



PART OF ELEIVING GROUP

Mogo IFN SA

Tax identification no.: RO35917970  
Trade Register no.: J40/5043/2016

# Annual report

for the year ended  
31 December 2023

Including financial statements

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

Together with independent auditor's report

Bucharest, 2024

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## INDEPENDENT AUDITOR'S REPORT

### To the Shareholders of Mogo IFN S.A.

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

Fiscal registration number: 35917970

### Report on the Audit of the Financial Statements

#### Opinion

1. We have audited the financial statements of **Mogo IFN SA** (the Company) which comprise the statement of financial position as at 31 December 2023, and statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

2. The financial statements as at and for the year ended December 31, 2023 are identified as follow:

- Total assets: 179,886,476 RON
- Net profit of the year: 335,226 RON

3. In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2023, and of its financial performance and its cash flows for the year then ended in accordance with NBR Order 27/2010 for the approval of the Accounting regulations in accordance with the International Financial Reporting Standards ("Order 27/2010), with subsequent changes and additions.

#### Basis for opinion

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

#### Key audit matters

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

##### *Key Audit Matter*

##### *How our audit addressed the key audit matter:*

##### **Expected losses related to loans and advances to customers**

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

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

### *Key Audit Matter*

Impairment of Financial Assets, Note 4.2. Risk Management - Credit Risk, Note 10. Expected Credit Losses, and Note 16. Loans and Advances to Customers.

The net carrying value of receivables from loans and advances to customers, amounting to 166,955 thousand RON, represents a significant percentage (93%) of the total assets of the Company as of December 31, 2023.

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

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

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

### *How our audit addressed the key audit matter:*

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

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

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

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

### **Emphasis of matter**

6. We draw attention to Note 26 "Provisions and Contingent liabilities" in the financial statements, which details that the Company is currently subject to a thematic tax audit by the Regional Directorate General of Public Finance Bucharest. This tax audit is focused on verifying certain elements of the tax base for the period 2017-2022, with scrutiny of the Company's product involving sales in installments with a financing element, active from 2016 to 2020. The management has reviewed the conditions and commentary from the Binding Tax Ruling received in July 2020, and with advice from external fiscal experts, has concluded that the VAT regime applied complies fully with the applicable Romanian VAT regulations. The tax audit was suspended in October 2023 for up to six months and remains on hold as of the reporting date. Consequently, no tax audit conclusions have been reached thus far. Given this, the management considers the outcome of the tax audit to be uncertain, and an outflow of resources embodying economic benefits is not considered probable at this time. Our opinion is not modified in respect of this matter.

## **Other matters**

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

## **Other information - Administrators report**

8. Administrators are responsible for the preparation and presentation of other information. That other information includes the Administrators' Report but does not include the financial statements and the auditor's report thereon.

Our opinion on the financial statements does not cover this other information and, unless expressly stated in our report, we do not express any assurance conclusion about it.

In connection with the audit of the financial statements for the financial year ended 31 December 2023, our responsibility is to read that other information and, in doing so, to consider whether that other information is materially inconsistent with the financial statements or with our knowledge during the audit, or if they appear to be materially misstated.

Regarding the Administrators' Report, we have read and report whether it was prepared, in all significant aspects, in accordance with the information provided in Order 27/2010, points 12-17.

Based exclusively on the activities to be carried out during the audit of the financial statements, in our opinion:

a) The information presented in the Administrators' Report for the financial year for which the financial statements were drawn up are consistent, in all significant aspects, with the financial statements;

b) The administrators' report was drawn up, in all significant aspects, in accordance with the information required by Order 27/2010, points 12-17.

9. In addition, based on our knowledge and understanding of the Company and its environment, acquired during the audit of the financial statements for the financial year ended 31 December 2023, we are required to report whether we have identified material misstatements in the Directors' Report. We have nothing to report on this matter.

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

10. Management is responsible for the preparation and fair presentation of the financial statements in accordance with the National Bank of Romania Order 27/2010 for the approval of the Accounting regulations in accordance with the International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

- Identify and assess the risks of material misstatement of the individual financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the individual financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

15. We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

### **Report on Other Legal and Regulatory Requirements**



18. We have been appointed by the General Assembly of Shareholders on October 13, 2023 to audit the individual and consolidated financial statements of Mogo IFN S.A. for the financial year ended December 31, 2023. The uninterrupted total duration of our commitment is 2 years, covering the financial year 2022 and 2023.

We confirm that:

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

For and behalf of BDO Audit SRL

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

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

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

Partner's name: Vasile Bulată

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

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

Auditor financiar: VASILE BULATA  
Registrul Public Electronic: AF1480

Bucharest, Romania

8 May 2024

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

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



|                                                                                   | Note  | Year ended<br>31.12.2023 | Year ended<br>31.12.2022 |
|-----------------------------------------------------------------------------------|-------|--------------------------|--------------------------|
| Interest revenue calculated using the effective interest method                   | 6     | 67.730.000               | 62.528.930               |
| Interest expense calculated using the effective interest method                   | 6     | (22.364.450)             | (16.196.398)             |
| <b>Net interest income</b>                                                        |       | <b>45.365.550</b>        | <b>46.332.532</b>        |
| Fee and commission income                                                         | 7     | 218.907                  | 234.073                  |
| Fee and commission expenses                                                       | 7     | (102.623)                | (207.212)                |
| <b>Net fee and commission income</b>                                              |       | <b>116.284</b>           | <b>26.861</b>            |
| Net gain/(loss) from derecognition of financial assets measured at amortized cost | 8     | 340.591                  | 719.217                  |
| Other operating income                                                            | 9     | 522.962                  | 1.335.681                |
|                                                                                   |       | <b>863.553</b>           | <b>2.054.898</b>         |
| <b>Total operating income</b>                                                     |       | <b>46.345.387</b>        | <b>48.414.291</b>        |
| Expected credit losses                                                            | 10    | (19.310.526)             | (12.785.995)             |
| Losses from the depreciation of non-financial assets                              |       | 18.053                   | (42.412)                 |
| Personnel expenses                                                                | 11    | (8.523.244)              | (7.555.543)              |
| Depreciation and amortisation                                                     | 20,21 | (865.511)                | (783.561)                |
| Other operational expenses                                                        | 12    | (14.764.062)             | (13.680.487)             |
| Net gain from foreign currency translation                                        | 13    | (888.123)                | 76.113                   |
|                                                                                   |       | <b>(44.333.413)</b>      | <b>(34.771.885)</b>      |
| <b>Profit / (loss) before tax</b>                                                 |       | <b>2.011.974</b>         | <b>13.642.406</b>        |
| Income tax expense                                                                | 14    | (1.676.708)              | (3.702.103)              |
| <b>Net profit for the year</b>                                                    |       | <b>335.266</b>           | <b>9.940.303</b>         |
| Other elements of comprehensive income                                            |       | -                        | -                        |
| <b>Total net comprehensive income for the year</b>                                |       | <b>335.266</b>           | <b>9.940.303</b>         |

For more details on the reclassifications recorded for 2022, see Note 3.2 Changes in the presentation of financial statements.

The financial statements were approved by the Board of Directors on May 08, 2024 and were signed on its behalf by:

Chief Executive Officer,  
PRUNĂ Lucian

Deputy CEO,  
TETICI Marilena



|                                                 |             | 31 December<br>2023 | 31 December<br>2022 |
|-------------------------------------------------|-------------|---------------------|---------------------|
| <b>ACTIVE</b>                                   | <b>Note</b> |                     |                     |
| Cash and cash equivalents                       | 15          | 557.694             | 4.344.863           |
| Loans and advances granted to customers         | 16          | 166.954.774         | 144.880.103         |
| Loans to related parties                        | 25          | 5.909.061           | 20.552.685          |
| Other assets                                    | 18          | 1.949.341           | 2.941.284           |
| Assets held for sale                            | 19          | 89.806              | 83.656              |
| Intangible assets                               | 20          | 206.217             | 92.811              |
| Property, plant and equipment                   | 21          | 3.807.011           | 1.706.657           |
| Deferred tax                                    | 22          | 412.572             | 579.936             |
| <b>TOTAL ASSETS</b>                             |             | <b>179.886.476</b>  | <b>175.181.995</b>  |
| <b>LIABILITIES</b>                              |             |                     |                     |
| Borrowings                                      | 23          | 161.340.115         | 159.552.360         |
| Liabilities relating to the right to use assets | 24          | 1,472,787           | 3.052.960           |
| Other liabilities                               | 27          | 6.433.768           | 5.284.552           |
| <b>TOTAL LIABILITIES</b>                        |             | <b>170.826.843</b>  | <b>166,457,628</b>  |
| <b>EQUITY</b>                                   |             |                     |                     |
| Share capital                                   | 28          | 924.000             | 924.000             |
| Legal reserves                                  | 26          | 184.800             | 184.800             |
| Retained earnings                               |             | 7.950.833           | 7.615.567           |
| <b>TOTAL EQUITY</b>                             |             | <b>9.059.633</b>    | <b>8.724.367</b>    |
| <b>TOTAL LIABILITIES AND EQUITY</b>             |             | <b>179.886.476</b>  | <b>175.181.995</b>  |

For more details on the reclassifications recorded for 2022, see Note 3.2 Changes in the presentation of financial statements.

The financial statements were approved by the Board of Directors on May 08, 2024 and were signed on its behalf by:

Chief Executive Officer,  
PRUNĂ Lucian

Deputy CEO,  
TETICI Marilena



|                                                                  |             | 31 December<br>2023 | 31 December<br>2022 |
|------------------------------------------------------------------|-------------|---------------------|---------------------|
| <b>Cash flows from the operating activity</b>                    | <b>Note</b> |                     |                     |
| Profit/(loss) before tax                                         |             | 2.011.974           | 13.642.406          |
| <i>Adjustments for:</i>                                          |             |                     |                     |
| Amortization and depreciation                                    | 20,21       | 865.511             | 892.002             |
| Interest expenses                                                | 7           | 22.364.450          | 16.203.215          |
| Interest income                                                  | 7           | (67.730.000)        | (62.480.597)        |
| Disposals of non-current assets                                  | 9           | 877                 | -                   |
| Impairment of financial assets                                   |             | 19.310.525          | 12.785.994          |
| (Decrease) / increase in current provisions                      | 12          | (18.053)            | (2.665.422)         |
| (Gain)/loss from derecognition of financial assets               | 8           | 340.591             | (804.387)           |
| (Gain)/loss from currency exchange rate fluctuations             | 13          | 888.123             | 113.537             |
| <b>Operating profit before the change in working capital</b>     |             | <b>(21.966.002)</b> | <b>(22.313.254)</b> |
| <b>Change in working capital</b>                                 |             |                     |                     |
| (Increase)/decrease of current assets                            |             | (21.695.227)        | (24.297.426)        |
| Increase / (decrease) of current liabilities                     |             | 3.088.671           | (3.443.723)         |
| <b>Cash from operating activity</b>                              |             | <b>(40.572.558)</b> | <b>(50.054.403)</b> |
| Interest received                                                |             | 61.494.698          | 55.829.310          |
| Interest paid                                                    |             | (20.516.864)        | (21.816.788)        |
| Corporate income tax paid                                        |             | (2.296.726)         | (3.382.509)         |
| <b>Cash flows from the operating activity</b>                    |             | <b>(1.891.450)</b>  | <b>(19.424.391)</b> |
| <b>Cash flows from investing activity</b>                        |             |                     |                     |
| Payments for purchases of tangible and intangible assets         |             | (878.064)           | (198.817)           |
| <b>Cash flows from investing activity</b>                        |             | <b>(878.064)</b>    | <b>(198.817)</b>    |
| <b>Cash flows from the financing activity</b>                    |             |                     |                     |
| Receipts from borrowings                                         |             | 165.482.102         | 104.790.867         |
| Borrowings repayments                                            |             | (165.490.068)       | (83.779.428)        |
| Payments for assets representing the right to use                | 24          | (741.988)           | (773.875)           |
| <b>Cash flows from the financing activity</b>                    |             | <b>(749.954)</b>    | <b>20.237.564</b>   |
| <b>Increase/(Decrease) net cash balance and cash equivalents</b> |             | <b>(3.519.468)</b>  | <b>614.355</b>      |
| Exchange differences from cash and cash equivalents revaluation  |             | (267.701)           | -                   |
| Cash and cash equivalents at 1 January                           | 15          | 4.344.863           | 3.730.508           |
| <b>Cash and cash equivalents at 31 December</b>                  | <b>15</b>   | <b>557.694</b>      | <b>4.344.863</b>    |

The financial statements were approved by the Board of Directors on May 08, 2024 and were signed on its behalf by:

