendment on the effective date will not have a significant impact on the financial statements.

Amendments to IAS 12 "Deferred tax – Deferred tax related to assets and liabilities arising from a single transaction (in force for the annual periods starting from January 1, 2023, previous application being allowed).

The main change to deferred tax relating to assets and liabilities arising from a single transaction (amendments to IAS 12) is an exemption from the initial recognition exemption in IAS 12.15(b) and IAS 12.24. Accordingly, the initial recognition exemption does not apply to transactions where equal amounts of deductible and taxable temporary differences arise upon initial recognition. This is also explained in the new paragraph IAS 12.22A.

Amendments to IAS 16 "Tangible fixed assets" - Receipts before intended use (in force for the annual periods starting January 1, 2022, with earlier application being allowed).

This amendment amends the standard to prohibit the deduction from the cost of an item of property, plant and equipment of any proceeds from the sale of items produced during the period in which the asset is brought to the location and in the conditions necessary for it to function in the manner intended by management. Instead, a company recognizes the proceeds from the sale of such items and the cost of producing those items as profit or loss. The Company's management estimates that the adoption of this amendment on the effective date will not have a significant impact on the financial statements.

Amendments to IAS 37 „Provisions, contingent liabilities and contingent assets" – Onerous contracts – The cost of fulfilling a contract (in force for the annual periods starting January 1, 2022, with earlier applications being allowed).

Amendments to Onerous Contracts — The cost of performing a contract (Amendments to IAS 37) specify that the "cost of performing" a contract includes "costs that relate directly to the contract". Costs that relate directly to a contract can be either incremental costs of fulfilling that contract (examples would be direct labor, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of depreciation of an item of tangible assets used to fulfill the contract). The Company's management estimates that the adoption of this amendment on the effective date will not have a significant impact on the financial statements.

Amendments to IFRS 3 "Business combinations"– Reference to the Conceptual Framework with amendments to IFRS 3 (in force for the annual periods starting on January 1, 2022, previous application being allowed only if the Company previously applies all other references).

Changes regarding the reference to the Conceptual Framework (amendments to IFRS 3):

- Updated IFRS 3 to refer to the 2018 Conceptual Framework instead of the 1989 Framework;
- Added to IFRS 3 a requirement that, for transactions and other events within the scope of IAS 37 or IFRIC 21, an acquirer applies IAS 37 or IFRIC 21 (rather than the Conceptual Framework) to identify liabilities and assume them in a business combination;
- and added to IFRS 3 an explicit statement that an acquirer does not recognize contingent assets acquired in a business combination.

The Company's management estimates that the adoption of this amendment on the effective date will not have a significant impact on the financial statements.

3.2. Changes in Accounting Policies and Disclosures

Presentation of cash flows in the Statement of Cash Flows

Following the identification of presentation errors in the Cash Flow Statement as of December 31, 2020, the Company made the following changes in the presentation of the financial data related to the previous financial year:

	31-Dec-20	Adjustment	31-Dec-20 restated
Cash flows from operating activity	(9,681,621)	(7,544,809)	(17,226,430)
Cash flows from investing activity	(10,139,492)	10,006,984	(132,508)
Cash flows from financing activity	30,722,736	(2,462,175)	28,260,562
Net increase in cash and cash equivalents	10,901,625	-	10,901,625

The detail regarding the changes made to the elements of the Statement of Cash Flows for the year 2021 is presented below:

1. The position "Cash flows from operating activity" underwent the following changes:

	Note	31-Dec-20	Adjustment	31-Dec-20 restated
Interest expense	(a)	10,027,046	(1,228,688)	8,798,358
(Gain)/loss from currency exchange rate fluctuations	(b)	-	1,102,473	1,102,473
Other adjustments		(22,943,210)	-	(22,943,210)
Operating profit before the change in operating assets and liabilities	(a), (b)	**(12,916,164)**	**(126,215)**	**(13,042,380)**
Change in operating assets and liabilities				
(Increase)/Decrease in operating assets	(b)	(20,099,004)	(6,019,735)	(26,118,739)
Increase/(Decrease) in operating liabilities	(b)	(821,734)	33,530	(788,204)
Interest received	(d)	32,667,462	(2,616,743)	30,050,720
Interest paid	(s)	(8,512,180)	1,184,354	(7,327,827)
Cash flows from operating activity		**(9,681,621)**	**(7,544,809)**	**(17,226,430)**

(a) The amount of 1,228,688 lei was mistakenly included in the interest paid.

(b) In the previous year, the net result from exchange rate differences in the amount of 1,102,473 lei was not recorded in the adjustments of the net profit before taxation related to non-monetary elements.

(c) As a result of the reclassifications carried out in the other positions in the Cash Flow Statement (detailed in points 1, 2 and 3), the variation in operating assets decreased by 6,019,735 lei, and that of operating liabilities increased by 33,530 lei.

(d) The amount of 2,616,743 lei was erroneously recorded in the interest collected in the previous year.

(e) The amount of 1,184,354 lei was erroneously included in the interest paid in the previous year.

2. The position "Cash flows from investment activity" underwent the following changes:

	Note	31-Dec-20	Adjustment	31-Dec-20 restated
Purchase of tangible and intangible assets	(a)	(1,446,891)	1,314,384	(132,508)
Loans to related parties	(b)	(21,853,000)	21,853,000	-
Loans returned by related parties	(b)	13,160,400	(13,160,400)	-
Cash flows from investing activity		**(1,446,891)**	**1,314,384**	**(132,508)**

(a) The amount of 1,314,384 lei was included in the related payments for the acquisition of tangible and intangible assets, which represents the amount of the debt related to the rights to use assets recognized during 2020.

(b) Loans granted to related parties in the amount of 21,537,110 lei and loans returned by related parties in the amount of 13,108,724 were presented as part of cash flows from investment activity, including exchange rate differences recorded during 2020 in the amount of 315,890 lei and (51,676) lei respectively. These loans are part of the Company's operating activity and for this reason the related cash flows have been reclassified as operating cash flows.

3. The position "Cash flows from financing activity" underwent the following changes:

	Note	31-Dec-20	Adjustment	31-Dec-20 restated
Proceeds from borrowings	(a)	143,100,449	(71,397,466)	71,702,982
Repayments for borrowings	(a)	(112,377,712)	69,437,122	(42,940,591)
Repayment of lease liabilities for right-of-use assets	(b)	-	(501,830)	(501,830)
Cash flows from financing activity		**30,722,736**	**(2,462,175)**	**28,260,562**

(a) In loan collections and loan repayments, internal movements generated by the assignment of receivables were included in the total amount of 67,526,923 lei.

Exchange rate differences recorded during 2020 were included in loan receipts in the amount of 1,481,762 lei, and in loan repayments in the amount of 273,449 lei.

Also, loan collections included the amount of 2,388,781, which represents the leasing debt recognized during the year (1,314,384 lei), the short-term leasing debt recognized during the year (1,134,920 lei) and exchange rate differences in currency ((60,523) lei), and in loan repayments was included the amount of 501,830 lei representing installments for assets representing the right of use and 1,134,920 lei, representing the short-term leasing debt recognized during the year.

(b) The position "Cash flows from the financing activity" was updated with the value of installments paid during 2020 for assets representing the right of use in a total amount of 501,830 lei.

3.3. Affiliated Entities

An entity is affiliated with another when one of them, through ownership documents, contractual rights, family relationships, has the possibility to control the other entity or significantly influence it in making financial or operational decisions.
According to the definition of IAS 24 "Presentation of affiliated entities", the Company has identified the following affiliated entities both in the current period and in previous periods: the entities of the Eleving Group, the members of the Board of Directors, the management of the Company as well as the close members of their families. The composition and related party transactions are presented in Note 25.

3.4. Foreign currency conversion

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

The exchange rates for the most important currencies were:

	December 31, 2021	December 31, 2020
EUR	4.9481	4.8694
USD	4.3707	3,966

3.5. Registration of interest income and expenses

Interest income and expenses are recorded in the profit and loss account for all instruments valued at amortized cost using the effective interest method.

Interest income includes income from leasing activity, as well as interest related to secured loan contracts and is recognized in the profit and loss account over the term of the contract, reflecting a constant periodic return on the remaining net investment in the lease and loan, calculated using the rate method of effective interest. Revenues from finance leases and secured loan agreements include the amortization of grant fees capitalized at the commencement date of the lease agreement and the loan agreement, as well as income from management fees.

Interest expenses presented in the profit and loss account are related to financial liabilities measured at amortized cost.

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

When determining the effective interest rate for financial instruments, the Company estimates future cash flows taking into account the contractual terms of the financial instruments. The calculation of the effective interest rate includes transaction costs, commissions paid or received that are integral parts of the effective interest rate. Transaction costs include incremental costs directly attributable to the acquisition or issuance of a financial asset or financial liability.

3.6. Income and expenses from fees and commissions

Fee and commission income includes net income from commissions related to early repayments, income collected for re-invoiced services and collected penalties.

Expenses with fees and commissions mainly include the cost of re-invoiced services and other expenses related to the lending activity.

3.7. Net income from trading

Net trading income is the net foreign exchange gain/(loss) resulting from the end-of-period translation of foreign currency assets and liabilities, as well as the net foreign exchange gain/(loss) resulting from transactions.

3.8. Other operating income

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

3.9. Financial assets

a) Financial assets - initial recognition

Date of recognition

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

Initial assessment

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

b) Classification of financial assets

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

- is held within a business model whose objective is achieved by holding assets and collecting contractual cash flows and
- its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest ("SPPI").

Reclassification of financial assets

The company does not reclassify financial assets after initial recognition.
Financial liabilities are never reclassified, the Company did not reclassify any of its financial assets or liabilities in 2020 or 2021.

c) Derecognition of financial assets and leasing receivables

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

Derecognition due to material modification of terms and conditions

The Company derecognizes a loan to a customer or a receivable from a finance lease when the terms and conditions have been renegotiated to the extent that they become, in substance, a new loan or lease, the difference being recognized as a gain or loss from derecognition, unless an impairment loss has already been recorded. Newly recognized loans are classified in Stage 1 for the purpose of ECL assessment, unless the new financial asset is considered to be originated or impaired.

When evaluating a financial asset to determine whether it will be recognized or not, among others, the Company takes into account the following qualitative factors:

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

Moreover, in the case of loans and advances to customers and finance lease receivables, the Company specifically considers the purpose of the changes. It is assessed whether the change was introduced for commercial (business) reasons or with a view to credit restructuring. Management has conducted an analysis of the changes made for business reasons and has assessed that those changes result in substantial changes to the terms and conditions. This is in line with the objective of this amendment, namely to create a new asset with substantially different terms. If the number of DPD (days past maturity) of the contract immediately before the change is less than 5 and the characteristics of the financial asset are substantially changed.
Other changes to the terms of the agreement are treated as non-recognition changes (see the section on Changes below).

Derecognition for reasons other than substantial changes

A financial asset or a receivable from a financial lease is derecognized when the rights to receive the cash flows related to the financial asset have expired. Also, the Company derecognizes the financial asset if the contractual rights to receive cash flows from the financial asset have been transferred/assigned.

d) Changes

Sometimes, the Company rather intervenes with changes to the initial terms of the loans/leasing contracts, in response to the financial difficulties encountered by the borrower, but does not take possession of the collateral and does not enforce their collection. The Company considers a lease/loan restructured when these changes are provided as a result of the borrower's current or expected financial difficulties, and the Company would not have agreed to them if the borrower's financial situation had been sound. Indicators of financial distress include default or an increasing number of days past due before changes. Such changes may involve extending payment terms and agreeing to new loan terms.

If the change does not result in materially different cash flows, as shown above, the asset will not be derecognized. Based on the change in discounted cash flows at the original effective interest rate (EIR). The Company records a gain or loss in interest income/expense calculated using the effective interest method.

3.10. Financial debts

a) Initial recognition and assessment

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

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

b) Subsequent evaluation

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

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

A financial liability is classified at FVTPL if it is held for trading, is a derivative or is designated as such on initial recognition. Net gains or losses, including any interest expense, on debt held at FVTPL are recognized in the income statement.
The company has not designated any financial debt valued at fair value through profit or loss.

- Financial liabilities at amortized cost (Credits and loans)

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in the statement of comprehensive income when liabilities are derecognized, as well as through the amortization of effective interest.
Amortized cost is calculated taking into account any purchase discount or premium and fees or costs that form an integral part of the effective interest. Effective interest amortization is included in financial costs in the statement of comprehensive income.

c) Modification of financial debts

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

d) Addressing insignificant changes

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

e) Derecognition

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

3.11. Clearing of financial instruments

Financial assets and liabilities are offset, and the net result is presented in the financial statements when there is a legal right to offset and if there is an intention to settle them on a net basis or if it is intended to realize the asset and settle the debt simultaneously.

3.12. Depreciation of financial assets and net investment in financial leasing

The Company recognizes adjustments for expected credit losses ("ECL") related to the following financial instruments that are not valued at FVTPL:

- Receivables related to financial leasing;
- Loans and advances to customers;
- Trade receivables;
- Financing Commitments.

The basic assets of the Company - receivables related to financial leasing, respectively loans and advances granted to customers are classified for the collective calculation of ECL according to the number of days of delay for each of them and the presence of the related guarantee (for pledged products). For the purpose of determining the depreciation rates, finance lease receivables and secured loans are combined due to the similar nature of the products.

The company constantly monitors all assets subject to impairment (ECL). To determine whether an instrument or portfolio of instruments is subject to 12-month ECLs or the lifetime of the financial instrument ("LTECL"). The company assesses whether there has been a significant increase in credit risk since initial recognition.
Under this approach, the Company determines whether the financial asset is in one of the following three stages to determine both the amount of ECL it recognizes and how interest income should be recognized.

Stage 1: When loans/leases are first recognized, the Company recognizes a provision based on the 12-month ECL. The Company considers leases and loan agreements that are current or up to 30 days past due as being in Stage 1.
A 2-month recovery period applies before an exposure, previously classified as Stage 2, can be transferred to Stage 1 and such exposure must meet the general DPD criteria mentioned above. The concept of the recovery period does not apply to unsecured loans (respectively those with unavailable collateral - lost or sold; "unsecured"), Exposures are no longer classified in Stage 1, if they no longer meet the above criteria.

Stage 2:
The company measures the ECL for a financial asset, net investment in financial leasing to a value equal to the expected credit losses over the entire lifetime if the credit risk of that financial asset, respectively net investment in financial leasing has increased significantly compared to the time of initial recognition. If at the reporting date, the credit risk has not registered significant increases compared to the initial recognition, the Company measures the credit losses for a financial instrument, respectively net investment in financial leasing/secured loans at a value equal to the expected credit losses on a period of 12 months from the reporting date. Consequently, when a loan/lease contract has shown a significant increase in credit risk since initial recognition, the Company records a provision over the entire contractual period of the instrument („LTECL").

Stage 3:
Leases and loans are considered impaired as a result of credit risk.
Every time reporting, the Company evaluates whether the financial assets recorded at amortized cost and receivables from financial leasing are impaired. A financial asset, respectively the net investment in financial leasing, is depreciated when one or more events have occurred that have a negative impact on the estimated future cash flows of the financial asset, respectively the net investment in financial leasing.
Proof that a financial asset, respectivelynet investment in financial leasing is depreciated includes the following observable data:

- significant financial difficulty of the debtor;
- a breach of contractual terms, such as an event of default or delay; all contracts with DPD greater than 60 days are classified as impaired;
- the restructuring of a contract through the acceptance by the Company of some clauses that it would not have considered under other conditions;
- it becomes probable that the debtor will enter bankruptcy or other financial reorganization;
- the disappearance of an active market for that financial asset due to financial difficulties;
- the purchase or issuance of a financial asset at a significant discount that reflects the credit losses incurred.

A finance lease that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be impaired unless there is evidence that the risk of not collecting the contractual cash flows has reduced significantly and there are no other indicators of impairment.

Disclosure of adjustments for expected credit losses in the statement of financial position
The adjustments for ECL are presented in the statement of financial position as follows:

- for financial assets, respectively the net investment in financial leasing valued at amortized cost: as a deduction from the gross book value of the assets, respectively the net investment in financial leasing,
- for loan commitments and financial guarantee contracts: generally as a provision.

3.13. Provisions for financial guarantees

If a contract meets the definition of a financial guarantee contract, the Company, as the issuer, applies the specific accounting and valuation requirements set out in IFRS 9. These IFRS 9 valuation requirements are applied to all guarantee contracts, including guarantees issued between entities under common control, as well as guarantees issued by a subsidiary on behalf of a parent entity. If a unit of the parent Company issues a guarantee on behalf of an entity under common control, a provision for this is recognized in the financial statements. If the transaction is conducted by the Company's shareholders in their capacity as owners, the Company treats such transactions as an increase in provisions for financial guarantees and a corresponding decrease in equity (distribution).

Financial guarantees are initially recognized at fair value. Thereafter, unless the financial guarantee contract is initially designated as at fair value through comprehensive income, the Company's liability under each guarantee is measured at the higher of the initial amount recognized less accumulated amortization recognized in the statement of comprehensive income and provisions for expected credit loss determined in accordance with IFRS 9. Amortization is recognized in the statement of comprehensive income on a straight-line basis over the warranty period and is classified on the "Other operating income" line.

Financial guarantees are derecognized if the terms of the guarantee are significantly changed. Changes to the warranty limit are treated as disclaimers. In this case, the original guarantee is derecognized and a new guarantee is recognized at fair value. The change in fair value is recognized as a decrease or increase in provisions for financial guarantees and an equal decrease or increase in "Other reserves". Other reserves are transferred to the earnings obtained on the redemption of the bonds under the financial guarantee.

3.14. Intangible assets

Recognition and evaluation

Intangible assets are computer software and development costs that are recognized at cost less accumulated amortization and provisions for impairment.

Amortization

Intangible assets are depreciated on a straight-line basis over the period of operation/use of the respective asset. All intangible assets are classified in the following depreciation groups:

- Licenses – during the validity period of the license;
- Computer programs (software) – 7 years;
- Other intangible assets – 5 years.

3.15. Tangible assets

Recognition and evaluation

Buildings, office equipment and other equipment as well as vehicles are carried at cost less accumulated depreciation and provision for impairment. Repair 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 scrapped.

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

Amortization

Land and fixed assets under construction are not subject to depreciation. Depreciation is calculated using the straight-line method over the estimated useful life of each item in the property, plant and equipment category and is recognized in the income statement. Assets acquired under leasing are depreciated over the shorter of the lease term and useful life.

Useful life (years)

Computers – 3 years
Furniture – 5 years
Means of transport – 7 years
Improvements to leased assets – During the term of the lease
Other equipment – 2 years

3.16. Impairment of non-financial assets

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

The recoverable amount is the maximum between the fair value of the asset less its costs to sell and its value in use. For the calculation of this loss, assets are grouped to the lowest level of detail for which independent cash flows (cash-generating units) can be identified. Impaired non-financial assets, other than goodwill, are reviewed for a possible reversal of the impairment at the reporting date.

Impairment losses recognized in prior periods are evaluated at each reporting date to see if there is any indication that the loss has decreased or no longer exists. The impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. The impairment loss is reversed only to the extent that the carrying amount of the asset does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized.

3.17. Available-for-sale assets

Long-term assets that are expected to be capitalized by sale and not by their continued use, are classified in the category "assets available for sale". These assets are those goods leased by the Company and which are recovered from customers in case of termination of leasing contracts. These assets are recognized as assets of the Company at the lower of net book value and fair value less cost to sell.

3.18. Trade receivables and other receivables

Trade receivables and other receivables are presented at cost less impairment losses, determined in accordance with the same expected credit loss (“ECL”) methodology for lease receivables and loan contracts.

3.19. Leasing

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

The company as lessor

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

The recognition of a leasing contract is done on the date of its commencement. The commencement date is the date on which the lessee has the right to exercise the right to use the asset.
In the case of finance leasing, the gross investment is the sum of all minimum lease payments plus any unguaranteed residual value. The difference between the gross investment in the lease and the net acquisition cost of the leased asset (the financed value less taxes, advances and commissions collected in full at the signing of the contract) is recognized as unrealized leasing income.
Income from finance leases is allocated over accounting periods to reflect a constant periodic return on the remaining net investment caused by the concluded leasing contracts.

The net investment in the finance lease falls within the scope of IFRS 9 for the purpose of impairment and derecognition; in this sense consult accounting policies 3.9 Financial assets and 3.12, Depreciation of financial assets and net investment in financial leasing.

The company as lessee

The Company recognizes the right of use of an asset and a lease liability on the lease inception date. The right-of-use asset is initially measured at cost, which comprises the initial value of the lease liability adjusted by any lease payments made on or before the commencement date, plus any initial direct costs incurred and an estimate of dismantling costs less any improvements made to branches or office premises.

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

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

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

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

The lease liability is measured at amortized cost using the effective interest method. This is remeasured when there is a change in future lease payments resulting from a change in an index or rate, when there is a change in the Company's estimate of the amount expected to be owed, when The Company changes its assessment in the sense that it will exercise an option to purchase, extend or terminate or if there is a material review of the lease payments.

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

The company presents the right of use of assets in "Tangible fixed assets" and "Liabilities regarding the right of use of assets" in the statement of financial position.

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

3.20. Cash and cash equivalents

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

3.21. Provisions

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

Where there are a number of similar obligations, the likelihood that an outflow of resources will be required for settlement is determined by considering the entire category of obligations.