Chief Executive Officer,  
PRUNĂ Lucian

Deputy CEO,  
TETICI Marilena

STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2023

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



|                                       | Share capital  | Share premium     | Legal reserves | Reserves for financial guarantees | Retained Earning | Total             |
|---------------------------------------|----------------|-------------------|----------------|-----------------------------------|------------------|-------------------|
| <b>Balance at 1 January 2022</b>      | <b>924.000</b> | <b>28.654.000</b> | <b>184.800</b> | <b>(2.853.749)</b>                | <b>645.755</b>   | <b>27.554.806</b> |
| <b>Comprehensive income</b>           |                |                   |                |                                   |                  |                   |
| Net profit for the year               | -              | -                 | -              | -                                 | 9.940.301        | 9.940.301         |
| <b>Total comprehensive income</b>     | <b>-</b>       | <b>-</b>          | <b>-</b>       | <b>-</b>                          | <b>9.940.301</b> | <b>9.940.301</b>  |
| <b>Transactions with shareholders</b> |                |                   |                |                                   |                  |                   |
| Issuance of financial guarantees      | -              | -                 | -              | 2.853.749                         | (2.970.489)      | (116.740)         |
| Distribution of share premiums        | -              | (28.654.000)      | -              | -                                 | -                | (28.654.000)      |
| <b>Balance at 31 December 2022</b>    | <b>924.000</b> | <b>-</b>          | <b>184.800</b> | <b>-</b>                          | <b>7.615.567</b> | <b>8.724.367</b>  |
| <b>Balance at 1 January 2023</b>      | <b>924.000</b> | <b>-</b>          | <b>184.800</b> | <b>-</b>                          | <b>7.615.567</b> | <b>8.724.367</b>  |
| <b>Comprehensive income</b>           |                |                   |                |                                   |                  |                   |
| Net profit for the year               | -              | -                 | -              | -                                 | 335.266          | 335.262           |
| <b>Total comprehensive income</b>     | <b>-</b>       | <b>-</b>          | <b>-</b>       | <b>-</b>                          | <b>335.266</b>   | <b>335.262</b>    |
| <b>Transactions with shareholders</b> |                |                   |                |                                   |                  |                   |
| Modification of financial guarantees  | -              | -                 | -              | 2.853.749                         | (3.137.411)      | (283.662)         |
| Distribution of share premium         | -              | (28.654.000)      | -              | -                                 | -                | (28.654.000)      |
| <b>Balance at 31 December 2023</b>    | <b>924.000</b> | <b>-</b>          | <b>184.800</b> | <b>-</b>                          | <b>7.950.833</b> | <b>9.059.633</b>  |

The financial statements were approved by the Board of Directors on May 08, 2024 and were signed on its behalf by:

Chief Executive Officer,  
PRUNĂ LucianDeputy CEO,  
TETICI Marilena

## 1. COMPANY AND ITS OPERATIONS

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

Company's carried out its activity through its registered office, which as of 31 December 2023 is established in Bucharest, sector 3, 165 Splaiul Unirii Street, Timpuri Noi Square Building, 7th floor.

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

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

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

During 2023 and 2022 any changes occurred in the shareholding structure.

On 31.12.2023, the shareholding structure is as follows:

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

On 31.12.2023, the shareholding structure is as follows:

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

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

| 2023 | 2022 |
|------|------|
| 64   | 61   |

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

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

## 2. BASICS OF PREPARATION OF FINANCIAL STATEMENTS

### 2.1 Declaration of conformity

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

The present financial statements of the Company were approved by the Board of Directors on May 08, 2024.

### 2.2 Basics of evaluation

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

### 2.3 Functional and presentation currency

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

### 2.4 Use of significant estimates and judgments

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

### 2.5 The principle of going concern

These financial statements were prepared using the principle of going concern, which assumes that the Company will continue its activity in the near future. In carrying out this judgment, the management of the Company takes into account the current performance of the Company and the access to financial resources. Thus, on 31.12.2023, the Company recorded a net profit in the amount of 335.226 lei (2022: 9.940.301 lei), the net assets of the Company represent 9.059.633 lei (2022: 8.724.367 lei), and own funds 112.031.878 lei (31.12.2022: 111.810.018 lei, recalculated according to IFRS accounting data).

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 3.1 Newly issued standards and new or revised interpretations

A series of new standards in force for annual periods beginning on or after 1 January 2023 and in which early application is allowed.

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

##### A. IFRS 17 Insurance Contracts

IFRS 17 was issued by the IASB in 2017 and replaces IFRS 4 for annual reporting periods beginning on or after January 1, 2023. IFRS 17 introduces a consistent international approach to the accounting of insurance contracts. Prior to IFRS 17, there was significant diversity globally regarding the accounting and presentation of insurance contracts, with IFRS 4 allowing for the application of various accounting approaches.

Since IFRS 17 applies to all insurance contracts issued by an entity (with few exceptions), its adoption may have an effect on non-insurers. The company has conducted an assessment of its contracts and operations and concluded that the adoption of IFRS 17 has had no impact on its annual financial statements.

**Amendments to IFRS 17 "Insurance contracts"** - Initial Application of IFRS 17 and IFRS 9 – Comparative Information, adopted by the EU on 8 September 2022 (effective for annual periods beginning on or after 1 January 2023)

## **B. Presentation of Accounting Policies (Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Basis for Conclusions on the threshold for materiality)**

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2. The amendments aim to enhance the disclosure of accounting policy information by replacing the requirement for presenting "significant accounting policies" with "significant accounting policy information." The amendments also provide guidance on the circumstances in which accounting policy information is likely to be considered significant and therefore require presentation.

These amendments have no effect on the assessment or presentation of any items in the company's financial statements but affect the presentation of the company's accounting policies.

## **C. Definition of accounting estimates (Amendments to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors")**

The changes to IAS 8 focus entirely on accounting estimates and clarify the following:

- The definition of a change in accounting estimates is replaced with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty".
- Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. It is clarified that a change in accounting estimate that results from new information or new developments is not the correction of an error.
- In addition, the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors. A change in an accounting estimate may affect only the current period's profit or loss, or the profit or loss of both the current period and future periods. The effect of the change relating to the current period is recognised as income or expense in the current period. The effect, if any, on future periods is recognised as income or expense in those future periods.

The Company considers that the adoption of these amendments has not led to any material changes in the annual separate financial statements.

## **D. Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (Amendments to IAS 12 Income Taxes)**

In May 2021, the IASB issued amendments to IAS 12, clarifying whether the initial recognition exemption applies to certain transactions resulting in the simultaneous recognition of both an asset and a liability (e.g., a lease under IFRS 16). The amendments introduce an additional criterion for initial recognition exemption, whereby the exemption does not apply to the initial recognition of an asset or liability that, at the time of the transaction, gives rise to equal taxable and deductible temporary differences.

These amendments have had no effect on the company's annual financial statements.

## **E. International Tax Reform - Pillar Two Model Rules (Amendment to IAS 12 Income Taxes)**

In December 2021, the Organization for Economic Co-operation and Development (OECD) released a draft legislative framework for a global minimum tax expected to be used by individual jurisdictions. The framework aims to reduce profit shifting from one jurisdiction to another to reduce overall corporate tax liabilities. In March 2022, the OECD issued detailed technical guidance on pillar two model rules.

Stakeholders expressed concerns to the IASB regarding the potential implications on profit tax accounting, particularly the accounting for deferred taxes arising from pillar two model rule norms. In response to stakeholders' concerns, the IASB issued the final amendments International Tax Reform - Pillar Two Model Rules on May 23, 2023.

The amendments introduce a mandatory exception for entities from recognizing and presenting information about deferred tax assets and liabilities related to pillar two model rule taxes. The exception is effective immediately and retroactively. The amendments also provide additional disclosure requirements regarding an entity's exposure to pillar two income tax.

The company's management has determined that the company is not within the scope of the OECD pillar two model rules, and therefore, the exception from recognizing and presenting information about deferred tax assets and liabilities related to pillar two income taxes does not apply to the company.

There are several standards, amendments to standards, and interpretations that have been issued by the IASB and are applicable in future accounting periods that the company has decided not to adopt earlier. The following amendments take effect for the period beginning January 1, 2024:

- Sale and Leaseback Accounting (Amendments to IFRS 16 Leases);
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1 Presentation of Financial Statements);
- Long-term Liabilities with Covenants (Amendments to IAS 1 Presentation of Financial Statements); and
- Supplier Finance Arrangements (Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures).

The following amendment takes effect for the period beginning January 1, 2025:

- Lack of Exchangeability (Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates).

The company is currently assessing the impact of these new standards and accounting changes. The company does not believe that the amendments to IAS 1 will have a significant impact on the classification of its liabilities, as the company currently holds convertible debt instruments.

### 3.2 Changes in the presentation of financial statements

In 2023, the Company made a series of reclassifications at the level of the Statement of Profit or Loss and Other Comprehensive Income and the Statement of Financial Position with the aim of ensuring a better presentation of the Company's financial results and aligning the format of the financial statements with the annual reporting templates published by the National Bank of Romania (BNR) and Minister of Public Finance.

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

*Statement of profit or loss and other comprehensive income:*

|                                                                                   | 31-Dec-22           | Reclasses          | 31-Dec-22<br>reclassified |
|-----------------------------------------------------------------------------------|---------------------|--------------------|---------------------------|
| Interest revenue calculated using the effective interest method                   | 62.480.597          | 48.333             | 62.528.930                |
| Interest expense calculated using the effective interest method                   | (16.203.215)        | 6.817              | (16.196.398)              |
| <b>Net interest income</b>                                                        | <b>46.277.382</b>   | <b>55.150</b>      | <b>46.332.532</b>         |
| <b>Net fee and commission income</b>                                              | <b>(284.435)</b>    | <b>311.296</b>     | <b>26.861</b>             |
| Net gain/(loss) from derecognition of financial assets measured at amortized cost | 804.387             | (85.169)           | 719.217                   |
| Other operating income                                                            | 576.321             | 759.360            | 1.335.681                 |
|                                                                                   | <b>1.380.708</b>    | <b>674.191</b>     | <b>2.054.898</b>          |
| <b>Total operating income</b>                                                     | <b>47.373.655</b>   | <b>1.040.637</b>   | <b>48.414.291</b>         |
| Expected credit losses                                                            | (12.913.577)        | 127.582            | (12.785.995)              |
| Losses from the depreciation of non-financial assets                              | -                   | (42.412)           | (42.412)                  |
| Personnel expenses                                                                | (7.628.834)         | 73.291             | (7.555.543)               |
| Other operational expenses                                                        | (13.264.950)        | (1.199.098)        | (14.464.048)              |
|                                                                                   | <b>(33.807.361)</b> | <b>(1.040.637)</b> | <b>(34.847.998)</b>       |
| <b>Profit / (loss) before tax</b>                                                 | <b>13.642.407</b>   | <b>-</b>           | <b>13.642.406</b>         |

(a) The following lines in the statement have been renamed:

Impairment losses on financial assets - Impairment losses on financial assets recognition

Expected losses from depreciation - Expected losses from financial asset depreciation

(b) A new line has been included in the statement - Losses from depreciation of non-financial assets, aiming to distinguish losses from the depreciation of financial assets from those of non-financial assets.

(c) Expenses in amount of 55.150 lei have been reclassified from net interest income to other operating expenses.

(d) Expenses in amount of 311.296 lei have been reclassified from net fee and commission income to other operating expenses.

(e) The amount of 85.169 lei regarding losses from writing off unprovisioned receivables has been reclassified to losses from derecognition of financial assets from expected credit losses line.

(f) Revenues from the sale of movable and immovable assets resulting from the settlement of receivables in amount of 759.360 lei have been reclassified from other operating income to other operating expenses.

(g) Losses from depreciation of non-financial assets in amount of 42.412 lei have been reclassified from expected credit losses.

(h) Expenses in amount of 73.291 lei have been reclassified from personnel expenses to other operating expenses.

#### Statement of Financial Position:

|                                                 | 31-Dec-22          | Reclasses        | 31-Dec-22<br>reclassified |
|-------------------------------------------------|--------------------|------------------|---------------------------|
| Loans and advances granted to customers         | 143.798.206        | 1.081.897        | 144.880.103               |
| Other assets                                    | 2.779.715          | 161.569          | 2.941.284                 |
| <b>TOTAL ASSETS</b>                             | <b>146.577.921</b> | <b>1.243.466</b> | <b>147.821.387</b>        |
| Liabilities relating to the right to use assets | 1.472.787          | 147.929          | 1.620.716                 |
| Other liabilities                               | 4.189.016          | 1.095.536        | 5.284.552                 |
| <b>TOTAL LIABILITIES</b>                        | <b>5.661.803</b>   | <b>1.243.465</b> | <b>6.905.268</b>          |

(a) Advances received from customers in amount of 1.081.897 lei have been reclassified to Other liabilities from Loans and advances granted to customers.

(b) The amount of 147.929 lei refundable guarantees paid under lease agreements for space from Liabilities for the right to use assets has been reclassified to Other current assets, and the amount of 13,640 lei of non-recoverable VAT from Other liabilities.