Provisions are valued at the discounted value of the estimated expenses required to settle the respective obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

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

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

3.23. Profit tax

(a) Current profit tax

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

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

(b) Deferred income tax

Deferred profit tax is determined using the balance sheet method for those temporary differences that appear between the tax base for calculating the tax for assets and liabilities and the accounting value determined for the purpose of financial reporting. Deferred income tax is determined using tax rates (and legislation) in force or that have been substantially implemented by the reporting date and that are estimated to be applied when the recoverable deferred income tax asset is realized or the deferred tax liability is settled.

The deferred tax asset is reviewed at the end of each financial year and is reduced to the extent that the related tax benefit is unlikely to be realized. The profit tax rate used to calculate current and deferred tax is 16% on December 31, 2021 (December 31, 2020: 16%),

The main temporary differences result from the difference in accounting vs. fiscal treatment related to the depreciation calculation as well as from the difference in specific treatment of the provisions set up for the depreciation of leasing receivables and loan contracts.

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

Deferred tax assets and liabilities are offset if certain criteria are met.

3.24. Loans

Loans are initially recorded at their fair value net of transaction costs. Loans are subsequently recorded at amortized cost, any difference between the initially recorded amount and the redemption value is recognized in the profit and loss account over the term of the loan contract based on the effective interest method.

3.25. Share capital and reserves

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

The subscribed and paid-in capital (registered capital) is recorded separately in the accounting on the basis of the company's articles of incorporation and on the basis of supporting documents regarding the paid-in capital.

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

In accordance with the tax legislation, when there is a change in the destination of the legal reserve or the reserves representing tax facilities, the profit tax, interests and penalties will be calculated starting from the moment when the tax benefits were granted to the Company.

3.26. Commitments, assetsand contingent liabilities

Off-balance sheet operations include commitments given and received representing rights and obligations whose effects are conditional on the completion of future transactions, as well as assets and transactions that cannot yet be recognized as assets or liabilities.
Off-balance sheet operations may include the following:

- Financing commitments;
- Spot exchange operations;
- Derivative financial instruments that are not yet due;
- Guarantees received from customers for loans granted.

Contingent assets

A contingent asset is a potential asset that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events that cannot be fully controlled by the Company.
Contingent assets are not recognized in the statement of financial position, but are presented in the notes to the financial statements if it is probable that future economic benefits will accrue to the Company.

If the realization of an income is virtually certain, the contingent asset is an asset and will be recognized on the balance sheet. Contingent assets are reviewed at each balance sheet date to determine whether there has been a change in circumstances that would require the recognition of an asset and related income. If the flow of economic benefits becomes certain, then the asset and related income will be recognized in the financial statements for the period in which the change occurred.

Contingent liabilities

A contingent liability is:

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

Contingent liabilities are continuously evaluated to determine whether an outflow of resources embodying economic benefits becomes probable. If it is probable that an outflow of resources embodying economic benefits for a previously recognized contingent liability will occur, a provision will be recognized in the financial statements of the period in which the change occurred, unless a reliable estimate can be made, in which case a contingent liability will be presented.

4. RISK MANAGEMENT

4.1. General description of the risk management framework

Within the Company, risk management is a systematic, continuous and rigorous process, that includes the processes of identification, analysis, planning, control and resolution of risks, with the objective of carrying out the activity in conditions of efficiency and minimizing any negative effects that could affect the activity Company.
The main risks associated with the Company's activity are of a financial and operational nature, resulting from the performance of financing activities in the microcredit system on the territory of Romania.
The significant risks monitored within the Company are: credit risk, liquidity risk, market risk and operational risk. Market risk includes currency risk and interest rate risk.

4.2. Credit risk

Credit risk is the risk that the Company will experience a financial loss if a client or partner in a transaction with financial instruments fails to fulfill its contractual obligations.
In accordance with the provisions of internal lending regulations, the Company concludes leasing contracts, respectively loan contracts with individuals, so that the portfolio does not have significant exposures and is subject to collective analysis. For collective analysis, financial assets are grouped into groups (portfolios) that have similar credit risk characteristics – the purpose of the grouping being to meet the objective of recognizing Impairment throughout their lifetime when there are significant increases in credit risk .

For the purpose of evaluating the expected loss, the Company groups the portfolios into risk classes (stage 1, stage 2, stage 3) – each class having a specific way of calculating the adjustment. For the purpose of the collective evaluation of the impairment of credit exposures, the principles of calculation of the impairment adjustment highlighted in the specific internal regulations are applied and the expected losses related to the credit are measured according to the stage distribution of the credit exposures.

4.2.1. Qualitative analysis of credit risk

Maximum exposure to credit risk

The table below shows the Company's maximum exposure to credit risk as of December 31, 2021 and December 31, 2020, without taking into account the collateral held. For balance sheet assets, exposures are presented at net book value.

	December 31, 2021	December 31, 2020
Cash and cash equivalents	3,730,508	11,266,591
Finance lease receivables	35,615,279	63,247,940
Loans and advances to customers	82,226,781	18,058,415
Loans to related parties	26,279,224	14,575,690
Other assets (trade receivables)	1,178,873	266,066
Total	**149,030,665**	**107,414,701**

The table below shows the net exposure regarding the financial guarantees issued by the Company for the bonds issued by Eleving Group SA and the related provision for the situation as of December 31, 2021 and December 31, 2020.

	December 31, 2021	December 31, 2020
Financial guarantees - net exposure	3,956,223	7,725,187
Provisions for financial guarantees	(2,707,833)	(2,105,612)

The following tables present information on the quality of financial assets valued at amortized cost and the net investment in financial leasing from the perspective of credit risk. Except where otherwise specified, for all financial asset positions mentioned, the exposures in the tables below are presented at their net book value.

The classification categories for credit risk analysis are as follows:

- Non past due
- Remaining up to 30 days
- Arrears from 31 to 60 days

- Outstanding over 60 days

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

The company has cash and cash equivalents as of December 31, 2021, the analysis of counterparties according to the ratings given by Fitch and Dun & Bradstreet is presented in the table below:

	December 31, 2021	December 31, 2020
BBB+ Fitch Rating	-	69,785
BB-Fitch Rating	611,739	308,779
5A1 D&B Rating	3,118,769	10,888,027
Total	**3,730,508**	**11,266,591**

The stage classification of cash and cash equivalents and the corresponding ECL at the end of the management period is as follows:

	December 31, 2021			
Cash and cash equivalents	**Stage 1**	**Stage 2**	**Stage 3**	**TOTAL**
Current accounts at banks and other Financial institutions in foreign currency	3,113,099	-	-	3,113,099
Current bank accounts in RON	617,499	-	-	617,499
Impairment	-	-	-	-
Net value	**3,730,508**	-	-	**3,730,508**

	December 31, 2020			
Cash and cash equivalents	**Stage 1**	**Stage 2**	**Stage 3**	**TOTAL**
Current accounts at banks and other Financial institutions in foreign currency	10,887,759	-	-	10,887,759
Current bank accounts in RON	378,832	-	-	378,832
Impairment	-	-	-	-
Net value	**11,266,591**	-	-	**11,266,591**

The following tables present information on the situation of delays related to lease receivables at amortized cost divided by the 3 stages:

	December 31, 2021			
Receivables from financial leasing contracts	**Stage 1**	**Stage 2**	**Stage 3**	**TOTAL**
Non past due	21,588,695	1,999,931	-	23,588,626
Remaining 1-30 days	5,273,722	4,425,590	17,773	9,717,085
Remaining 31-60 days	-	-	1,995,791	1,995,791
Outstanding >60 days	-	-	9,843,846	9,843,846
Impairment	(798,679)	(1,030,086)	(7,701,304)	(9,530,069)
Net value	**26,063,738**	**5,395,435**	**4,156,106**	**35,615,279**

	December 31, 2020			
Receivables from financial leasing contracts	**Stage 1**	**Stage 2**	**Stage 3**	**TOTAL**
Non past due	39,100,391	2,887,629	758	41,988,778
Remaining 1-30 days	8,198,994	7,689,813	77,387	15,966,194
Remaining 31-60 days	175,213	-	2,950,880	3,126,093
Outstanding >60 days	588,245	-	18,662,858	19,251,103
Impairment	(1,570,976)	(1,620,466)	(13,892,786)	(17,084,228)
Net value	**46,491,867**	**8,956,976**	**7,799,097**	**63,247,940**

	December 31, 2021			
Receivables from loans and advances to customers	**Stage 1**	**Stage 2**	**Stage 3**	**TOTAL**

Non past due	68,744,390	2,235,467	-	70,979,857
Remaining 1-30 days	5,419,541	4,881,244	-	10,300,785
Remaining 31-60 days	-	-	1,961,070	1,961,070
Outstanding >60 days	-	-	6,615,663	6,615,663
Impairment	(1,699,367)	(1,139,104)	(4,792,123)	(7,630,594)
Net value	**72,464,564**	**5,977,607**	**3,784,610**	**82,226,781**

	December 31, 2020			
Receivables from loans and advances to customers	**Stage 1**	**Stage 2**	**Stage 3**	**TOTAL**
Non past due	16,487,226	77,408	53	16,564,687
Remaining 1-30 days	1,577,331	255,237	27,223	1,859,791
Remaining 31-60 days	-	-	130,087	130,087
Outstanding >60 days	-	-	327,967	327,967
Impairment	(495,472)	(51,603)	(277,042)	(824,117)
Net value	**17,569,085**	**281,042**	**208,288**	**18,058,415**

4.2.2. Guarantees related to lease receivables and loan receivables

The quality of finance lease receivables and loan receivables is determined by analyzing the overall creditworthiness of the customer and the financed assets, which represent intrinsic guarantees. The Company holds guarantees related to lease receivables at amortized cost in the form of financed assets, which are objects of the leasing contracts, over which the Company holds ownership rights until the end of the leasing contract. For receivables from loans granted to customers, the Company holds guarantees in the form of a pledge without dispossession representing the financed assets.

The guarantees related to leasing receivables and loan receivables as of December 31, 2021 are presented in the table below:

	Lease receivables	Loan receivables
Net exposure	**35,615,279**	**82,226,781**
Stage 1	26,480,414	73,341,353
Stage 2	6,447,413	7,103,778
Stage 3	3,378,629	4,503,557
Total guarantees	**36,306,457**	**84,948,688**

The guarantees related to leasing receivables and loan receivables as of December 31, 2020 are presented in the table below:

	Lease receivables	Loan receivables
Net exposure	**63,247,940**	**18,058,415**
Stage 1	63,238,075	22,530,564
Stage 2	12,811,911	362,390
Stage 3	6,842,884	238,895
Total guarantees	**82,892,869**	**23,131,849**

Assets obtained by taking possession of collateral

Details regarding the assets obtained by the Company by taking possession of the guarantees related to leasing receivables and held at the end of the year are presented in Note 19.

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

4.2.3. Amounts resulting from Impairment

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

Significant increase in credit risk

When determining whether the default risk of a financial instrument has increased significantly since initial recognition, the Company considers reasonable and justifiable information that is relevant and available without undue cost or effort. These include quantitative and qualitative information and analysis, based on the Company's historical experience and the assessment of credit risk experts using a forward-looking manner of analyzing available information.

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

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

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

Incorporation of future macroeconomic information ("forward-looking" elements)

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

The economic scenarios used on December 31, 2021, included the following key indicators for the years 2021 to 2022. The figures below show the result of combining the macroeconomic scenarios (baseline and pessimistic) into a single expected value.

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

The economic scenarios used on 31 December 2020 included the following key indicators for the years 2020 to 2022:

Road sign	2020	2021	2022
Unemployment rate	8.3%	6.9%	4.2%
Inflation rate	2.5%	3.1%	2.8%
GDP index	-8.5%	8.8%	3.8%

Before January 2020, the Hierarchical Bayes model was applied, but given the unprecedented impact of Covid-19 on the world economy and the uncertainties created in all markets, the approach was modified to a linear relationship between changes in input variables and changes in PD, so that the model applied starting January 2020 uses expected changes in macroeconomic indicators from year to year and assumes the same or similar change as stage 1 PD. All input variables are weighted according to their significance to the default rates of the Company's customers and are summed to produce the base scenario result.
The weights assigned to each macroeconomic variable in building the base scenario, for 2021 and each relevant forecast year, are the following:

Road sign	2021	2022
Unemployment rate	60%	47.5%
Inflation rate	10%	47.5%
GDP index	30%	5%

The weights assigned to each macroeconomic variable in building the base scenario, for 2020 and each relevant forecast year, are the following:

Road sign	2020	2021
Unemployment rate	80%	33.4%
Inflation rate	10%	33.4%
GDP index	10%	33.6%

ECL measurement

The main relevant parameters for ECL measurement are the following:

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

The ECL for Stage 1 exposures is calculated by multiplying the 12-month PD by the LGD and EAD. The lifetime ECL is calculated by multiplying the lifetime PD of the loan/lease agreement by the LGD and EAD.

Probability of Default (PD)

PD (probability of default) is an estimate of the probability of default within 12 months or lifetime (the time horizon depends on the type of

ECL – 12mECL or LTECL). The default distribution vector (DDV) is the time-to-default estimate, it provides the PD distribution over a 12-month or lifetime period.

The probability of default is an estimate of the possibility of non-payment in a certain period of time, defined as 61 DPD.
To estimate PD, the Company uses the Markov chain methodology, which involves a statistical analysis of historical transitions between delinquent receivables to estimate the probability that the loan/lease receivable 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 The "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) loan/lease maturity days.

The company uses the transition period of 6 months (continuous horizon) and the lifetime estimate is defined as the "n" power of the 6-month matrix. The calculations are applied at the portfolio level (respectively the leasing portfolio and the loan portfolio).

Model of anticipatory macroeconomic indicators for portfolio depreciation assessment
In accordance with IFRS 9, the Company evaluates forward-looking information and incorporates it into the impairment model. Changes in the ECL model are calculated taking into account expected future changes in macroeconomic factors (macro model). Prior to January 2020, the Society used the Hierarchical Bayes model, but given the unprecedented impact of the Covid-19 pandemic on the economy around the world and the uncertainty in all markets, the approach was changed to the linear relationship between changes in input variables and changes in PD .

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

The following variables are used:
1. GDP growth (GDP);
2. Changing the unemployment rate (UR);
3. Change in the inflation rate (IR).

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

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

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

Each scenario also has a specific probability of achievement, which is configurable to account for potential differences in the macroeconomic outlook. The pessimistic scenario is modeled assuming a 15% deterioration from the baseline scenario data. For example, if for the base scenario the RH is 6.5%, then for the pessimistic scenario it would be 7.48% (6.5%*115%). The adjustment coefficients of the variables in the pessimistic scenario were selected based on indicators from external sources, for example, ECB [1], IMF [2].

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

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

The output of the macromodel is then applied to the PD parameters for each monthly close starting in December 2021. The macro outlook is consistently updated once per quarter; thus, the macro model is expected to be updated quarterly in 2022.

The table below shows the ECLs of lease receivables/loans and advances to customers assuming that the pessimistic scenario is weighted at 100% instead of applying separate probability weights for each scenario.

	December 31, 2021		**December 31, 2020**	
	Pessimistic scenario	Weighted average scenario	Pessimistic scenario	Weighted average scenario
Raw exposure	101,026,347	101,026,347	66,127,402	66,127,402
Eccl	2,639,994	2,498,047	2,255,799	2,066,450
Net exposure	**98,386,353**	**98,528,301**	**63,871,602**	**64,060,952**

Loss on Default

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

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

The sample used to calculate LGD consists of all finance lease receivables and credit receivables that have been in historical default. If termination occurs before default is reached, then the loan is considered defaulted (early defaulted) and included in the LGD sample. Subsequent recoveries on such leases/loans are monitored monthly. Followed by recoveries from the regular collection process, car sales, assignments and court processes.

The restructured lease/loan (restored solvency after termination) also affects the LGD rate by incorporating the cash recovered after the renewal of the agreement and comparing it to the default exposure of the subsequently renewed agreements, implying the cure rate. The cure rate from renewals is calculated over a four-year period.

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

Exposure in case of default (EAD)

EAD represents the expected default exposure. Under the Company's procedures, EAD is derived from the counterparty's current exposure and the potential changes in that exposure permitted under the contract and resulting from amortization. The EAD of a financial asset is the gross book value at the time of default.

Default exposure is modeled by adjusting the unpaid balance of lease receivables and loan receivables and advances to customers at the reporting date with future repayments expected in the next 12 months. As of December 31, 2021, it is applied only to Stage 1 exposures. This is based on contractual repayment schedules, adjusted for the observed prepayment rate. Historical prepayment patterns are considered to be a reliable estimate of future prepayment activity.

Receivables from leases and loans with modified terms

The contractual terms of a lease/loan may change for a number of reasons, including changing market conditions, customer retention and other factors unrelated to the actual or potential deterioration of the customer's creditworthiness.

Sometimes the Company rather intervenes with changes to the original terms of the loans/leasing contract in response to the financial difficulties that the borrower is experiencing, but does not take possession or enforce the collection of guarantees. The Company considers a lease/loan restructured when these changes are provided as a result of the borrower's current or expected financial difficulties, and the Company would not have agreed to them if the borrower's financial situation had been sound. Indicators of financial distress include default or DPDs before changes. Such changes may involve extending payment terms and agreeing to new loan terms.

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

The table below shows the balance of leasing and loan receivables for which the contractual terms have been changed:

	December 31, 2021	December 31, 2020
Lease receivables with modified terms	13,778,988	10,506,973
Impairment	(2,780,731)	(1,186,143)
Net balance of lease receivables with modified terms	**10,998,257**	**9,320,830**

4.3. Market risk

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

Interest rate risk

The sensitivity of assets, liabilities and off-balance sheet items to changes in interest rates – analysis of changes in interest rates

Cash flow interest rate risk is the risk that a financial instrument's future cash flows will fluctuate due to changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

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

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

	December 31, 2021	December 31, 2020
Increase in interest rates by 5%	2,329,011	1,739,053
5% reduction in interest rates	(2,329,011)	(1,739,053)

Currency risk

The company is subject to the risk of the effects of exchange rate fluctuations on its financial position and cash flows. The company manages currency risk by continuously analyzing the financing requirements and avoiding excessive conversion transactions. The tables below present the Company's exposure to exchange rate risk as of December 31, 2021 and as of December 31, 2020. The tables include the Company's assets and liabilities at net book values, classified by currency.

On December 31, 2021

Assets	RON	EUR	TOTAL
Cash	617,499	3,113,009	3,730,508
Trade receivables and other receivables	765,853	413,020	1,178,873
Loans to related parties	-	26,279,224	26,279,224
Finance lease receivables	35,615,279	-	35,615,279
Loans and advances granted to clients	82,226,781	-	82,226,781
Total assets	**119,225,412**	**29,805,253**	**149,030,665**

	RON	EUR	TOTAL
Liabilities			
Borrowings	-	116,715,007	116,715,007
Lease liabilities	-	1,698,368	1,698,368
Other liabilities	2,893,857	934,052	3,827,910
TOTAL LIABILITIES	**2,893,857**	**119,347,427**	**122,241,285**
Net balance sheet position	**116,331,554**	**(89,542,173)**	**26,789,380**

On December 31, 2020

Assets	RON	EUR	TOTAL
Cash	378,832	10,887,759	11,266,591
Trade receivables and other receivables	266,066	-	266,066
Loans to related parties	-	14,575,690	14,575,690
Finance lease receivables	63,250,087	-	63,250,087
Loans and advances granted to clients	18,010,810	-	18,010,810
Total assets	**82,146,380**	**25,463,449**	**107,609,829**

<u>**Liabilities**</u>	**RON**	**EUR**	**TOTAL**
Borrowings	-	83,194,012	83,194,012
Lease liabilities	-	1,341,537	1,341,537
TOTAL LIABILITIES	**-**	**84,535,549**	**84,535,549**
Net balance sheet position	**82,146,380**	**(59,072,100)**	**23,074,280**

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

	December 31, 2021	**December 31, 2020**
EUR rate increase by 5%	(4,477,109)	(2,953,605)
EUR rate drop by 5%	4,477,109	2,953,605

4.4. Liquidity risk

Liquidity risk is associated either with the difficulty of an entity to raise the necessary funds to honor its obligations, or with the inability of the same entity to quickly sell a financial asset at a value close to its fair value.

Monitoring and ensuring liquidity is one of the important concerns of the Company's management. The analysis of liquidity indicators is performed monthly by ensuring optimal planning of cash flows, taking into account the due debts.