### 3.2 Related parties

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

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

### 3.3 Conversion to foreign currency

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

The exchange rates for the most important currencies were:

|     | <u>31 December 2023</u> | <u>31 December 2022</u> |
|-----|-------------------------|-------------------------|
| EUR | 4.9746                  | 4.9474                  |
| USD | 4.4958                  | 4.6346                  |

### 3.5 Recognition of interest income and interest expense

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

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

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

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

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

### 3.6 Income and expenses from fees and commissions

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

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

### 3.7 Net trading income

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

### 3.8 Other operating income

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

### 3.9 Financial assets

#### a) Financial assets - initial recognition

##### *Date of recognition*

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

##### *Initial assessment*

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

#### b) Classification of financial assets

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

- it is held within the framework of a business model the objective of which is achieved by holding assets and collecting contractual cash flows, and

- its contractual conditions give rise, on specified dates, to cash flows representing exclusively payments of principal and interest ('SPPI').

#### *Reclassification of financial assets*

The company does not reclassify financial assets after initial recognition.

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

#### **c) Derecognition of financial assets**

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

#### ***Derecognition due to substantial changes in terms and conditions***

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

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

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

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

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

#### ***Derecognition for reasons other than substantial changes***

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

#### **d) Amendments**

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

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

### **3.10. Financial liabilities**

#### **a) Initial recognition and measurement**

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

liabilities at amortised cost, as appropriate.

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

**b) Subsequent measurement**

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

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

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

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

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

After initial recognition, interest-bearing borrowings are then measured at amortised cost using the effective interest method. Gains and losses are recognised in the statement of comprehensive income when the liabilities are derecognised, as well as by the amortisation of effective interest.

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

**c) Modification of financial liabilities**

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

**d) Addressing insignificant changes**

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

**e) Derecognition**

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

**3.11. Net-off of financial instruments**

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

**3.12. Impairment of financial assets**

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

- Credit and similar operations receivables;
- Loans and advances to customers;
- Commercial receivables;
- Financing commitments.



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

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

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

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

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

**Stage 2:**

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

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

**Stage 3:**

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

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

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

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

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

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

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

**3.13. Provisions for financial guarantees**

Where a contract meets the definition of financial collateral arrangement, the Company, as an issuer, applies the specific accounting and valuation requirements set out in IFRS 9. These IFRS 9 measurement requirements are applied to all collateral



arrangements, including collateral issued between entities under common control, as well as collateral issued by a subsidiary on behalf of a parent entity. If a unit of the parent company issues a guarantee on behalf of an entity under common control, a provision to that effect is recognised in the financial statements. If the transaction is conducted by the Company's shareholders in their capacity as owners, the Company treats such transactions as an increase in provisions for financial guarantees and an equally opposite decrease in equity (distribution). Distributions of equity for the purposes of financial guarantees are recognised in "Other reserves".

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

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

### 3.14. Intangible assets

#### *Recognition and evaluation*

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

#### *Depreciation*

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

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

### 3.15. Property, plant and equipment

#### *Recognition and evaluation*

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

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

#### *Depreciation*

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

#### **Useful life period (years)**

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



### 3.16. Impairment of non-financial assets

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

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

Impairment losses recognised in prior periods shall be assessed at each reporting date to observe whether there are indications that the loss has decreased or no longer exists. Impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. Impairment loss is only reversed to the extent that the carrying amount of the asset does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognised.

### 3.17. Assets available for sale

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

### 3.18. Trade receivables and other receivables

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

### 3.19. Leasing

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

#### *The company as lessor*

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

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

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

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

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

#### *The company as lessee*

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



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

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

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

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

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments resulting from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be due, if the Company changes its valuation to the effect that it will exercise a purchase option, extension or termination or where there is a substantive review of the lease payments.

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

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

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

### 3.20. Cash and cash equivalents

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

### 3.21. Provisions

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

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

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

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

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

### 3.23. Corporate income tax

#### (a) Current corporate income tax

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

The current tax is the tax payable related to the taxable income realized in the current period, determined on the basis of the

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

*(b) Deferred income tax*

Deferred income tax is determined using the balance sheet method for those temporary differences that arise between the tax base for calculating the tax on assets and liabilities and the carrying amount determined for the purpose of financial reporting. Deferred income tax is determined using the tax rates (and legislation) in force or that have been substantially implemented up to the reporting date and that are estimated to be applied when the deferred income tax asset to be recovered is redeemed or the deferred tax obligation is settled.

The deferred tax asset is reviewed at the end of each financial year and is reduced to the extent that the corresponding tax benefit is unlikely to be realized. The corporate tax rate used to calculate the current and deferred tax is 16% at December 31, 2023 (December 31, 2022: 16%),

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

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

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

### **3.24. Borrowings**

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

### **3.25. Share capital and reserves**

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

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

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

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

### **3.26. Commitments, contingent assets and liabilities**

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

Off-balance-sheet transactions may comprise the following:

- Financing commitments;
- Spot exchange operations;

- Derivatives that are not yet maturing;
- Guarantees received from customers on loans granted,

#### *Contingent assets*

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

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

If the realisation of an income is practically certain, the contingent asset is an asset and will be recognised in the balance sheet. Contingent assets shall be reviewed at each balance sheet date to determine whether there has been a change in the circumstances that would require the recognition of an asset and the associated revenues. If the flow of economic benefits becomes certain, then the asset and the related income will be recognised in the financial statements during the period in which the change occurred.

#### *Contingent liabilities*

A contingent liability is:

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

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

## **4. RISK MANAGEMENT**

### **4.1. General description of the risk management framework**

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

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

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

### **4.2. Credit risk**

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

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

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

#### 4.2.1. Qualitative analysis of credit risk

##### Maximum exposure to credit risk

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

|                                         | 31 Decembrie 2023  | 31 Decembrie 2022  |
|-----------------------------------------|--------------------|--------------------|
| Cash and cash equivalents               | 557.694            | 4.344.863          |
| Loans and advances granted to customers | 166.954.774        | 144.880.103        |
| Loans to related parties                | 5.909.061          | 20.552.685         |
| Other assets (trade receivables)        | 1.212.865          | 2.845.060          |
| <b>Total</b>                            | <b>174.634.394</b> | <b>172.622.711</b> |

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

The classification categories for credit risk analysis are as follows:

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

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

The company holds cash and cash equivalents as at 31 December 2023. The analysis of counterparties based on the rating of Fitch and Dun & Bradstreet is presented in the table below:

|                   | 31 Decembrie 2023 | 31 Decembrie 2022 |
|-------------------|-------------------|-------------------|
| BBB+ Fitch Rating | 38.435            | 75                |
| BB- Fitch Rating  | 8.591             | 2.397.710         |
| 5A1 D&B Rating    | 510.668           | 1.947.078         |
| <b>Total</b>      | <b>557.694</b>    | <b>4.344.863</b>  |

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

| 31 December 2023                                                                 |                  |          |          |                  |
|----------------------------------------------------------------------------------|------------------|----------|----------|------------------|
| Cash and cash equivalents                                                        | Stage 1          | Stage 2  | Stage 3  | TOTAL            |
| Current accounts with banks and other financial institutions in foreign currency | 544.369          | -        | -        | 544.369          |
| Current accounts with banks and other financial institutions in RON              | 13.325           | -        | -        | 13.325           |
| Expected credit losses                                                           | -                | -        | -        | -                |
| <b>Net worth</b>                                                                 | <b>557.694</b>   | <b>-</b> | <b>-</b> | <b>557.694</b>   |
| 31 December 2022                                                                 |                  |          |          |                  |
| Cash and cash equivalents                                                        | Stage 1          | Stage 2  | Stage 3  | TOTAL            |
| Current accounts with banks and other financial institutions in foreign currency | 1.946.370        | -        | -        | 1.946.370        |
| Current accounts with banks in RON                                               | 2.398.493        | -        | -        | 2.398.493        |
| Expected credit losses                                                           | -                | -        | -        | -                |
| <b>Net worth</b>                                                                 | <b>4.344.863</b> | <b>-</b> | <b>-</b> | <b>4.344.863</b> |



The following tables provide information on the situation of delays related to receivables from credit and similar operations contracts at amortised cost allocated to the 3 stages:

| Receivables from credit and similar operations contracts | 31 December 2023 |                |                |                  |
|----------------------------------------------------------|------------------|----------------|----------------|------------------|
|                                                          | Stage 1          | Stage 2        | Stage 3        | TOTAL            |
| Not due                                                  | 4.445.985        | 196.374        | 24.931         | 4.667.290        |
| Overdue 1-30 days                                        | 992.783          | 378.412        | 15.547         | 1.386.742        |
| Overdue 31-60 days                                       | -                | 541.928        | 32.450         | 574.378          |
| Overdue >60 days                                         | -                | -              | 3.307.274      | 3.307.274        |
| Expected credit losses                                   | (55.242)         | (180.882)      | (2.499.656)    | (2.735.780)      |
| <b>Net worth</b>                                         | <b>5.383.526</b> | <b>935.832</b> | <b>880.546</b> | <b>7.199.904</b> |

| Receivables from credit and similar operations contracts | 31 December 2022  |                  |                  |                   |
|----------------------------------------------------------|-------------------|------------------|------------------|-------------------|
|                                                          | Stage 1           | Stage 2          | Stage 3          | TOTAL             |
| Not due                                                  | 11.527.937        | 556.566          | 22.907           | 12.107.410        |
| Overdue 1-30 days                                        | 3.317.691         | 1.247.649        | 37.930           | 4.603.270         |
| Overdue 31-60 days                                       | 1.968             | 1.175.562        | 83.316           | 1.260.846         |
| Overdue >60 days                                         | -                 | -                | 5.396.908        | 5.396.908         |
| Expected credit losses                                   | (161.879)         | (545.293)        | (4.068.000)      | (4.775.172)       |
| <b>Net worth</b>                                         | <b>14.685.717</b> | <b>2.434.484</b> | <b>1.473.061</b> | <b>18.593.262</b> |

| Loans and advances receivables from customers | 31 December 2023   |                  |                  |                    |
|-----------------------------------------------|--------------------|------------------|------------------|--------------------|
|                                               | Stage 1            | Stage 2          | Stage 3          | TOTAL              |
| Not due                                       | 137.492.769        | 1.792.855        | 70.234           | 139.355.858        |
| Overdue 1-30 days                             | 13.779.982         | 3.438.521        | 242.773          | 17.461.276         |
| Overdue 31-60 days                            | -                  | 6.727.479        | 268.652          | 6.996.131          |
| Overdue >60 days                              | -                  | -                | 17.468.703       | 17.468.703         |
| Expected credit losses                        | (5.189.000)        | (3.785.488)      | (12.552.610)     | (21.527.098)       |
| <b>Net worth</b>                              | <b>146.083.751</b> | <b>8.173.367</b> | <b>5.497.752</b> | <b>159.754.870</b> |

| Loans and advances receivables from customers | 31 December 2022   |                  |                  |                    |
|-----------------------------------------------|--------------------|------------------|------------------|--------------------|
|                                               | Stage 1            | Stage 2          | Stage 3          | TOTAL              |
| Not due                                       | 103.525.567        | 2.183.753        | 149.549          | 105.858.869        |
| Overdue 1-30 days                             | 12.794.392         | 4.049.604        | 53.334           | 16.897.330         |
| Overdue 31-60 days                            | 4.314              | 7.585.604        | 181.614          | 7.771.532          |
| Overdue >60 days                              | -                  | -                | 8.840.947        | 8.840.947          |
| Expected credit losses                        | (3.272.745)        | (4.177.238)      | (5.631.856)      | (13.081.839)       |
| <b>Net worth</b>                              | <b>113.051.528</b> | <b>9.641.723</b> | <b>3.593.588</b> | <b>126.286.839</b> |

#### 4.2.2. Guarantees relating to receivables from credit and similar operations contracts and loan receivables

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

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

The guarantees related to receivables from credit and similar operations contracts and loan receivables as at 31 December 2023 are presented in the table below:

|                         | <b>Credit and similar<br/>operations receivables</b> | <b>Loans<br/>receivables</b> |
|-------------------------|------------------------------------------------------|------------------------------|
| <b>Net exposure</b>     | <b>7.190.233</b>                                     | <b>160.175.886</b>           |
| Stage 1                 | 12.570.819                                           | 141.723.014                  |
| Stage 2                 | 2.303.525                                            | 12.488.489                   |
| Stage 3                 | 707.483                                              | 5.191.323                    |
| <b>Total guarantees</b> | <b>15.581.828</b>                                    | <b>159.402.826</b>           |

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

|                         | <b>Credit and similar<br/>operations receivables</b> | <b>Loans<br/>receivables</b> |
|-------------------------|------------------------------------------------------|------------------------------|
| <b>Net exposure</b>     | <b>18.246.756</b>                                    | <b>125.551.450</b>           |
| Stage 1                 | 14.169.048                                           | 112.068.774                  |
| Stage 2                 | 2.959.466                                            | 13.497.164                   |
| Stage 3                 | 715.881                                              | 3.935.403                    |
| <b>Total guarantees</b> | <b>17.844.395</b>                                    | <b>129.501.341</b>           |

#### *Assets obtained by taking possession of the security*

Details of the assets obtained by the Company by taking possession of guarantees relating to credit and similar operations receivables and held at the end of the year are set out in Note 19.