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

		Contractual cash flows				
on December 31, 2021	**Book value**	**on demand**	**up to 1 year**	**1-5 years**	**more than 5 years**	**Total**
Assets						
Cash and cash equivalents	3,730,508	3,730,508	-	-	-	**3,730,508**
Finance lease receivables	35,615,279	-	26,937,026	33,219,222	-	**60,156,248**
Loans and advances to customers	82,226,781	-	48,430,481	134,969,656	-	**183,400,136**
Loans to related parties	26,279,224	-	99,014	26,180,210	-	**26,279,224**
Trade receivables (other assets)	1,178,873	-	1,178,873	-	-	**1,178,873**
Total assets	**149,030,665**	**3,730,508**	**76,645,394**	**194,369,088**	**-**	**274,744,990**
Liabilities						
Borrowings	116,715,007	-	22,412,693	45,923,005	56,666,051	**125,001,749**
Liabilities for right of use assets	1,698,368	-	621,178	1,257,228		1,878,405
Liabilities to related parties	-	-	-	-	-	**-**
Provisions for financial guarantees	2,707,833	2,707,833	-	-	-	**2,707,833**
Other liabilities	3,827,909	-	3,827,909	-	-	**3,827,909**
TOTAL LIABILITIES	**124,949,117**	**-**	**28,861,780**	**47,180,232**	**56,666,051**	**133,415,897**
Net liquidity	**24,081,548**	**1,022,675**	**49,783,614**	**147,188,856**	**(56,666,051)**	**141,329,094**

Contractual cash flows

on December 31, 2020	Book value	on demand	up to 1 year	1-5 years	more than 5 years	Total
Assets						
Cash and cash equivalents	11,266,591	11,266,591	-	-	-	**11,266,591**
Finance lease receivables	63,247,940	-	18,983,284	44,264,656	-	**63,247,940**
Loans and advances to customers	18,058,415	-	3,180,052	14,878,363	-	**18,058,415**
Loans to related parties	14,575,690	-	-	14,575,690	-	**14,575,690**
Trade receivables (other assets)	266,066	-	266,066	-	-	**266,066**
Total assets	**107,414,702**	**11,266,591**	**22,429,403**	**73,718,708**	**-**	**107,414,702**
Liabilities						
Borrowings	83,194,012	-	-	83,194,012	-	**83,194,012**
Liabilities for right of use assets	1,341,537	-	421,934	968,455	-	**1,390,389**
Liabilities to related parties	-	-	-	-	-	**-**
Provisions for financial guarantees	2,105,612	2,105,612	-	-	-	**2,105,612**
TOTAL LIABILITIES	**86,641,161**	**-**	**421,934**	**84,162,467**	**-**	**86,690,013**
Net liquidity	**20,773,541**	**9,160,979**	**22,007,467**	**(10,443,758)**	**-**	**20,724,689**

4.5. Fair values of financial assets and liabilities

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

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

The table below briefly shows the accounting values and fair values of those financial assets and liabilities that were not presented at fair value in the financial statements of the Company.

	Book value		Fair value		
Assets	**December 31, 2021**	**December 31, 2020**	**December 31, 2021**	**December 31, 2020**	**Fair value hierarchy**
Cash and cash equivalents	3,730,508	11,266,591	3,730,508	11,266,591	2
Finance lease receivables	35,615,279	63,247,940	46,502,041	82,831,099	3
Loans and advances granted to clients	82,226,781	18,058,415	127,657,014	27,520,244	3
Loans to related parties	26,279,224	14,575,690	25,079,838	13,004,591	3
Other assets (trade receivables)	1,178,873	266,066	1,178,873	266,066	3
Total assets at fair value	**149,030,665**	**107,414,702**	**204,148,275**	**134,888,590**	
Liabilities					
Borrowings	116,715,007	83,194,012	116,715,007	83,194,011	3
Liabilities for right of use assets	1,698,368	1,341,537	1,698,368	1,341,537	3
Other liabilities	3,827,909	1,845,409	3,827,909	1,845,409	3
Total liabilities at fair value	**122,241,284**	**86,380,958**	**122,241,284**	**86,380,957**	

All assets and liabilities, for which the fair value is evaluated or presented 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 assessment of 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.

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

Level 3 instruments include Receivables from finance leases, Receivables from loans and advances to customers, Long-term and current loans, trade payables, trade receivables.

(a) Financial leasing receivables, Loans and advances granted to customers
Finance lease receivables as well as loans to customers are presented as values net of Impairment. Their estimated fair value represents the discounted value of future cash flows estimated to be received from active contracts. The expected cash flows are discounted using differentiated tax rates by product type.

(b) Borrowings, Liabilities for right of use assets
The company approximated the fair value of these interest-bearing elements as being equal to their accounting value at the reporting date.

4.6. Tax risk

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

The Romanian government has a number of agencies that are authorized to conduct audits of companies operating in Romania. These audits are similar in nature to tax audits conducted by tax authorities in many other countries and may extend, not only to tax matters, but also to other legal and regulatory matters in which the applicable agency may be interested. The Company may continue to be subject to regular inspections as new laws and regulations are issued. The Company's management believes that the Company will not be affected by significant losses in the event of a tax audit. However, the impact of different interpretations by tax authorities cannot be accurately estimated.

4.7. Operational risks

Operational risk refers to the risk of recording losses or not realizing the estimated profits, which can be determined by internal factors (inadequate performance of internal activities, untrained personnel, inadequate systems, etc.), or by external factors (economic conditions, changes in the environment banking, technological advances, etc.). Operational risk could come from sources such as the following:

- Use of computer systems;
- Implementation of processes and procedures;
- Adequacy of human resources;
- Information security incidents;
- Incidents of fraud;
- Outsourcing services;
- Aspects of non-compliance.

Operational risk management involves the following:

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

Operational risk during the pandemic
In order to mitigate the economic impact of the COVID-19 outbreak and strengthen the Company's liquidity, ensure positive cash balances and ultimately cash accumulation, the Company's management has implemented measures that include:

- Formation of the crisis management team;
- Limiting the granting of new loans during the state of emergency;
- Revising the existing debt collection strategy, by adding additional collection tools;
- Implementing telecommuting for employees, while ensuring the continuity of core processes;
- Reviewing and renegotiating payment terms with suppliers;
- Cost optimization and other activities.

The Company successfully overcame the crisis period caused by the pandemic, had a stable portfolio quality and even an increase in sales thanks to the optimization of operational processes and the implementation of the new loan product with car guarantee.

4.8. Capital management

The National Bank of Romania ("BNR") regulates and monitors the Company's capital requirements.
In order to implement the current capital requirements, the BNR requires the Company to maintain a certain weight of the total risk-bearing assets in relation to the total capital (weight called aggregate exposure), this weight being a maximum of 1500%. The company complies with the capital requirements imposed by the NBR both on December 31, 2021 and on December 31, 2020.

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

The society applies certain estimates and adopts certain assumptions that affect the amounts at which assets and liabilities are recorded during the following financial year. Estimates and judgments are constantly evaluated and are based on past experience and other factors, including expectations related to future events that are considered reasonable under the circumstances. In addition to past experience, the Company also considered the effects of current financial industry conditions and forward-looking information, including macroeconomic factors, in evaluating these estimates and judgments.

Expected losses from the impairment of the net investment in finance leases and loans and advances to customers

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

The methodology and assumptions used to estimate the Impairment are regularly reviewed to reduce the existing gaps between the estimates and the actual values, including to assess the effects of uncertainties in the local financial markets regarding the valuation of the assets and the operating economic environment of the borrowers.

In accordance with the requirements of IFRS 9 *Financial instruments*, asset depreciation is classified into 3 stages:

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

To determine impairments for credit risk, the Company's management considers the incorporation of macroeconomic parameters, exercises its professional judgment and uses estimates and presumptions - see note *4 Risk management, 4.2.3, Amounts resulting from Impairment.*

The legislative framework was regulated in 2020 by the provisions of Emergency Ordinance no. 37/2020 regarding the granting of facilities for loans granted by credit institutions and non-bank financial institutions to certain categories of borrowers as well as by Emergency Ordinance no. 227/2020 for the amendment and completion of the Government Emergency Ordinance no. 37/2020, as well as various communications from the NBR regarding the postponement of the payment of loans to any natural person affected by the COVID-19 pandemic, and their classification from the point of view of credit risk. Also, the non-legislative Moratorium, regarding loans from the non-banking financial market, in the context of the Covid-19 pandemic – adopted at the level of the Association of Financial Companies in Romania (ALB).

In 2020, the Company made every effort to apply the postponement measures allowed by the adoption of the legislative moratorium, which allows customers to request the suspension of the payment of due installments related to loans representing capital installments, interest and commissions, for up to 9 months. Borrowers with ongoing credits, for which the anticipated maturity was not declared and who were not insolvent at the time of the request, benefited from this facility.

In 2021, the moratoriums were extended (OG 227/2020), the government granting the possibility of accessing a payment deferment facility until March 15, 2021, but limiting the total maximum period of the deferral period to 9 months for each loan. There were no other moratoriums in 2021.

Financial guarantees

Fair value determination and initial recognition
The Company elected to determine the fair value of the collateral using the valuation of expected loss approach. The fair value of the collateral is calculated as a product of exposure at default (EAD), probability of default (PD) and loss given default (LGD), EAD is determined based on the contractual amount guaranteed in the collateral agreement and taking into account the Company's proportional share of the estimated guaranteed amount taking into account the total assets of the guarantors (the Company and other subsidiaries of Eleving Group SA) at the end of the reporting period included in the respective guarantee contract.

The guarantee is issued to ensure the issuance of bonds by the affiliated part of the Company – Eleving Group SA The Company would suffer losses in the event that Eleving Group SA does not fulfill its obligations towards the bondholders. Accordingly, the PD of Eleving Group SA is determined based on the credit rating of Eleving Group SA, determined by the rating agency Fitch Ratings and the historical statistical data of average default values for companies with the respective credit rating.

Determination of expected credit loss for further assessment
For the purpose of estimating the fair value, the Company uses the latest credit rating of Eleving Group SA, as determined by the rating agency Fitch Ratings. Since initial recognition, the Company has assessed that the credit risk of the Parent Company has not increased and therefore the collateral liability is considered a Stage 1 exposure.

6. NET INTEREST INCOME

	2021	2020
Interest income and similar income		
Interest income from finance lease receivable	22,414,044	31,496,570
Interest income from loans and advances to customers	20,935,499	1,410,197
Interest income from loans to related parties	3,230,672	1,874,301
	46,580,215	**34,781,068**
Interest expense and similar expenses		
Interest expense for borrowings from unrelated parties	6,351,270	5,022,796
Interest expenses for lease liabilities	54,987	47,226
Interest expenses for bank liabilities and related parties	5,394,961	3,728,336
	11,801,218	**8,798,358**
Net interest income	**34,778,997**	**25,982,710**

7. NET FEE AND COMMISSIONS INCOME

	2021	2020
Early repayment fee income	176,987	110,420
Income from penalties received	289,663	214,456
Revenues related to re-invoiced services	113,517	8,856
Expenses related to rebilled services	(500,942)	(1,038,635)
Net fee and commissions income	**79,225**	**(704,903)**

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

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

	2021	2020
Carrying amount of the assigne assets	(1,587,139)	-
Incomefrom the assignment of financial assets	2,075,161	-
Total	**488,022**	**-**

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

9. OTHER OPERATING INCOME

	2021	2020
Income related to the depreciation of the financial guarantee	1,233,273	1,569,816
Other income	49,505	19,323
Other operating income	**1,282,778**	**1,589,139**

10. EXPECTED CREDIT LOSSES

	2021	2020
Change in impairment in finance lease (note 10)	(1,195,016)	(8,065,057)
Change in impairment in loans and advances to customers (note 4.2.3)	(6,920,493)	(723,019)
Change in depreciation of other receivables	84,547	(165,628)
Net income/(expenses) from the impairment of assets available for sale (note 17)	-	151,741
Written off debts	(563,646)	(70,266)
Total expected credit losses expense	**(8,594,608)**	**(8,872,229)**

11. PERSONNEL EXPENSES

	2021	2020
Employees' salaries	(5,923,486)	(5,162,527)
Social security contributions	(170,945)	(143,835)
	(6,094,431)	**(5,306,362)**

12. OTHER OPERATING EXPENSES

	2021	2020
Penalties paid	(120,192)	(13,616)
Management fee	(5,763,747)	(3,888,505)
Accrued unused vacationExpenses with provisions for unused vacations	(47,459)	(99,391)
Recruitment and other personnel expenses	(86,680)	(73,912)
Postage, rent, utilities	(337,929)	(282,559)
Depreciation expenses	(623,569)	(550,380)
Communication and internet expenses	(294,347)	(338,192)
IT equipment maintenance expenses, server hosting	(160,279)	(140,744)
Car registration/deregistration expenses	(378,068)	(91,563)
Non-deductible value added tax	(809,046)	(643,326)
Travel expenses	(8,615)	(14,127)
Professional services expenses	(792,385)	(674,259)
Insurance expenses	(12,802)	(18,999)
Insurance costs and vignettes	(7,167)	(3,913)
Advertising expenses	(423,558)	(240,744)
Distribution expenses	(85,277)	(204,146)
Other expenses	(1,166,139)	(596,758)
	(11,117,259)	**(7,875,134)**

13. NET FOREIGN EXCANGE RESULT

	2021	2020
Revaluation of monetary assets and liabilities, net	(1,129,076)	(1,005,832)
Foreign exchange transactions, net	(73,474)	(96,641)
Losses from exchange rate differences	**(1,202,550)**	**(1,102,472)**

14. PROFIT TAX

	2021	2020
Current income tax expense	(2,338,657)	-
Deferred tax expense	(268,904)	(207,957)
Total income tax expense	**(2,607,561)**	**(207,957)**

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

Profit/(loss) before tax	9,620,175	3,710,748
Theoretical profit tax calculated at the rate of 16% (2020: 16%)	1,539,228	593,720
Permanent differences	1,105,051	(183,462)
Permanent differences adjustments the previous year	(36,717)	(202,301)
Income tax expense for the year	**2,607,561**	**207,957**

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

The current tax is calculated by applying a rate of 16% (2020: 16%). Deferred profit tax is calculated on temporary differences using the balance sheet methodat a rate of 16% (2020: 16%). The deferred income tax situation is presented in Note 22.

15. CASH AND CASH EQUIVALENTS

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

	2021	2020
Cash at banks and other financial institutions in foreign currencies	3,113,009	10,887,759
Cash at bank accounts in RON	617,499	378,832
Total cash and cash equivalents	**3,730,508**	**11,266,591**

Cash and cash equivalents in the statement of cash flows 3,730,508 11,266,591

Current accounts are at the Company's free disposal and are not burdened with charges.

16. RECEIVABLES RELATING TO FINANCIAL LEASING AND LOANS AND ADVANCES GRANTED TO CUSTOMERS

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

	December 31, 2021			
Receivables from financial leasing contracts	**Stage 1**	**Stage 2**	**Stage 3**	**TOTAL**
Gross exposure	26,862,417	6,425,521	11,857,410	45,145,348
Expected credit losses	(798,679)	(1,030,086)	(7,701,304)	(9,530,069)
Net value	**26,063,738**	**5,395,435**	**4,156,106**	**35,615,279**

	December 31, 2020			
Receivables from financial leasing contracts	**Stage 1**	**Stage 2**	**Stage 3**	**TOTAL**
Gross exposure	48,062,843	10,577,442	21,691,883	80,332,168
Expected credit losses	(1,570,976)	(1,620,466)	(13,892,786)	(17,084,228)
Net value	**46,491,867**	**8,956,976**	**7,799,097**	**63,247,940**

	December 31, 2021			
Receivables from loans and advances to customers	**Stage 1**	**Stage 2**	**Stage 3**	**TOTAL**
Gross exposure	74,163,931	7,116,711	8,576,733	89,857,375
Expected credit losses	(1,699,367)	(1,139,104)	(4,792,123)	(7,630,594)
Net value	**72,464,564**	**5,977,607**	**3,784,610**	**82,226,781**

	December 31, 2020			
Receivables from loans and advances to customers	**Stage 1**	**Stage 2**	**Stage 3**	**TOTAL**
Gross exposure	18,064,557	332,645	485,330	18,882,532
Expected credit losses	(495,472)	(51,603)	(277,042)	(824,117)
Net value	**17,569,085**	**281,042**	**208,288**	**18,058,415**

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

Impairment losses for lease receivables	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Balance on January 1, 2021	**1,570,976**	**1,620,466**	**13,892,786**	**17,084,228**
Transfers to Stage 1	722,225	(439,838)	(282,387)	-
Transfers to Stage 2	(177,082)	577,846	(400,764)	-
Transfers to Stage 3	(164,888)	(498,105)	662,993	-
Impairment losses for new lease receivables	7,776	3,765	1,199	12,739
Reversal of provision for paid receivables	(328,605)	(207,774)	(9,304,394)	(9,840,773)
Reversal of provision for bad debts	-	-	(8,749,175)	(8,749,175)
Provision during the period	(831,723)	(26,273)	11,881,047	11,023,051
Balance as of December 31, 2021	**798,679**	**1,030,086**	**7,701,304**	**9,530,069**

Impairment losses for lease receivables	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Balance on January 1, 2020	**851,859**	**685,612**	**7,481,700**	**9,019,171**
Transfers to Stage 1	261,254	(149,681)	(111,573)	-
Transfers to Stage 2	(130,465)	322,259	(191,794)	-
Transfers to Stage 3	(135,673)	(262,960)	398,633	-
Impairment losses for new lease receivables	548,133	419,365	1,308,557	2,276,055
Reversal of provision for paid receivables	(352,531)	-	(82,410)	(434,941)
Provision during the period	528,398	605,872	5,089,673	6,223,942
Balance as of December 31, 2020	**1,570,976**	**1,620,466**	**13,892,786**	**17,084,228**

Impairment losses on loan receivables	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Balance on January 1, 2021	**495,474**	**51,603**	**277,040**	**824,116**
Transfers to Stage 1	8,528	(2,278)	(6,250)	-
Transfers to Stage 2	(53,687)	53,687	-	-
Transfers to Stage 3	(89,476)	(28,967)	118,443	-
Impairment losses for new lease receivables	1,474,434	892,810	2,984,405	5,351,648
Reversal of provision for paid receivables	(75,574)	(2,987)	(106,553)	(185,113)
Reversal of provision for bad debts			(114,015)	(114,015)
Provision during the period	(60,332)	175,237	1,639,053	1,753,958
Balance as of December 31, 2021	**1,699,367**	**1,139,104**	**4,792,123**	**7,630,594**

Impairment losses for lease receivables	**Stage 1**	**Stage 2**	**Stage 3**	**Total**

Impairment losses on loan receivables	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Balance on January 1, 2020	**6,663**	**16,674**	**77,761**	**101,098**
Transfers to Stadiull 1	2,376	(2,376)	-	-
Transfers to Stage 2	(84)	19,514	(19,430)	-
Transfers to Stage 3	(666)	(3,495)	4,160	-
Impairment losses for new lease receivables	479,832	32,478	139,374	651,685
Reversal of provision for paid receivables	(3,709)	-	(1,363)	(5,072)
Provision during the period	11,060	(11,193)	76,539	76,406
Balance as of December 31, 2020	**495,472**	**51,603**	**277,042**	**824,117**

17. LEASING

i) Leasing activity as lessor

Net investment in financial leasing

	December 31, 2021	**December 31, 2020**
Gross investment in financial leasing	**45,145,348**	**80,332,168**
Less than 1 year	21,970,365	31,109,380
Between 1 and 5 years	23,174,983	49,222,788
More than 5 years	-	-
Unrealized financial income	24,869,124	59,479,384
Gross investment in financial leasing	45,145,348	80,332,168
Less: Expected credit losses from lease receivables	**(9,530,069)**	(17,084,228)
Net investment in leasing	**35,615,279**	**63,247,940**

The net investment in leasing can be analyzed as follows:

	December 31, 2021	**December 31, 2020**
Less than 1 year	14,693,758	18,983,284
Between 1 and 5 years	20,921,521	44,264,656
More than 5 years	-	-
	35,615,279	**63,247,940**

i) Leasing activity as a lessee (IFRS 16)

Below is information about the leasing contracts for which the Company is the lessee.

a) Right to use assets

The right of use of the assets refers to the leased space for the activity of the leased branches, the head office, as well as for the leased vehicles and are presented under Tangible assets (see note 20).

Rented space for branches and head office	**December 31, 2021**	**December 31, 2020**
Balance on January 1	**1,211,018**	**385,149**
Additions	399,475	1,314,384
Depreciation expense	(393,141)	(391,475)
Disposals	(328,522)	(463,321)

Depreciation of disposed assets	232,837	366,281
Balance on December 31	**1,121,667**	**1,211,018**

Means of transport used in operational activity		
Balance on January 1	**109,359**	**179,479**
Additions	664,943	-
Depreciation expense	(129,008)	(70,119)
Disposals	-	(42,475)
Depreciation of disposed assets	-	42,475
Balance on December 31	**645,294**	**109,359**

See note 4.4 Liquidity risk for analysis of the maturity of lease liabilities at December 31, 2021 and December 31, 2020.

b) Amounts recognized in the profit and loss account

	2021	2020
Leasing contracts under IFRS16		
Interest expenses for lease liabilities	(54,987)	(47,226)
Depreciation expense	(522,148)	(461,594)
	(577,135)	**(508,820)**

18. OTHER ASSETS

	December 31, 2021	December 31, 2020
Receivables related to rebilled services	563,351	372,550
Impairment losses on trade receivables	(81,081)	(165,628)
Advances granted	39,573	53,242
Other claim(s)	657,030	5,902
Other assets	41,812	76,565
	1,220,685	**342,630**

(i) Other receivables include receivables from trading on the P2P platform in the amount of 2021: 413,020 lei, 2020: 0 lei) and other short-term receivables.