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

#### **4.2.3. Amounts resulting from expected credit losses**

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

##### **Significant increase in credit risk**

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

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

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

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

##### **Incorporating future macroeconomic information (forward-looking elements)**

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

The economic scenarios used on 31 December 2023 included the next key indicators for the years 2023 to 2024. The figures below show the result of combining macroeconomic scenarios (basic and pessimistic) into a single expected value.

| Indicator         | 2023 | 2024 |
|-------------------|------|------|
| Unemployment rate | 5.4% | 5.4% |
| Inflation rate    | 6.4% | 5.4% |
| GDP index         | 2.5% | 2.6% |

The economic scenarios used on 31 December 2022 included the following key indicators for the years 2022 to 2023:

| Indicator         | 2022  | 2023  |
|-------------------|-------|-------|
| Unemployment rate | 5.4%  | 5.4%  |
| Inflation rate    | 19.5% | 14.8% |
| GDP index         | 4.6%  | 2.9%  |

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

The weights allocated to each macroeconomic variable in the construction of the baseline scenario, for 2023 and each relevant forecast year, are as follows:

| Indicator         | 2023  | 2024  |
|-------------------|-------|-------|
| Unemployment rate | 47.5% | 47.5% |
| Inflation rate    | 47.5% | 47.5% |
| GDP index         | 5%    | 5%    |

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

| Indicator         | 2022  | 2023  |
|-------------------|-------|-------|
| Unemployment rate | 47.5% | 47.5% |
| Inflation rate    | 47.5% | 47.5% |
| GDP index         | 5%    | 5%    |

### **ECL measurement**

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

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

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

### **Probability of default (PD)**

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

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

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

The company uses a continuous transitional period of 12 months (or less if the actual lifetime of the product is shorter or if

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

Exposures are grouped into groups according to (DPD) the days due on loans/ credit and similar operations contracts.

The company uses the transition period of 6 months (continuous horizon) and the lifetime estimation is defined as the power of the "n" of the 6-month matrix. The calculations are applied at the level of portfolios (i.e. the credit and similar operations contract portfolio and the loan portfolio).

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

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

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

The following variables are used:

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

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

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

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

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

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

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

The result of the macro model is then applied to the PD parameters for each monthly closing starting December 2021.

For the year 2023, given the fact that were recorded no significant economic fluctuations with impact in the macro model used by the Company, it was decided to maintain the macro delta indicator at the level of the 2nd quarter of 2022 - 102%. At the same time, the Company monitors the evolution of macroeconomic indicators, in order to incorporate possible economic fluctuations and uncertainty in the macro model used, so that the delta macro indicator is updated, if necessary, once a quarter.

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



|                     | 31 December 2023     |                           | 31 December 2022     |                           |
|---------------------|----------------------|---------------------------|----------------------|---------------------------|
|                     | Pessimistic scenario | Weighted average scenario | Pessimistic scenario | Weighted average scenario |
| Gross exposure      | 156.711.519          | 156.711.519               | 130.232.981          | 130.232.981               |
| ECL                 | 5.256.803            | 5.244.242                 | 3.429.815            | 3.434.627                 |
| <b>Net exposure</b> | <b>151.454.716</b>   | <b>151.467.277</b>        | <b>126.803.166</b>   | <b>126.798.354</b>        |

#### **Loss in the event of default**

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

The company closely tracks recoveries from receivables from credit and similar operations contracts and unpaid loans and revises LGD rates each month for portfolios based on actual recoveries received.

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

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

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

#### **Exposure at Default (EAD)**

EAD is the expected exposure in case of default. In the Company's proceedings, the EAD derives from the counterparty's current exposure and the potential changes in this exposure allowed under the contract and arising from impairment.

Exposure to default is modelled by adjusting the unpaid balance of receivables from credit and similar operations contracts and receivables on loans and advances to clients at the reporting date with expected future repayments over the next 12 months. At 31 December 2023 and 3 December 2022 it is only applied to Stage 1 exposures. This is done on the basis of the contractual repayment schedules, adjusted for the observed prepayment rate. Historical prepayment models are considered to be a reliable estimate for future prepayment activity.

#### **Receivables from credit and similar operations contracts and loans with modified terms**

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

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

If the change does not result in substantially different cash flows, as described above, the change does not result in derecognition. Based on the change in discounted cash flows to the initial effective interest rate (EIR), the Company records

a gain or loss in the interest income/expenses calculated by the effective interest method to the extent that an impairment loss has not already been recorded.

The table below shows the balance of receivables from credit and similar operations contracts and loan receivables for which the contractual terms have been changed:

|                                                                              | 31 December 2023 | 31 December 2022  |
|------------------------------------------------------------------------------|------------------|-------------------|
| Receivables from credit and similar operations contracts with modified terms | 105.924          | 13.778.988        |
| Expected credit losses                                                       | (21.866)         | (2,780,731)       |
| <b>Net balance</b>                                                           | <b>84.058</b>    | <b>10.998.257</b> |

#### 4.3. Market risk

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

##### *Interest rate risk*

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

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

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

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

|                               | 31 December 2023 | 31 December 2022 |
|-------------------------------|------------------|------------------|
| Increase interest rates by 5% | 3.386.500        | 3.124.030        |
| Decrease interest rates by 5% | -3.386.500       | -3.124.030       |

##### *Currency risk*

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

##### **As of 31 December 2023**

| <u>Active</u>                                            | RON                | EUR              | TOTAL              |
|----------------------------------------------------------|--------------------|------------------|--------------------|
| Cash                                                     | 13.325             | 544.369          | 557.694            |
| Trade receivables and other claims                       | 1.212.865          | -                | 1.212.865          |
| Loans to related parties                                 | -                  | 5.909.061        | 5.909.061          |
| Receivables from credit and similar operations contracts | 7.199.904          | -                | 7.199.904          |
| Loans and advances granted to customers                  | 159.754.870        | -                | 159.754.870        |
| <b>Total assets</b>                                      | <b>168.180.964</b> | <b>6.453.430</b> | <b>174.634.394</b> |



|                                                 | RON                | EUR                  | TOTAL              |
|-------------------------------------------------|--------------------|----------------------|--------------------|
| <b>Liabilities</b>                              |                    |                      |                    |
| Borrowings                                      | -                  | 161.340.115          | 161.340.115        |
| Liabilities relating to the right to use assets | 2.455.827          | 597.133              | 3.052.960          |
| Other liabilities                               | 5.464.540          | 969.228              | 6.433.768          |
| <b>Total liabilities</b>                        | <b>7.920.367</b>   | <b>162.906.476</b>   | <b>170.826.843</b> |
| <b>Net balance sheet position</b>               | <b>160.260.597</b> | <b>(156.453.046)</b> | <b>3.807.551</b>   |

**As of 31 December 2022**

| <b>Active</b>                                            | RON                | EUR                  | TOTAL              |
|----------------------------------------------------------|--------------------|----------------------|--------------------|
| Cash                                                     | 2.398.493          | 1.946.370            | 4.344.863          |
| Trade receivables and other claims                       | 1.085.986          | 1.759.074            | 2.845.060          |
| Loans to related parties                                 | -                  | 20.552.685           | 20.552.685         |
| Receivables from credit and similar operations contracts | 18.593.262         | -                    | 18.593.262         |
| Loans and advances granted to customers                  | 126.286.839        | -                    | 126.286.839        |
| <b>Total assets</b>                                      | <b>148.364.580</b> | <b>24.258.129</b>    | <b>172.622.709</b> |
| <b>Liabilities</b>                                       |                    |                      |                    |
| Borrowings                                               | -                  | 159.552.360          | 159.552.360        |
| Liabilities relating to the right to use assets          | 2.488              | 1.618.228            | 1.620.716          |
| Other liabilities                                        | 4.638.816          | 645.736              | 5.284.552          |
| <b>Total liabilities</b>                                 | <b>4.641.304</b>   | <b>161.816.324</b>   | <b>166.457.628</b> |
| <b>Net balance sheet position</b>                        | <b>143.723.276</b> | <b>(137.558.195)</b> | <b>6.165.081</b>   |

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

|                                  | 31 December 2023 | 31 December 2022 |
|----------------------------------|------------------|------------------|
| EUR exchange rate increase of 5% | (7.822.652)      | (6.870.513)      |
| EUR exchange rate decrease of 5% | 7.822.652        | 6.870.513        |

**4.4. Liquidity risk**

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

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

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



| at 31 December 2023                                      | Book value         | Contractual cash flows |                    |                    |                     | Total              |
|----------------------------------------------------------|--------------------|------------------------|--------------------|--------------------|---------------------|--------------------|
|                                                          |                    | not due                | up to 1 year       | 1-5 years          | more than 5 years   |                    |
| <b>Active</b>                                            |                    |                        |                    |                    |                     |                    |
| Cash and cash equivalents                                | 557.694            | 557.694                | -                  | -                  | -                   | 557.694            |
| Receivables from credit and similar operations contracts | 7.199.904          | -                      | 9.062.466          | 337.906            | -                   | 9.400.372          |
| Loans and advances to customers                          | 159.754.870        | -                      | 103.229.898        | 237.370.704        | -                   | 340.600.603        |
| Loans to related parties                                 | 5.909.061          | -                      | 6.573.388          | 4.775.248          | -                   | 11.348.636         |
| Trade receivables (other assets)                         | 1.212.865          | -                      | 1.212.865          | -                  | -                   | 1.212.865          |
| <b>Total assets</b>                                      | <b>174.634.394</b> | <b>557.694</b>         | <b>120.078.617</b> | <b>242.483.858</b> | <b>-</b>            | <b>363.120.170</b> |
| <b>Liabilities</b>                                       |                    |                        |                    |                    |                     |                    |
| Borrowings                                               | 161.340.115        | -                      | 63.709.214         | 164.967.342        | -                   | 228.676.556        |
| Liabilities relating to the right to use assets          | 3.052.960          | -                      | 776.364            | 2.803.566          | -                   | 3.579.930          |
| Other liabilities                                        | 6.433.768          | -                      | 6.433.762          | -                  | -                   | 6.433.762          |
| <b>Total liabilities</b>                                 | <b>170.826.843</b> | <b>-</b>               | <b>70.919.340</b>  | <b>167.770.908</b> | <b>-</b>            | <b>238.690.248</b> |
| <b>Net liquidity</b>                                     | <b>3.807.551</b>   | <b>557.694</b>         | <b>49.159.277</b>  | <b>74.712.950</b>  | <b>-</b>            | <b>124.429.922</b> |
| at 31 December 2022                                      | Book value         | Contractual cash flows |                    |                    |                     | Total              |
|                                                          |                    | not due                | up to 1 year       | 1-5 years          | more than 5 years   |                    |
| <b>Active</b>                                            |                    |                        |                    |                    |                     |                    |
| Cash and cash equivalents                                | 4.344.863          | 4.344.863              | -                  | -                  | -                   | 4.344.863          |
| Receivables from credit and similar operations contracts | 18.593.262         | -                      | 14.045.458         | 13.372.346         | -                   | 27.417.804         |
| Loans and advances to customers                          | 126.286.839        | -                      | 84.138.422         | 187.137.420        | -                   | 271.275.842        |
| Loans to related parties                                 | 20.552.685         | -                      | 2.898.981          | 28.381.485         | -                   | 31.280.466         |
| Trade receivables (other assets)                         | 2.845.060          | -                      | 2.845.060          | -                  | -                   | 2.845.060          |
| <b>Total assets</b>                                      | <b>172.622.709</b> | <b>4.344.863</b>       | <b>103.927.921</b> | <b>228.891.251</b> | <b>-</b>            | <b>337.164.035</b> |
| <b>Liabilities</b>                                       |                    |                        |                    |                    |                     |                    |
| Borrowings                                               | 159.552.360        | -                      | 35.104.898         | 184.095.481        | 19.801.460          | 239.001.839        |
| Liabilities relating to the right to use assets          | 1.620.716          | -                      | 767.032            | 948.337            | -                   | 1.715.369          |
| Other liabilities                                        | 5.284.547          | -                      | 5.284.554          | -                  | -                   | 5.284.554          |
| <b>Total liabilities</b>                                 | <b>166.457.623</b> | <b>-</b>               | <b>41.156.484</b>  | <b>185.043.818</b> | <b>19.801.460</b>   | <b>246.001.762</b> |
| <b>Net liquidity</b>                                     | <b>6.165.086</b>   | <b>4.344.863</b>       | <b>62.771.437</b>  | <b>43.847.433</b>  | <b>(19.801.460)</b> | <b>91.162.273</b>  |