Expected impairment losses on trade receivables	**December 31, 2021**	**December 31, 2020**
Balance on 01 January	**165,628**	**-**
Net increase/(decrease) in provision	(84,547)	165,628
Provisions related to off-balance sheet trade receivables	-	-
Balance on December 31	**81,081**	**165,628**

19. ASSETS HELD FOR SALE

	December 31, 2021	December 31, 2020
Assets held for sale	369,097	1,550,168
Impairment of assets held for sale	-	(1,037,370)
Total other assets, net	**369,097**	**512,798**

Assets held for sale are mainly assets recovered from terminated leases and loans that have not yet been sold or placed under new finance leases, assets that have been recovered following the foreclosure process of leasing receivables and loans. Information on the inflows and outflows of such assets during 2021 is presented below.

	December 31, 2021	December 31, 2020
Balance on 01 January	**512,798**	**653,239**
inputs	2,846,084	1,154,964
Disposals	(3,483,280)	(1,447,145)
Value adjustments (reversals of provisions)	493,495	151,740
Balance on December 31	**369,097**	**512,798**

20. INTANGIBLE ASSETS

	Intangible assets	Intangible assets in progress	Total
Year ended 31 December 2021			
Initial net book value	**39,332**	**-**	**39,332**
Additions	47,301	-	47,301
Disposals	-	-	-
Depreciation expenses	13,225	-	13,225
Net book value	**73,408**	**-**	**73,408**

	Intangible assets	Intangible assets in progress	Total
Year ended 31 December 2020			
Initial net book value	14,561	-	14,561
Additions	4,193	-	4,193
Disposals	-	-	-
Depreciation expenses	20,578	-	20,578
Net book value	**39,332**	**-**	**39,332**

21. PROPERTY, PLANT AND EQUIPMENT

	Vehicles	IT equipment and furniture	Construction (Fitting)	Rights to use assets	Other tangible assets	Total
Year ended 31 December 2021						
Initial net book value	56,677	68,788	9,790	1,320,378	31,136	**1,486,769**
Additions	-	100,824	-	1,064,418	20,532	**1,185,774**
Disposals	(43,443)	(4,962)	-	(328,522)	(10,874)	**(387,801)**
Depreciation expenses	(9,392)	(48,403)	(2,966)	(522,148)	(27,435)	**(610,344)**
Depreciation of disposed assets	9,756	-	6,082	232,837	-	**248,675**
Net book value	**13,598**	**116,247**	**12,906**	**1,766,963**	**13,359**	**1,923,073**

	Vehicles	IT equipment and furniture	Construction (Fitting)	Rights to use assets	Other tangible assets	Total
Year ended 31 December 2020						
Initial net book value	-	87,043	-	564,628	62,900	**714,571**
Additions	63,343	46,891	12,028	1,314,384	6,052	**1,442,698**
Disposals	-	(86,327)	-	(505,796)	(29,238)	**(621,361)**
Depreciation expenses	(6,666)	(65,146)	(2,238)	(461,594)	(37,815)	**(573,459)**
Depreciation of disposed assets	-	86,327	-	408,756	29,238	**524,320**
Net book value	**56,677**	**68,789**	**9,790**	**1,320,377**	**31,136**	**1,486,769**

22. DEFERRED INCOME TAX ASSETS

	December 31, 2021	Tax recognized in the Profit and Loss Account	December 31, 2020
Tax effects of deductible temporary differences			
Adjustment related to tax loss carryforwards	(25,298)	(39,771)	14,473
Adjustment for impairment of lease and loan receivables	473,063	239,831	233,232
Adjustment related to operational leasing contracts	9,526	(1,676)	11,202
Adjustment relating to the application of effective interest	(359,809)	(246,312)	(113,497)
Adjustment related to customer receivables for rebilled services	261,506	(147,827)	409,333
Other differences	(10,357)	(73,149)	62,791
	348,630	**(268,904)**	**617,534**

	December 31, 2020	Tax recognized in the Profit and Loss Account	December 31, 2019
Tax effects of deductible temporary differences			
Adjustment related to tax loss carryforwards	14,473	(501,310)	515,783
Adjustment for impairment of lease and loan receivables	233,232	228,138	5,094
Adjustment related to operational leasing contracts	11,202	7,743	3,459
Adjustment relating to the application of effective interest	(113,497)	(76,714)	(36,783)
Adjustment related to customer receivables for rebilled services	409,333	187,384	221,949
Other differences	62,792	(53,198)	115,990
	617,535	**(207,957)**	**825,491**

23. LOANS ATTRACTED

	December 31, 2021	December 31, 2020
Loans from:		
Eleving Stella AS	(63,672,696)	(35,884,012)
Mintos Finance AS	(53,042,311)	(47,310,000)
	(116,715,007)	**(83,194,012)**

The loans received from Eleving Stella AS are subordinated loans, which have a fixed interest rate of 12% (2020: 12%) and mature in 2027. The borrowings from Mintos Finance AS (P2P loans), are loans in the form of line financing, have a fixed interest rate that varies between 6%-10%, and mature in September 2026.

24. LIABILITIES FOR RIGHT TO USE THE ASSETS

	December 31, 2021	December 31, 2020
Guarantees granted	128,128	48,853
Lease liabilities for right of use the premises	(1,191,677)	(1,271,841)
Lease liabilities for right of use vehicles	(634,819)	(118,549)
	(1,698,368)	**(1,341,537)**

25. RELATED PARTY TRANSACTIONS AND BALANCES AND KEY MANAGEMENT PERSONNEL

	2021			2020		
	Management	**Shareholders**	**Other entities of the group**	**Management**	**Shareholders**	**Other entities of the group**
Assets						
Loans granted	-	-	26,279,224	-	-	14,575,690
Liabilities	-	-	-	-	-	-
Loans received	-	(63,672,696)	-	-	46,195,448	-
Liabilities for goods and services	-	-	(934,052)	-	-	(451,700)
Profisions for financial guarantees	-	-	2,707,833	-	-	2,105,612
Profit and loss						
Interest income	-	-	3,230,672	-	-	1,874,301
Interest expense	-	(5,394,962)	-	-	(3,728,336)	-
Management fee	-	(5,763,747)	-	-	(3,888,505)	-
Personnel expenses	(1,105,484)	-	-	(726,746)	-	-
Income from provisions for financial guarantees	-	-	1,233,273		-	1,569,816

Related parties of the Company are the shareholders of the company and the companies of the Eleving Group. During 2021, the Company concluded a series of transactions with related parties, related to the receipt and granting of intergroup loans, management services and the issuance of financial guarantees. All of these transactions, including contractual interest rates and collateral terms, were conducted on an arm's length basis, similar to third-party transactions.

26. PROVISIONS FOR FINANCIAL GUARANTEES

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

The company did not receive remuneration for the guarantee granted. The fair value of the financial guarantee is recognized as a liability and as an equity distribution in "Other reserves". Income from the amortization of the guarantee is recognized using the straight-line method until the maturity of the bond.

The total value of the bonds guaranteed by the Company and the other companies in the Group is EUR 150,000,000 (the equivalent of 742,215,000 lei on December 31, 2021). The bonds mature on October 18, 2026, with an interest rate of 9.5% annually and a rating of B- according to Fitch Ratings.
After initial recognition, the warranty liability is measured at the higher of the amount initially recognized less the accumulated depreciation recognized through straight-line amortization and the related provision. The collateral exposure and the related provision are classified in stage 1 as described in Note 3.

Movement in the reserve for financial guarantees (Capital)	**December 31, 2021**	**December 31, 2020**
Balance on January 1	**3,827,487**	**3,672,597**
Issuance of new guarantees	4,357,047	-
Guarantees derecognition	(4,086,373)	-
Re-evaluation of the financial guarantee	(1,244,412)	154,890
Balance on December 31	**2,853,749**	**3,827,487**

Movement in provision for financial guarantees (Liabilities)		
Balance on January 1	**(2,105,612)**	**(3,464,525)**
Amortization	1,233,273	1,569,816
Re-evaluation of the financial guarantee	1,244,412	(154,890)
Issuance of new guarantees	(4,357,047)	-
Cancellation of provision related to due guarantees	1,276,458	-
The impact of exchange rate fluctuations	683	(56,013)
Balance on December 31	**(2,707,833)**	**(2,105,612)**

Eleving Group SA in 2021 successfully reimbursed and extinguished all payment obligations generated by the issue of bonds guaranteed by the Company through the guarantee agreement signed on October 13, 2018, dated July 9, 2018, amended and adjusted on November 13, 2019. Thus, the Company derecognized the unamortized provision related to this guarantee.

27. OTHER LIABILITIES

	December 31, 2021	**December 31, 2020**
Liabilities against employees	(43,740)	(168)
Social tax and personal income tax liabilities	(212,906)	(204,962)
Profit tax and other taxes liabilities	(1,373,445)	(47,683)
VAT payable	(91,211)	(133,297)
Liabilities regarding goods and services procured	(437,817)	(84,536)
Other liabilities	(2,405)	(583)
Accruals for vacation reserves	(244,253)	(196,796)
Management fee provision	(447,720)	(451,700)
Accrued liabilities against employees	(28,317)	(222,471)
Other provisions	(946,095)	(503,212)
	(3,827,909)	**(1,845,408)**

28. SHARE CAPITAL

	December 31, 2021	**December 31, 2020**
Share capital	(924,000)	(924,000)
Share premium	(28,654,000)	(28,654,000)
	(29,578,000)	**(29,578,000)**

	December 31, 2021	**December 31, 2020**
Ownership structure		
AS Mogo	88	88
AS Eleving Stella	923,912	923,912
	924,000	**924,000**

The registered capital of the Company in nominal terms consists of 10,500 registered shares (2020: 10,500) with a nominal value of 88 lei.

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

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

The profit and loss account drawn up according to BNR order no. 6/2015 was affected by the following adjustments regarding the restatement for presentation purposes in accordance with IFRS:

Elements of the Profit and Loss Account	Position	According to BNR order 6/2015	Reclassification adjustments	IFRS restatement adjustments	According to IFRS	Explanation of adjustments
Interest revenueincome calculated using the effective interest method	010	43,443,501	4,630,344	(1,203,967)	46,869,878	1
Interest expenses and other similar expenses	020	(5,394,958)	(6,319,831)	(86,429)	(11,801,218)	2
Fee and commission income	040	6,887,998	(6,651,435)	53,942	290,504	3
Fee and commission expense	050	(126,786)	90,188	(464,345)	(500,943)	4
Net foreign exchange result	060	(1,155,497)	-	(47,053)	(1,202,549)	5
Other operating income	070	2,333,438	(49,061)	(572,787)	1,711,585	6
General administrative expenses	080	(17,238,663)	2,534,621	515,530	(14,188,513)	7
Corrections on the value of intangible and tangible assets	090	(90,099)	-	(533,470)	(623,569)	8
Other operating expenses	100	(10,792,122)	5,765,175	2,245,991	(2,780,955)	9
Corrections on the value of receivables and provisions for contingent liabilities and commitments	110	(34,206,094)	-	9,756,936	(24,449,158)	10
Resumes from corrections on the value of receivables and provisions for contingent liabilities and commitments	120	24,150,156	-	(7,855,043)	16,295,113	11
Income tax expense	220	(2,338,657)	-	(268,904)	(2,607,561)	12
Net income	**243**	**5,472,217**	**-**	**1,540,401**	**7,012,614**	

The main adjustments regarding the IFRS restatements related to the profit and loss account refer to:

1. Adjustment according to IFRS 9 Financial Instruments regarding the recognition of income from interest according to the effective interest method in the amount of 1,153,818 lei and adjustment regarding the application of different accounting policies regarding the recognition of income from penal interest in the amount of (2,357,785) lei;
2. Adjustment according to IFRS 16 Leasing contracts regarding the recognition of interest expenses related to the leasing debt in the amount of 54,987 lei and other adjustments in the amount of 31,442 lei;
3. Adjustment regarding the application of different accounting policies regarding the recognition of income from commissions in the amount of 54,742 lei and other adjustments in the amount of (800) lei;
4. Adjustment regarding the application of different accounting policies regarding the recognition of expenses from commissions in the amount of 464,345 lei;
5. Adjustment regarding the application of different accounting policies regarding the recognition of exchange rate differences in the amount of 47,053 lei;
6. Adjustment according to IFRS 9 Financial Instruments regarding the recognition of income from the amortization of the provision related to the financial guarantees granted to the companies in the group in the amount of 1,233,273 lei and other adjustments in the amount of (1,806,060) lei, the determination of the use of different policies regarding the recognition of income from the sale of goods obtained following the enforced execution of debts;
7. Adjustment according to IFRS 9 Financial Instruments regarding the recognition of interest income according to the effective interest method in the amount of (233,602) lei and other adjustments in the amount of (281,928) lei;
8. Adjustment according to IFRS 16 Leasing contracts regarding the recognition of expenses with the amortization of the rights of use of assets in the amount of 522,148 lei and other adjustments in the amount of 11,322 lei;
9. Adjustment according to IFRS 16 Lease contracts regarding the derecognition of rent expenses in the amount of (662,222) lei, adjustments regarding the application of different accounting policies related to the recognition of expenses related to the exit of assets obtained following the enforcement of claims in the amount of (1,470,335) lei and other adjustments in the amount of (113,434) lei;

10. Adjustment according to IFRS 9 Financial Instruments regarding the recognition of expenses regarding expected losses from credit risk in the amount of (9,629,988) lei and other adjustments in the amount of (126,948) lei;
11. Adjustment according to IFRS 9 Financial Instruments regarding the recognition of income from recovery of expected losses from credit risk in the amount of (7,489,775) lei and other adjustments in the amount of (365,268) lei;
12. Adjustment according to IAS 12 Deferred tax regarding the recognition of the receivable regarding the deferred profit tax for the year 2021 in the amount of 268,904 lei.

The balance sheet on December 31, 2021 was affected by the following adjustments regarding the restatement according to IFRS:

The balance sheet on December 31, 2021 drawn up according to BNR order no. 6/2015 was affected by the following adjustments regarding the restatement for presentation purposes in accordance with IFRS:

Elements of the Balance Sheet	Position	According to BNR order 6/2015	Reclassification adjustments	IFRS restatement adjustments	According to IFRS	Explanation of adjustments
Cash and cash equivalents	30	3,806,633	(76,124)	-	3,730,508	
Claims on customers	40	143,652,112	(1,041,498)	1,510,668	144,121,283	1
Intangible assets	090	69,276	-	4.132	73,408	
Tangible assets	100	152,844	-	1,770,230	1,923,074	2
Deferred tax assets	101		-	348,630	348,630	3
Other assets	120	1,856,571	76,124	(360,702)	1,571,993	
Expenses recorded in advance and income committed	130	6,923,532	(4,838,110)	(2,067,632)	17,790	4
TOTAL ASSETS		**156,460,968**	**(5,879,607)**	**1,205,326**	**151,786,686**	
Accounts Payable	310	839,989	(839,989)	-	-	
Liabilities for right of use assets	311	-	-	1,698,369	1,698,369	2
Other liabilities	330	56,539,913	270,847	(184,793)	56,625,967	
Revenues registered in advance and committed debts	340	12,310,353	(12,310,353)	-	-	
Provisions for financial guarantees	350	249,209	(5,484)	2,708,361	2,952,086	5
Subordinated debts	360	56,655,745	7,005,371	11,579	63,672,696	
Share capital	370	924,000	-	-	924,000	
Share premium	380	28,654,000	-	-	28,654,000	
Other reserves	390	184,800	-	(2,853,749)	(2,668,949)	5
Retained earnings/(losses)	426	(5,345,885)	-	(1,738,212)	(7,084,097)	
The result of the financial year	433	5,472,217	-	1,540,398	7,012,614	
Distribution of profit	440	(23,373)	-	23,373	-	
TOTAL LIABILITIESS AND EQUITY		**156,460,968**	**(5,879,607)**	**1,205,326**	**151,786,686**	

The main adjustments regarding IFRS restatements related to the balance sheet refer to:

1. Adjustment according to IFRS 9 Financial instruments regarding the recognition of interest income by the effective interest method in the amount of 2,469,647 lei, adjustments regarding the recognition of income and expenses regarding expected losses from credit risk in the amount of (930,361) lei and other adjustments in the amount of (28,618) lei;
2. Adjustment according to IFRS 16 Leasing contracts regarding the recognition of rights of use of assets in the amount of 1,766,961 lei and the related leasing liability in the amount of 1,698,369 lei and other adjustments in the amount of 3,268 lei.
3. Adjustment according to IAS 12 Deferred tax regarding the recognition of the receivable regarding the deferred profit tax in the amount of 348,630 lei;
4. Adjustment regarding the application of different accounting policies regarding the recognition of income from penal interest in the amount of (1,938,800) lei and other adjustments in the amount of (128,833) lei;
5. Adjustment according to IFRS 9 Financial Instruments regarding the recognition of the provision related to financial guarantees granted to companies in the group in the amount of 2,707,833 lei and the recognition of the related reserve in equity in the amount of (2,853,749) lei.

30. EVENTS AFTER THE BALANCE SHEET DATE

During April, steps were initiated regarding the sale of the share held by the shareholder AS Mogo (one share) to UAB Eleving Stella (Lithuania).
On the date of approval of these financial statements, changes were made in the structure of the Company's shareholding, as follows:

Shareholder	Country of origin	Number of shares held	Share value	Share in the share capital
AS Eleving Stella	Latvia	10,499	923,912	99.9904%
UAB Eleving Stella	Lithuania	1	88	0.0096%
Total		10,500	924,000	100.00%

UAB Eleving Stella is a joint-stock company registered in the Republic of Lithuania, registered in the Trade Register of Lithuania under number 305018069 with its registered office at A. Vivulskio g. 7-1, LT-03162 Vilnius, Lithuania, represented by Valerij Petrov, as Director of the Board, and holds one (1) share, representing 0.0096% of the Company's share capital and voting rights.
On February 10, 2022, the framework contract for the assignment of receivables was signed between the Company and Ultimo Portfolio Investment (Luxembourg) SA. As a result of this, 2 assignments of receivables were carried out, on February 24, 2022, debits in the amount of 1 326 020 lei were assigned and on March 2, 2022, - debits in the amount of 694 615 lei. Debt assignments are planned every month throughout 2022.

On June 21, 2022, the Extraordinary General Meeting of Shareholders unanimously approved the decision to distribute the share premium in the amount of 28,654,000 lei as follows:

- to AS Eleving Stella the amount of 28,651,249,216 RON;
- to UAB Eleving Stella the amount of 2,750,784 RON.

On the same date, the Extraordinary General Meeting of Shareholders approved the conclusion by the Company of a subordinated loan agreement whereby AS Eleving Stella, as creditor, grants the Company, as borrower, a loan in the amount of 28,651,249,216 RON for a term of 6 years, with an annual interest rate of 12%. On the date of this decision, the loan was drawn in full by the Company, the amounts distributed to AS Eleving Stella according to the above decision remaining in the Company's accounts as a subordinated loan.

On February 21, 2022, the Russian Federation officially recognized two separatist regions in eastern Ukraine and authorized the use of military force in these territories. On February 24, 2022, Russian troops invaded Ukraine and initiated military operations in several locations. These ongoing operations have resulted in casualties, significant population displacement, damage to infrastructure and disruption of economic activity in Ukraine. In response, several jurisdictions, including the EU, the UK, Switzerland, the US, Canada, Japan and Australia have announced initial tranches of economic sanctions on Russia (and, in some cases, Belarus).

In view of the war in Ukraine, the Company monitored and assessed the potential impact and at the beginning of the crisis separate action plans were developed and taken for:

- to ensure a stable cash flow for the Company, sufficient to meet all current obligations. Actions included reviewing operational processes in the given circumstances and adjusting them to prevent unnecessary expenditure.
- minimization of new cases of payment delays by customers, prevention of contract termination.

The Company does not directly operate or have activities and personnel located in Russia/Belarus/Ukraine, does not hold significant assets in the above countries, and does not have any subsidiaries. The company does not have direct relations with clients or suppliers residing in Ukraine or Russia. The RON/EUR exchange rate was not significantly affected by the war in Ukraine and the variation in the prices of energy and raw materials does not represent a significant risk for the continuity of the Company's activity.

The demand for the Company's services expressed in the number of monthly applications did not undergo significant variations during the analyzed period. There are no worrisome signs of deterioration in the loan portfolio, the portfolio in terms of credit risk (measured by the number of days late in payment) is stable.

A very small percentage of the Company's clients operate in one of the sectors affected by the current crisis (financial system, energy companies). Most of the clients working for freight companies are only from EU member countries, so they are not directly influenced by the crisis in Ukraine.

The actions taken by the management to ensure the continuity of the activity include: the review of the operational processes and their adjustment in the sense of the efficiency of the processes and the prevention of expenses that are not necessary; more efficient management of new cases of late payment from customers; ensuring a stable cash flow in order to meet current payment obligations; ensuring staff safety and creating a back-up plan that can support working from home/extraordinary conditions.

The management's plans for the coming period include: focus on portfolio quality management and controlling outstanding debt in this way ensuring a sustainable cash flow; continuous monitoring of the market evolution; the creation of new bank accounts at different banks in order to diversify and cover the risk of interruption of activities through the bank due to a possible financial or operational difficulty of a partner bank; protecting revenues and reducing expenses attributed to operational activities that are no longer considered necessary for the Company's activity.

The financial statements were approved by the Board of Directors on June 27, 2022 and were signed on its behalf by:

CEO,	CFO,
BADIU IONUT	TETICI MARILENA