#### 4.5. Fair values of financial assets and liabilities

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

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

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

| Active                                                   | Book value         |                    | Fair value         |                    | Fair value hierarchy |
|----------------------------------------------------------|--------------------|--------------------|--------------------|--------------------|----------------------|
|                                                          | 31 December 2023   | 31 December 2022   | 31 December 2023   | 31 December 2022   |                      |
| Cash and cash equivalents                                | 557.694            | 4.344.863          | 557.694            | 4.344.863          | 2                    |
| Receivables from credit and similar operations contracts | 7.199.904          | 18.593.262         | 8.035.593          | 27.412.312         | 3                    |
| Loans and advances granted to customers                  | 159.754.870        | 126.286.839        | 219.553.681        | 159.449.336        | 3                    |
| Loans to related parties                                 | 5.909.061          | 20.552.685         | 5.439.575          | 19.749.356         | 3                    |
| Other assets (trade receivables)                         | 1.212.865          | 2.845.060          | 1.212.865          | 2.845.060          | 3                    |
| <b>Total assets at fair value</b>                        | <b>174.634.394</b> | <b>172.622.709</b> | <b>234.799.408</b> | <b>213.800.927</b> |                      |
| <b>Liabilities</b>                                       |                    |                    |                    |                    |                      |
| Borrowings                                               | 161.340.115        | 159.552.360        | 173.400.781        | 159.552.360        | 3                    |
| Liabilities relating to the right to use assets          | 3.052.960          | 1.620.716          | 2.278.760          | 1.472.788          | 3                    |
| Other liabilities                                        | 6.433.768          | 5.284.547          | 6.433.763          | 5.284.547          | 3                    |
| <b>Total liabilities at fair value</b>                   | <b>170.826.843</b> | <b>166.457.623</b> | <b>182.113.304</b> | <b>166.309.695</b> |                      |

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

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

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

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

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

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

*(a) Receivables from credit and similar operations contracts and loans and advances to customers*

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

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

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



#### 4.6. Fiscal Risk

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

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

#### 4.7. Operational risks

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

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

Operational risk management involves the following:

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

#### 4.8. Capital management

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

In order to implement the current capital requirements, the NBR asks the Company to maintain a certain share of the total risk-bearing assets related to the total capital (a share called aggregated exposure), this weight being of maximum 1500% for 2022.

Starting from August 2023, the National Bank of Romania (BNR) has modified the risk-bearing exposure requirement, introducing new prudential indicators - the solvency ratio and the liquidity ratio.

The solvency ratio represents the ratio between own funds and risk-weighted exposure calculated according to the requirements of BNR Regulation 20/2009. The solvency ratio must be always at least 8%. Additionally, starting from August 2023, a new limit regarding exposure to a single debtor is applied, so according to the new requirements, this exposure cannot exceed 25% of own funds.

The liquidity ratio represents the ratio between actual liquidity and required liquidity calculated according to the provisions of BNR Regulation 20/2009.

The Company complies with the requirements regarding the solvency ratio, exposure to a single debtor, and liquidity ratio imposed by the BNR as of both December 31, 2023, and the date of signing these financial statements.

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

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

### **Expected impairment losses on net investment in credit and similar operations contracts and loans and advances to clients**

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

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

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

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

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

### **Financial guarantees**

#### *Determination of fair value and initial recognition*

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

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

#### *Determination of the expected credit loss for the subsequent valuation*

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

**6. NET INTEREST INCOME**

|                                                                      | 2023              | 2022              |
|----------------------------------------------------------------------|-------------------|-------------------|
| <i>Interest income and similar income</i>                            |                   |                   |
| Interest income from credit and similar operations contracts         | 11.364.203        | 14.136.019        |
| Interest income on loans and advances to customers                   | 53.838.170        | 44.585.916        |
| Interest income on loans granted to related parties                  | 2.509.504         | 3.806.995         |
| Interest income from bank accounts                                   | 18.123            | -                 |
|                                                                      | <b>67.730.000</b> | <b>62.528.930</b> |
| <i>Interest expense and similar charges</i>                          |                   |                   |
| Interest expense on borrowings from unrelated parties                | 11.021.989        | 7.421.941         |
| Interest expense related to the leasing liabilities                  | 85.339            | 59.528            |
| Interest expense on the subordinated borrowings from related parties | 11.257.122        | 8.714.929         |
|                                                                      | <b>22.364.450</b> | <b>16.196.398</b> |
| <b>Net interest income</b>                                           | <b>45.365.550</b> | <b>46.332.532</b> |

**7. NET FEE AND COMMISSIONS INCOME**

|                                       | 2023           | 2022          |
|---------------------------------------|----------------|---------------|
| Fee income for early repayment        | 209.505        | 216.784       |
| Income from other commissions         | 9.402          | 17.289        |
| Expenses from fees and commissions    | (102.623)      | (207.212)     |
| <b>Net fee and commissions income</b> | <b>116.284</b> | <b>26.861</b> |

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

During 2023 and 2022, the Company assigned financial assets valued at amortised cost and recorded the following financial result:

|                                                | 2023           | 2022           |
|------------------------------------------------|----------------|----------------|
| Carrying amount of the assigned assets         | (6.114.358)    | (6.578.338)    |
| Written off financial assets                   | (37.876)       | (85.171)       |
| Income from the assignment of financial assets | 6.492.825      | 7.382.726      |
| <b>Total</b>                                   | <b>340.591</b> | <b>719.217</b> |

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

**9. OTHER OPERATING INCOME**

|                                                               | 2023           | 2022             |
|---------------------------------------------------------------|----------------|------------------|
| Income related to the depreciation of the financial guarantee | 412.637        | 759.361          |
| Other revenue                                                 | 110.325        | 576.320          |
| <b>Other operating income</b>                                 | <b>522.962</b> | <b>1.335.681</b> |

**10. EXPECTED CREDIT LOSSES**

|                                                                                  | 2023                | 2022                |
|----------------------------------------------------------------------------------|---------------------|---------------------|
| Net impairment expense of the investment credit and similar operations contracts | (233.997)           | 1.312.472           |
| Net impairment expense on loans and advances to customers                        | (19.307.560)        | (14.686.592)        |
| Net impairment expense for other receivable                                      | 231.031             | 588.125             |
| <b>Total expected credit losses</b>                                              | <b>(19.310.526)</b> | <b>(12.785.995)</b> |

**11. PERSONNEL EXPENSES**

|                                          | 2023               | 2022               |
|------------------------------------------|--------------------|--------------------|
| Allowances and salaries                  | (8.304.350)        | (7.380.530)        |
| Other personnel expenses                 | (28.556)           | (1.922)            |
| Expenses related to social contributions | (190.338)          | (173.091)          |
| <b>Total personnel expenses</b>          | <b>(8.523.244)</b> | <b>(7.555.543)</b> |

**12. OTHER OPERATING EXPENSES**

|                                                          | <b>2023</b>         | <b>2022</b>         |
|----------------------------------------------------------|---------------------|---------------------|
| Penalties paid                                           | (184.360)           | (61.696)            |
| Management Fee                                           | (8.798.385)         | (7.568.673)         |
| Expenses relating to the provision for untaken leaves    | (49.623)            | 28.481              |
| Recruitment and other personnel expenses                 | (102.701)           | (86.952)            |
| Postal expenses, rentals, utilities                      | (501.359)           | (325.877)           |
| Net gain/loss from fixed assets disposal                 | 32.484              | (1.654)             |
| Communications and internet expenses                     | (361.979)           | (325.827)           |
| Expenses for maintenance of IT equipment, server hosting | (350.703)           | (239.346)           |
| Expenses related to car registration/deregistration      | (85.026)            | (225.828)           |
| Non-deductible value added tax                           | (881.620)           | (879.719)           |
| Travel expenses                                          | (90.322)            | (60.641)            |
| Expenses related to contribution to disability fund      | (83.302)            | (75.214)            |
| Expenses related to professional services                | (582.343)           | (1.031.783)         |
| Insurance costs and vignettes                            | (9.370)             | (3.728)             |
| Advertising expenses                                     | (642.783)           | (562.107)           |
| Distribution expenses                                    | (75.894)            | (90.394)            |
| Other expenses                                           | (1.996.776)         | (2.169.530)         |
| <b>Other operating expenses</b>                          | <b>(14.764.062)</b> | <b>(13.680.487)</b> |

**13. NET TRADING EXPENSES**

|                                                                          | <b>2023</b>      | <b>2022</b>   |
|--------------------------------------------------------------------------|------------------|---------------|
| Net gain or loss on the remeasurement of monetary assets and liabilities | (807.600)        | (90.044)      |
| Net result from foreign currency transactions                            | (80.523)         | 166.157       |
| <b>Currency losses</b>                                                   | <b>(888.123)</b> | <b>76.113</b> |

**14. CORPORATE INCOME TAX**

|                                 | <b>2023</b>        | <b>2022</b>        |
|---------------------------------|--------------------|--------------------|
| Current income tax expense      | (1.509.345)        | (3.933.409)        |
| Deferred tax expense            | (167.363)          | 231.306            |
| <b>Total income tax expense</b> | <b>(1.676.708)</b> | <b>(3.702.103)</b> |

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

|                                                                  |                  |                  |
|------------------------------------------------------------------|------------------|------------------|
| Gain/(loss) before tax                                           | 2.011.974        | 13.642.406       |
| Theoretical profit tax calculated at the rate of 16% (2022: 16%) | 321.916          | 2.182.785        |
| Permanent differences adjustments to the previous year           | 1.354.792        | 1.519.318        |
| <b>Income tax expense for the year</b>                           | <b>1.676.708</b> | <b>3.702.103</b> |

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

The current tax is calculated by applying a rate of 16% (2022: 16%). Deferred income tax is calculated on temporary differences by the balance sheet method, using a rate of 16% (2022: 16%). The deferred income tax statement is set out in Note 22.

## 15. CASH AND CASH EQUIVALENTS

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

|                                                                                  | 2023           | 2022             |
|----------------------------------------------------------------------------------|----------------|------------------|
| Current accounts with banks and other financial institutions in foreign currency | 13.325         | 2.398.493        |
| Current accounts with banks and other financial institutions in RON              | 544.369        | 1.946.370        |
| <b>Total cash and cash equivalents</b>                                           | <b>557.694</b> | <b>4.344.863</b> |
| <b>Cash and cash equivalents in statement of cash flows</b>                      | <b>557.694</b> | <b>4.344.863</b> |

The current accounts are at the free disposal of the Company and are not encumbered. As of 31.12.2023, there is no cash whose use is restricted.

## 16. RECEIVABLES FROM CREDIT AND SIMILAR OPERATIONS CONTRACTS AND LOANS AND ADVANCES TO CUSTOMERS

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

| 31 December 2023                                         |                    |                  |                  |                    |
|----------------------------------------------------------|--------------------|------------------|------------------|--------------------|
| Receivables from credit and similar operations contracts | Stage 1            | Stage 2          | Stage 3          | TOTAL              |
| Gross exposure                                           | 5.438.768          | 1.116.714        | 3.380.202        | 9.935.684          |
| Expected credit losses                                   | (55.242)           | (180.882)        | (2.499.656)      | (2.735.780)        |
| <b>Net exposure</b>                                      | <b>5.383.526</b>   | <b>935.832</b>   | <b>880.546</b>   | <b>7.199.904</b>   |
| 31 December 2022                                         |                    |                  |                  |                    |
| Receivables from credit and similar operations contracts | Stage 1            | Stage 2          | Stage 3          | TOTAL              |
| Gross exposure                                           | 14.847.596         | 2.979.777        | 5.541.061        | 23.368.434         |
| Expected credit losses                                   | (161.879)          | (545.293)        | (4.068.000)      | (4.775.172)        |
| <b>Net exposure</b>                                      | <b>14.685.717</b>  | <b>2.434.484</b> | <b>1.473.061</b> | <b>18.593.262</b>  |
| 31 December 2023                                         |                    |                  |                  |                    |
| Loans and advances to customers                          | Stage 1            | Stage 2          | Stage 3          | TOTAL              |
| Gross exposure                                           | 151.272.751        | 11.958.855       | 18.050.362       | 181.281.968        |
| Expected credit losses                                   | (5.189.000)        | (3.785.488)      | (12.552.610)     | (21.527.098)       |
| <b>Net exposure</b>                                      | <b>146.083.751</b> | <b>8.173.367</b> | <b>5.497.752</b> | <b>159.754.870</b> |
| 31 December 2022                                         |                    |                  |                  |                    |
| Loans and advances to customers                          | Stage 1            | Stage 2          | Stage 3          | TOTAL              |
| Gross exposure                                           | 116.324.273        | 13.818.961       | 9.225.444        | 139.368.678        |
| Expected credit losses                                   | (3.272.745)        | (4.177.238)      | (5.631.856)      | (13.081.839)       |
| <b>Net exposure</b>                                      | <b>113.051.528</b> | <b>9.641.723</b> | <b>3.593.588</b> | <b>126.286.839</b> |

*Adjustments for expected credit losses*

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

| <b>Impairment losses for receivables from credit and similar operations contracts</b> | Stage 1        | Stage 2        | Stage 3          | Total            |
|---------------------------------------------------------------------------------------|----------------|----------------|------------------|------------------|
| <b>Balance on 1 January 2023</b>                                                      | <b>161.879</b> | <b>545.293</b> | <b>4.067.999</b> | <b>4,775,171</b> |
| Transfers to Stage 1                                                                  | 119.245        | (107.701)      | (11.544)         | -                |
| Transfers to Stage 2                                                                  | (19.074)       | 67.148         | (48.074)         | -                |
| Transfers to Stage 3                                                                  | (9.116)        | (181.442)      | 190.558          | -                |
| Impairment losses for new receivables                                                 | -              | -              | -                | -                |
| Reversal of provision for settled receivables                                         | (40.930)       | (71.155)       | (174.647)        | (286.732)        |
| Reversal of provision for written off receivables                                     | (45.504)       | (12.880)       | (463.143)        | (521.527)        |
| Reversal of provision for sold receivables                                            | (42.354)       | (65.208)       | (1.644.299)      | (1.751.861)      |
| Modification of impairment losses for existing receivables                            | (68.904)       | 6.827          | 582.806          | 520.729          |



**Impairment losses for receivables from credit and similar operations contracts**

|                                                            | Stage 1        | Stage 2          | Stage 3          | Total             |
|------------------------------------------------------------|----------------|------------------|------------------|-------------------|
| <b>Balance as at 31 December 2023</b>                      | <b>55.242</b>  | <b>180.882</b>   | <b>2.499.656</b> | <b>2.735.780</b>  |
| <b>Balance on 1 January 2022</b>                           | <b>798.845</b> | <b>1.030.470</b> | <b>8.898.115</b> | <b>10.727.430</b> |
| Transfers to Stage 1                                       | 476.605        | (371.538)        | (105.067)        | -                 |
| Transfers to Stage 2                                       | (58.409)       | 317.218          | (258.809)        | -                 |
| Transfers to Stage 3                                       | (32.518)       | (225.925)        | 258.443          | -                 |
| Impairment losses for new receivables                      | 1.392          | (262)            | (752.249)        | (751.119)         |
| Reversal of provision for settled receivables              | (166.158)      | (137.730)        | (327.517)        | (631.405)         |
| Reversal of provision for written off receivables          | -              | -                | (4.639.786)      | (4.639.786)       |
| Reversal of provision for sold receivables                 | (857.878)      | (66.940)         | 994.870          | 70.052            |
| Modification of impairment losses for existing receivables | <b>161.879</b> | <b>545.293</b>   | <b>4.068.000</b> | <b>4.775.172</b>  |
| <b>Balance as at 31 December 2022</b>                      | <b>798.845</b> | <b>1.030.470</b> | <b>8.898.115</b> | <b>10.727.430</b> |

**Impairment losses on receivables from loans granted**

|                                                            | Stage 1          | Stage 2          | Stage 3           | Total             |
|------------------------------------------------------------|------------------|------------------|-------------------|-------------------|
| <b>Balance on 1 January 2023</b>                           | <b>3.272.745</b> | <b>4.177.238</b> | <b>5.631.857</b>  | <b>13.081.840</b> |
| Transfers to Stage 1                                       | 1.013.050        | (868.968)        | (144.082)         | -                 |
| Transfers to Stage 2                                       | (267.013)        | 336.703          | (69.690)          | -                 |
| Transfers to Stage 3                                       | (345.926)        | (950.072)        | 1.295.998         | -                 |
| Impairment losses for new loan receivables                 | 2.738.615        | 1.394.229        | 4.431.184         | 8.564.028         |
| Reversal of provision for settled receivables              | (416.989)        | (172.803)        | (76.644)          | (666.436)         |
| Reversal of provision for written off receivables          | (64.319)         | (113.035)        | (257.304)         | (434.658)         |
| Reversal of provision for sold receivables                 | (4.221.316)      | (2.961.792)      | (3.244.536)       | (10.427.644)      |
| Modification of impairment losses for existing receivables | 3.480.153        | 2.943.988        | 4.985.827         | 11.409.968        |
| <b>Balance as at 31 December 2023</b>                      | <b>5.189.000</b> | <b>3.785.488</b> | <b>12.552.610</b> | <b>21.527.098</b> |
| <b>Balance on 1 January 2022</b>                           | <b>1.699.462</b> | <b>1.139.288</b> | <b>5.133.550</b>  | <b>7.972.300</b>  |
| Transfers to Stage 1                                       | 446.468          | (323.517)        | (122.951)         | -                 |
| Transfers to Stage 2                                       | (189.225)        | 281.084          | (91.859)          | -                 |
| Transfers to Stage 3                                       | (77.191)         | (162.606)        | 239.797           | -                 |
| Impairment losses for new loan receivables                 | 2.020.904        | 2.098.873        | 2.341.019         | 6.460.796         |
| Reversal of provision for settled receivables              | (296.864)        | (96.677)         | (101.831)         | (495.372)         |
| Reversal of provision for sold receivables                 | -                | -                | (9.577.053)       | (9.577.053)       |
| Modification of impairment losses for existing receivables | (330.809)        | 1.240.793        | 7.811.184         | 8.721.168         |
| <b>Balance as at 31 December 2022</b>                      | <b>3.272.745</b> | <b>4.177.238</b> | <b>5.631.856</b>  | <b>13.081.839</b> |

**Net investment in credit and similar operations contracts**

|                                                                           | 31 December 2023 | 31 December 2022  |
|---------------------------------------------------------------------------|------------------|-------------------|
| <b>Gross investment in credit and similar operations contracts</b>        | <b>9.935.686</b> | <b>23.368.433</b> |
| Less than 1 year                                                          | 8.671.740        | 12.549.685        |
| Between 1 and 5 years                                                     | 1.263.946        | 10.818.748        |
| More than 5 years                                                         | -                | -                 |
| Unrealised financial income                                               | 2.200.468        | 8.824.542         |
| Less: Expected credit losses from credit and similar operations contracts | (2.735.782)      | (4.775.171)       |
| <b>Net investment in credit and similar operations contracts</b>          | <b>7.199.904</b> | <b>18.593.262</b> |

**Net investment in loans and advances to customers**

|                                                            | 31 December 2023   | 31 December 2022   |
|------------------------------------------------------------|--------------------|--------------------|
| <b>Gross investment in loans and advances to customers</b> | <b>181.281.968</b> | <b>139.368.679</b> |
| Less than 1 year                                           | 90.641.796         | 98.085.010         |



|                                                                           | 31 December 2023   | 31 December 2022   |
|---------------------------------------------------------------------------|--------------------|--------------------|
| Between 1 and 5 years                                                     | 90.640.172         | 41.283.669         |
| More than 5 years                                                         | -                  | -                  |
| Unrealised financial income                                               | 180.845.732        | 144.989.003        |
| Less: Expected credit losses from credit and similar operations contracts | (21.527.098)       | (13.081.840)       |
| <b>Net investment in credit and similar operations contracts</b>          | <b>159.754.870</b> | <b>126.286.839</b> |

## 17. LEASING

### Leasing activity as lessee (IFRS 16)

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

#### a) Right of use of assets

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

| <b>Rented space for branches and head office</b> | <b>31 December 2023</b> | <b>31 December 2022</b> |
|--------------------------------------------------|-------------------------|-------------------------|
| <b>Balance on 1 January</b>                      | <b>684.062</b>          | <b>1.121.668</b>        |
| Additions                                        | 2.661.082               | 123.421                 |
| Depreciation charge for the year                 | (477.633)               | (561.027)               |
| Disposals                                        | (1.606.084)             | -                       |
| Accumulate depreciation for disposed items       | 1.171.376               | -                       |
| <b>Balance at 31 December</b>                    | <b>2.432.803</b>        | <b>684.062</b>          |

| <b>Vehicles used in the operational activity</b> |                |                |
|--------------------------------------------------|----------------|----------------|
| <b>Balance on 1 January</b>                      | <b>888.086</b> | <b>645.295</b> |
| Additions                                        | 76.709         | 358.575        |
| Depreciation charge for the year                 | (260.688)      | (236.502)      |
| Disposals                                        | (215.419)      | (197.268)      |
| Accumulate depreciation for disposed items       | 114.924        | 317.986        |
| <b>Balance at 31 December</b>                    | <b>603.612</b> | <b>888.086</b> |

See note 4.4 Liquidity risk for the analysis of the maturity of leasing liabilities at 31 December 2023 and 31 December 2022.

#### b) Amounts recognised in the profit and loss account

|                                         | <b>2023</b>      | <b>2022</b>      |
|-----------------------------------------|------------------|------------------|
| <b>Leases under IFRS16</b>              |                  |                  |
| Interest expense on leasing liabilities | (85.339)         | (59.528)         |
| Depreciation expense                    | (740.744)        | (689.087)        |
|                                         | <b>(826.083)</b> | <b>(748.615)</b> |

## 18. OTHER ASSETS

|                                              | <b>31 December 2023</b> | <b>31 December 2022</b> |
|----------------------------------------------|-------------------------|-------------------------|
| Receivables relating to re-invoiced services | 709.182                 | 1.291.699               |
| Impairment losses on trade receivables       | (385.166)               | (765.875)               |
| Advances granted                             | 1.377                   | 12.709                  |
| Other receivables (i)                        | 887.474                 | 2.306.527               |
| Other assets                                 | 736.474                 | 96.224                  |



| Other assets | 1.949.341 | 2.941.284 |
|--------------|-----------|-----------|
|--------------|-----------|-----------|

- (i) (Other receivables include receivables from payment operators in the amount of 457.601 lei (2022: 208.017 lei), guarantees and advances paid to lessors under lease contracts – 258.209 lei (2022: 228.940 lei), and other receivables in the amount of 171.660 lei (2022: 1.869.569 lei, out of which 1.759.074 lei represent receivables from transactions on the P2P platform).

| Expected impairment losses for trade receivables | 31 December 2023 | 31 December 2022 |
|--------------------------------------------------|------------------|------------------|
| Balance on 01 January                            | 765.875          | 1.354.000        |
| Net increase/(decrease) of the provision         | (380.709)        | (588.125)        |
| Balance at 31 December                           | 385.166          | 765.875          |

## 19. ASSETS HELD FOR SALE

|                                    | 31 December 2023 | 31 December 2022 |
|------------------------------------|------------------|------------------|
| Assets held for sale               | 114.163          | 126.067          |
| Impairment of assets held for sale | (24.357)         | (42.411)         |
| Total other assets, net            | 89.806           | 83.656           |

Assets held for sale are mainly represented by assets recovered from terminated credit and similar operations/loan contacts that have not yet been sold or placed in new credit and similar operations contracts, which have been recovered as a result of the foreclosure of the settlement of receivables from credit and similar operations contracts and loan receivables. The information on the inflows and outflows of such assets during the year 2023 and 2022 is presented below.

|                                                 | 31 December 2023 | 31 December 2022 |
|-------------------------------------------------|------------------|------------------|
| Balance on 01 January                           | 83.656           | 323.862          |
| Additions                                       | 357.753          | 528.262          |
| Disposals                                       | (369.657)        | (726.058)        |
| Value adjustments (cancellations of provisions) | 18.054           | (42.410)         |
| Balance at 31 December                          | 89.806           | 83.656           |

## 20. INTANGIBLE ASSETS

|                                   | Intangible assets | Intangible assets<br>in progress | Total    |
|-----------------------------------|-------------------|----------------------------------|----------|
| <b>As at 31 December 2023</b>     |                   |                                  |          |
| Net book value                    | 92.811            | -                                | 92.811   |
| Additions                         | 146.996           | -                                | 146.996  |
| Disposals                         | -                 | -                                | -        |
| Depreciation charges for the year | (33.590)          | -                                | (33.590) |
| Net book value                    | 206.217           | -                                | 206.217  |
| <b>As at 31 December 2022</b>     |                   |                                  |          |
| Net book value                    | 73.408            | -                                | 73.408   |
| Additions                         | 114.705           | -                                | 114.705  |
| Disposals                         | (75.295)          | -                                | (75.295) |
| Depreciation charges for the year | (20.007)          | -                                | (20.007) |
| Net book value                    | 92.811            | -                                | 92.811   |

## 21. PROPERTY, PLANT AND EQUIPMENT

|                                                | Vehicles | IT equipment<br>and furniture | Construction<br>(Furnishings) | Rights of<br>use of<br>assets | Other<br>property,<br>plant and<br>equipment | Total              |
|------------------------------------------------|----------|-------------------------------|-------------------------------|-------------------------------|----------------------------------------------|--------------------|
| <b>As at 31 December 2023</b>                  |          |                               |                               |                               |                                              |                    |
| <b>Net book value</b>                          | -        | 128.571                       | 3.391                         | 1.572.150                     | 2.545                                        | <b>1.706.657</b>   |
| Additions                                      | -        | 186.643                       | 544.425                       | 2.737.791                     | -                                            | <b>3.468.859</b>   |
| Disposals                                      | -        | (11.916)                      | -                             | (1.821.503)                   | -                                            | <b>(1.833.419)</b> |
| Transfers                                      | -        | -                             | -                             | -                             | -                                            | -                  |
| Depreciation charges                           | -        | (83.160)                      | (6.102)                       | (738.321)                     | (1.915)                                      | <b>(829.498)</b>   |
| Accumulated depreciation<br>for disposed items | -        | 8.111                         | -                             | 1.286.301                     | -                                            | <b>1.294.412</b>   |
| <b>Net book value</b>                          | <b>-</b> | <b>228.249</b>                | <b>541.714</b>                | <b>3.036.418</b>              | <b>630</b>                                   | <b>3.807.011</b>   |
| <b>Year ended 31 December 2022</b>             |          |                               |                               |                               |                                              |                    |
| <b>Net book value</b>                          | 13.598   | 116.247                       | 12.906                        | 1.766.963                     | 13.359                                       | <b>1.923.073</b>   |
| Additions                                      | -        | 84.112                        | -                             | 481.996                       | -                                            | <b>566.108</b>     |
| Disposals                                      | (19.900) | (125.115)                     | -                             | (461.825)                     | (9.918)                                      | <b>(616.758)</b>   |
| Transfers                                      | -        | 2.640                         | (6.082)                       | 228.570                       | 3.442                                        | <b>228.570</b>     |
| Depreciation charges                           | (1.990)  | (54.666)                      | (3.433)                       | (797.527)                     | (14.380)                                     | <b>(871.996)</b>   |
| Accumulated depreciation<br>for disposed items | 8.292    | 105.353                       | -                             | 353.973                       | 10.042                                       | <b>477.660</b>     |
| <b>Net book value</b>                          | <b>-</b> | <b>128.571</b>                | <b>3.391</b>                  | <b>1.572.150</b>              | <b>2.545</b>                                 | <b>1.706.657</b>   |

## 22. DEFERRED INCOME TAX ASSET

|                                                                                                 | 31 December<br>2023 | Tax recognised in<br>Profit or Loss | 31 December<br>2022 |
|-------------------------------------------------------------------------------------------------|---------------------|-------------------------------------|---------------------|
| <b>Tax effects of deductible temporary differences</b>                                          |                     |                                     |                     |
| Adjustment related to the tax loss carried forward                                              | -                   | -                                   | -                   |
| Impairment adjustment for receivables from credit and similar<br>operations contracts and loans | -                   | (1.196.381)                         | 1.196.381           |
| Adjustment for operating leases                                                                 | -                   | (7.771)                             | 7.771               |
| Adjustment for the application of effective interest                                            | -                   | 773.909                             | (773.909)           |
| Adjustment for customer receivables for re-invoiced services                                    | -                   | (143.957)                           | 143.957             |
| Other differences                                                                               | 412.572             | 406.836                             | 5.736               |
|                                                                                                 | <b>412.572</b>      | <b>(167.364)</b>                    | <b>579.936</b>      |

In 2023, as a result of transitioning to International Financial Reporting Standards (IFRS) as the legal reporting framework, all temporary differences recognized due to differences in tax and financial treatment applicable until the transition to IFRS were reversed.

Other differences in 2023 include temporary differences generated by provisions created for expected losses from trade receivables from re-invoicing – 108.762 lei, and provisions for other current expenses – 303.810 lei.

## 23. Borrowings

|                         | 31 December 2023     | 31 December 2022     |
|-------------------------|----------------------|----------------------|
| <b>Borrowings from:</b> |                      |                      |
| Eleving Stella AS       | (150.857.984)        | (85.298.400)         |
| Mintos Finance AS       | (10.482.131)         | (74.253.960)         |
|                         | <b>(161.340.115)</b> | <b>(159.552.360)</b> |



The loans received from Eleving Stella AS include subordinated loans with a fixed interest rate of 12.25% (2022: 12%) and maturity between 2027 and 2030, totalling 104.345.474 lei (20.741.056 EUR), and a loan in the form of a financing line totalling 15 million EUR, with a fixed interest rate of 12.25%.

In 2023, an amount of 9.35 million EUR was disbursed from this loan, and in January 2024, the entire amount drawn from this loan was disbursed.

The loans raised from Mintos Finance AS (P2P loans) are in the form of a financing line, with a fixed interest rate ranging from 6% to 15% and maturing in September 2026.

In December 2023, the Company signed a new credit facility of 10 million EUR with ACP CREDIT I SCA SICAV-RAIF, maturing in 5 years from the date of the first drawdown and with a variable interest rate. The loan was fully disbursed in January 2024.

## 24. LIABILITIES RELATING TO THE RIGHT TO USE ASSETS

|                                                       | 31 December 2023   | 31 December 2021   |
|-------------------------------------------------------|--------------------|--------------------|
| Liabilities relating to the right to use the premises | (2.432.419)        | (729.564)          |
| Liabilities relating to the right to use vehicles     | (620.541)          | (891.152)          |
|                                                       | <b>(3.052.960)</b> | <b>(1.620.716)</b> |

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

|                         | 2023       |              |                      | 2022       |              |                      |
|-------------------------|------------|--------------|----------------------|------------|--------------|----------------------|
|                         | Management | Shareholders | Other group entities | Management | Shareholders | Other group entities |
| <b>Assets</b>           |            |              |                      |            |              |                      |
| Loans granted           | -          | -            | 5.909.061            | -          | -            | 20.552.685           |
| <b>Liabilities</b>      |            |              |                      |            |              |                      |
| Borrowings              | -          | 150.857.984  | -                    | -          | 85.298.400   | -                    |
| Trade payables          | -          | 951.739      | -                    | -          | 645.731      | -                    |
| <b>Profit and loss</b>  |            |              |                      |            |              |                      |
| Interest income         | -          | -            | 2.509.504            | -          | -            | 3.806.995            |
| Interest expense        | -          | 11.257.122   | -                    | -          | 8.714.929    | -                    |
| Management fee          | -          | 7.510.188    | -                    | -          | 6.379.002    | -                    |
| Other invoiced costs    | -          | 49.708       | -                    | -          | -            | -                    |
| Management remuneration | 1.024.442  | -            | -                    | 1.071.025  | -            | -                    |

Related parties to the Company are the shareholders of the company and the companies in the Eleving Group. During 2023, the Company concluded a series of transactions with related parties, related to the receipt and granting of inter-group loans, management services and the issuance of financial guarantees. All these transactions, including contractual interest rates and guarantee conditions, were carried out under competitive conditions, similar to transactions with third parties.

## 26. PROVISIONS AND CONTINGENT LIABILITIES

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

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



annually and have a rating of B- according to Fitch Ratings.

Under the guarantee agreement Mogo IFN SA, amongst other material group entities, irrevocably guarantees the payment of Eleving Group liabilities towards its bondholders in case of default of Eleving Group, under the provisions of bond prospectus. However considering that the bonds are primarily secured by multiple share, asset and bank account pledges granted by several other material group entities, the Company has revaluated the fair value of this guarantee by assessing the value of all unencumbered assets of each material group entity guaranteeing the payment of Eleving Group liabilities towards its bondholders, as well as the potential liability exposure of each guarantor under the bonds, and considers that the fair value of this financial guarantee is insignificant. As a result, Company does not have any provisions recognised in respect of the granted guaranty.

At the time of approving these financial statements, the Company is undergoing a tax audit by the Regional General Directorate of Public Finance Bucharest, aimed at verifying the tax base for the period 2017-2022. Among other aspects, one of the Company's products (sale in instalments with financing elements) that was active during the period 2016-2020 is being analysed, specifically its treatment according to the relevant VAT legislation in Romania. In 2016, the Company submitted a request for a binding tax ruling, to which the response was received in July 2020. The Company's management analysed the comments and conditions included in the aforementioned binding tax ruling, as well as opinions and conclusions of external tax experts, and concluded that the effective VAT regime applied is fully compliant with the applicable VAT regulations in Romania. The tax audit was suspended in October 2023 for a period of up to 6 months and is still pending at the reporting date. Consequently, the Company does not have a report on the results of the tax audit. At the reporting date, the Company's management considers that the outcome of the ongoing tax audit is uncertain, and a future outflow of resources embodying economic benefits is not probable. Therefore, disclosure of this matter as a contingent liability has been selected.

## 27. OTHER LIABILITIES

|                                                    | 31 December 2023   | 31 December 2022   |
|----------------------------------------------------|--------------------|--------------------|
| Payables to employees                              | (59.601)           | (31.909)           |
| Payables to social contributions and payroll taxes | (346.219)          | (259.178)          |
| Corporate income tax payable and other taxes       | (1.186.855)        | (1.952.528)        |
| VAT payable                                        | (149.419)          | (184.162)          |
| Trade payables                                     | (1.431.800)        | (189.439)          |
| Other liabilities                                  | (89.741)           | (15.020)           |
| Provision for untaken leaves                       | (270.249)          | (220.626)          |
| Provision for management fee                       | (951.739)          | (645.731)          |
| Provisions for bonuses                             | (453.207)          | (315.553)          |
| Overpayments                                       | (1.001.067)        | (1.081.895)        |
| Other provisions                                   | (493.871)          | (388.511)          |
|                                                    | <b>(6.433.768)</b> | <b>(5.284.552)</b> |

## 28. SHARE CAPITAL

|               | 31 December 2023 | 31 December 2022 |
|---------------|------------------|------------------|
| Share capital | (924.000)        | (924.000)        |
|               | <b>(924.000)</b> | <b>(924.000)</b> |

|                               | 31 December 2023 | 31 December 2022 |
|-------------------------------|------------------|------------------|
| <b>Shareholding structure</b> |                  |                  |
| UAB Eleving Stella            | 88               | 88               |
| AS Eleving Stella             | 923.912          | 923.912          |
|                               | <b>924.000</b>   | <b>924.000</b>   |

The share capital of the Company subscribed in nominal terms consists of 10,500 registered shares (2022: 10,500) with a nominal value of LEI 88.



In 2023, there were no changes in the shareholding structure or share capital of the Company.

As of December 31, 2023, the Company has legal reserves amounting to 184.800 lei (December 31, 2022: 184.800 lei), representing 20% of the Company's share capital.

## 29. EVENTS AFTER THE BALANCE SHEET DATE

After the balance sheet date, the Bucharest Court of Appeal issued a decision to annul decision no. 46/24.05.2022 issued by the Bucharest Tribunal in a litigation with a former employee, in which the Company prevailed. The decision issued on March 14, 2024, by the Bucharest Court of Appeal is final and binding, whereby the main appeal was upheld, and the Company is obliged to pay compensation equal to the indexed, increased, and updated salaries and other rights that the plaintiff would have been entitled to. As a result, the Company calculated and paid out due salary rights in amount of 249.558 lei.

The financial statements were approved by the Board of Directors on May 08, 2024 and were signed on its behalf by:

Chief Executive Officer,

PRUNĂ Lucian

Deputy CEO,

TETICI Marilena

Lucian-  
Aurel  
Pruna

Digitally signed  
by Lucian-Aurel  
Pruna  
Date: 2024.05.08  
16:55:12 +03'00'

Marilena  
Tetici

Digitally signed by  
Marilena Tetici  
Date: 2024.05.08  
15:40:54 +03'00'

## MANAGEMENT REPORT

### On the activity of MOGO IFN SA in the financial year 2023

#### The company and its shareholders

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

Between January and November 2023, the Company carried out its activity through its registered office, established in Bucharest, sector 3 Calea Mosilor no. 51, Floor 2, and starting November 2023 through the registered office established in Bucharest, sector 3 str. Splaiul Unirii no. 165, Timpuri Noi Square, Floor 7, Building 2.

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

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

#### Mogo products

| Product description | Loan with pledge                                                        | Loan without pledge                                                      |
|---------------------|-------------------------------------------------------------------------|--------------------------------------------------------------------------|
| Loan amount         | Minimum: 5.000 lei<br>Maximum: 60.000 lei<br>Up to 85% from car's value | Minimum: 5.000 lei<br>Maximum: 60.000 lei<br>Up to 100% from car's value |
| Period              | Minimum: 6 months<br>Maximum: 60 months                                 | Minimum: 6 months<br>Maximum: 60 months                                  |
| Interest rate       | fixed                                                                   | fixed                                                                    |
| Guaranties          | Pledge over the car whose purchase is being financed                    | Without pledge over the car whose purchase is being financed             |

| Shareholder        | Country   | No of shares  | Shares value   | Share capital  |
|--------------------|-----------|---------------|----------------|----------------|
| AS Eleving Stella  | Latvia    | 10.499        | 923.912        | 99.9904%       |
| UAB Eleving Stella | Lithuania | 1             | 88             | 0.0096%        |
| <b>Total</b>       |           | <b>10.500</b> | <b>924.000</b> | <b>100.00%</b> |

The company does not own branches.

The number of employees of the Company as of December 31, 2023 was 64 (December 31, 2022: 61).

#### Structure of the Management Board

As at 31 December 2023, the composition of the Board of Directors was as follows:

1. President – Valerij Petrov
2. Member – Neringa Plauskiene
3. Member – Vladislavs Mejertals

In 2023, no changes were made to the composition of the board of directors.

## Macroeconomic context

### Growth

GDP  
+2.10%

According to the announcement of the National Institute of Statistics, Romania's economic growth in 2023 was around +2.1%. For 2024, the Government built the budget on a GDP growth of 3.4%, and according to European Commission estimates for Romania, a GDP growth of 3% is expected.

### Inflation

Inflation  
+6.6%

According to data published by the National Bank of Romania, year-end inflation decreased to 6.61% compared to 16.37% in December 2022 (CPI) and 7.0% compared to 1.1% in 2022 (HICP). The NBR projection for 2024 is to decrease to around 4.7% at the end of the year, but with a slight increase at the beginning of the year due to the impact of the tax legislation changes.

### Fiscal policy and Current account balance

Budget  
deficit of  
EUR 22.64  
billion

-5.68% of  
GDP

The budget deficit at the end of December was 5.68% of GDP, the same as in the previous year, better than analysts' estimates, but significantly higher than the Government's 2022 Fiscal Consolidation Plan (4.4% at the end of the year).

In 2023, the budget deficit fell to 22.64 billion euros from 26.57 billion euros in 2022. This is the consequence of a period of high inflation and lower demand for imports.

The year 2023 was a year marked by several changes in tax legislation, especially determined by the budget deficit situation. Among the main legislative changes, applicable before January 1<sup>st</sup>, 2024, or later, are the followings:

- ✓ Changes in income from salaries and social contributions for employees in the IT, construction and food industry sectors (applicable from November 2023) and from income from self-employment;
- ✓ Taxation of meal vouchers and holiday vouchers;
- ✓ Introduction of a special tax on high-value immovable and movable property (applicable from July 2024);
- ✓ Taxation of income whose source has not been identified;
- ✓ Introduction of minimum turnover tax for credit institutions and economic agents operating in the oil and gas sectors;
- ✓ Modification of tax rates applied to microenterprise income;
- ✓ Modification of VAT rates for several food products;
- ✓ Introduction of mandatory use of the RO E-INVOICE system in B2B relations.

## Milestones and achievements of 2023

Grant  
applications  
+38%

New loans  
RON 102 mil  
+ 7%



### ✓ Increase in the number of applications received and in the value of loans granted:

In 2023, the total number of applications recorded a significant increase, being 38% higher compared to the previous year.

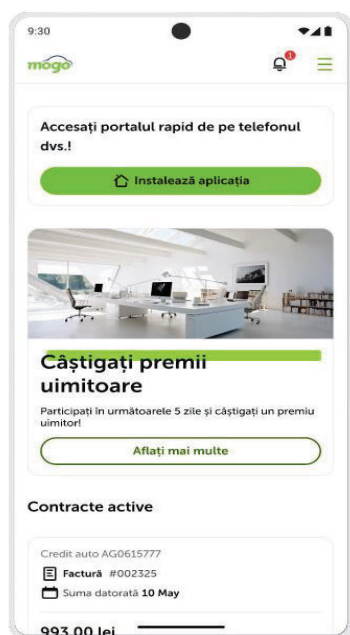
Thus, at the end of 2023, the total number of applications received was 21,504, compared to 15,531 in 2022. Most of funding applications were received in Q3 and Q4 2023, reaching values of 6,330 and 6,429 applications, respectively.

The increase in the number of applications was achieved both by increasing the number of applications through the network of the Company's partners and through its own channels (online

applications).

The volume of loans granted increased this year compared to the previous year by 7%, reaching at the end of the year the total value of RON 102 million (2022: RON 95 million), the maximum value in recent years. The increase in the volume of loans granted was determined both by the increase in the number of customers and by the increase in the amount financed, so in 2023 the average value of a loan (total new loans granted / total number of new customers) was approximately RON 28.7 thousand (RON 26.2 thousand in 2022).

>3500 My  
Mogo users



#### ✓ Digitalization a priority for 2023 – developing the My Mogo portal:

During 2023, the process of developing My Mogo's personal customer portal was initiated, which is where customers have access to all information on the credit agreement and can access its benefits 24/7. This is the first portal of its kind developed by the Company. Successfully launched in early 2024, the portal has already registered more than 3,500 active users. Its primary objective is to improve and facilitate customer experience with the financial products offered by the Company.

The portal offers the following:

- Information on the credit agreement and additional documents
- View payment due date
- Download of contract documents
- Payment of the scheduled instalment
- Set up recurring payments

In the next period we plan to make several updates, including:

- Change the due date directly from the app
- Application for credit restructuring
- Updating personal data
- Check your payment history
- Data validity check or - if the ID is expired and needs to be updated

€10 million  
new  
accessible  
funding  
from  
2024

#### ✓ Diversification of sources of activity financing – ACP Credit the new external financier:

At the end of 2023, the Company signed a new financing agreement with ACP Credit, a leader on the Central European lending market, in order to contract a credit facility totaling EUR 10 million, which was successfully disbursed at the beginning of January 2024. The loan matures within 5 years from the date of disbursement, with variable interest rate and quarterly interest payment. The funds raised from ACP Credit are used to partially repay loans raised through the P2P Mintos platform and to increase the customer portfolio.

Headquarter  
office  
building at  
premium  
standards



Investments  
in fit-out  
+ RON 625  
thousand

#### ✓ Change of registered office:

In May 2023, the Company signed a new lease agreement for office space in the Timpuri Noi Square complex, which offers offices for rent at premium standards.

The lease agreement is concluded for a period of 6 years. The total investment in arranging the new headquarters, including the purchase of furniture, amounted to 625 thousand lei, out of which the owner's contribution is 283 thousand lei.

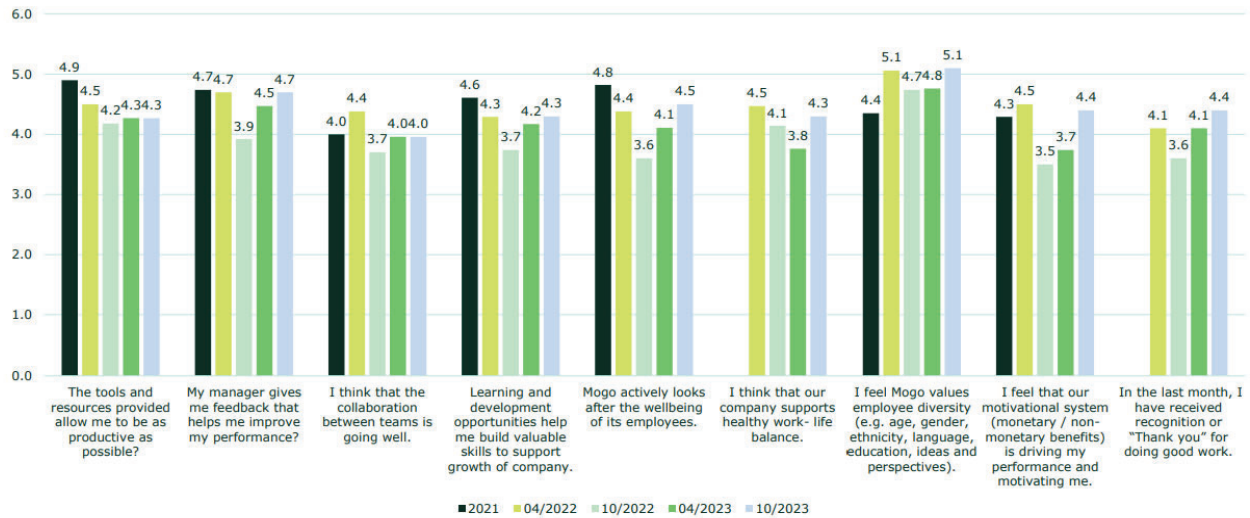
The reallocation to the new headquarters took place in mid-November.

#### ✓ Human resources:

The year 2023 was marked by several achievements on the human resources side, which had a positive impact on the Company's employees, as demonstrated by the results of Mogo Voice organized in October 2023, when we registered the highest participation rate in recent years – 91%.

Employee  
satisfaction  
4.4 out of 5,  
89%

## RO Mogo Voice 10/2023 – by criteria



Employee satisfaction at work increased from 78% last year to 89% in 2023 (4.44 out of 5), the "Feedback received" indicator increased from 78% (3.9 out of 5) to 94% (4.7 out of 5), and "Well-being" increased by 25% from 3.6 in 2022 to 4.5 in 2023, suggesting that employees appreciate working in the context of work-life balance. Also, according to the results of Mogo Voice organized in October 2023, a significant improvement was registered by the "Motivation" and "Recognition", which increased compared to the results recorded in October 2022 by 26% and 22%, respectively. Thus, the indicator "Motivation" increased from 3.5 to 4.4 and the indicator "Recognition" increased from 3.6 to 4.4.

Staff expenses in 2023 reached 8.52 million lei, which represents an increase of 13% compared to 2022 (7.56 million lei)

Staff costs  
RON 8.52  
mil  
+13%

Among the main achievements regarding Mogo employees are:

- Granting salary increases to Mogo employees;
- Inclusion in the salary package of new benefits granted to employees: meal vouchers, a day off leave on the occasion of birthday, 16 hours of paid short-leave, social benefits;
- Making the work schedule more flexible by applying the hybrid work program;
- Organization of team-building and training events.

New salary  
benefits and  
salary  
increases

### Financial indicators

The performance and financial position analysis was prepared on the basis of the financial statements, prepared by the Company in accordance with the International Financial Reporting Standards adopted by the European Union, for the period ended December 31, 2023, compared to the previous year 2022.

### STATEMENT OF PROFIT OR LOSS

|                                                  | 31-Dec-23         | 31-Dec-22         | Change      |
|--------------------------------------------------|-------------------|-------------------|-------------|
| Net interest income                              | 45,365,550        | 46,332,532        | -2%         |
| Net fee and commission income                    | 116,284           | 26,861            | 333%        |
| Net gain from financial asset derecognition      | 340,591           | 719,217           | -53%        |
| Other operating income                           | 522,962           | 1,335,681         | -61%        |
| <b>Total operating income</b>                    | <b>46,345,387</b> | <b>48,414,291</b> | <b>-4%</b>  |
| Expected credit losses                           | -19,310,526       | -12,785,995       | 51%         |
| Losses from impairment of non-financial assets   | 18,053            | -42,412           | -143%       |
| Personnel expenses                               | -8,523,244        | -7,555,543        | 13%         |
| Other operating expenses                         | -15,629,573       | -14,464,048       | 8%          |
| Net gain(loss) from foreign currency translation | (888,127)         | 76,113            | -1267%      |
| <b>Profit / (Loss) before tax</b>                | <b>2,011,970</b>  | <b>13,642,406</b> | <b>-85%</b> |
| <b>Corporate income tax</b>                      | <b>-1,676,708</b> | <b>-3,702,103</b> | <b>-55%</b> |
| <b>Net result</b>                                | <b>335,262</b>    | <b>9,940,303</b>  | <b>-97%</b> |

RON 2.01  
mil  
PBT  
-85%

- In 2023, the Company recorded a net profit before tax of RON 2.01 million in 2023, down 85% compared to the previous year. This decrease was mainly driven by the increase in the cost of financing, expected credit risk loss expenses and other operating expenses.
- Net interest income recorded in 2023 a decrease of 2% (RON 0.96 million) compared to the previous year due to the increase in the cost of financing (RON 6.2 million), which was partially offset by the increase in interest income (RON 5.2 million).
- Net income from the derecognition of financial assets decreased year-on-year by 53%, because of the reduction in the average sale price of assigned receivables.
- The increase in the portfolio and the deterioration of the clients' solvency as a result of the macroeconomic context defined by significant price increases, determined the increase of expected credit losses in the current year compared to the previous year by RON 6.5 million (51%).
- Salary expenses increased by 13% in the context of the annual evaluation and revision of the Company's staff salaries, partially (insignificantly) this increase was also determined by the increase in the number of employees.
- Other operating expenses increased compared to the previous year by RON 1.16 million (8%), the increase being mainly driven by the increase in management services (RON 1.22 million) which was partially offset by the reduction in other operating expenses.
- Net gain(loss) from foreign currency translation increased significantly, mainly due to recognized exchange rate differences in connection to borrowings.
- Income tax expense was positively impacted by the transition to International Financial Reporting Standards (IFRS) as a statutory basis for reporting as of 01 January 2023. Thus, the fiscal effect from the transition determined the reduction of the profit tax expense by RON 399 thousand.

## STATEMENT OF FINANCIAL POSITION

| <b>ACTIVE</b>                                     |  | <b>31-Dec-23</b>   | <b>31-Dec-22</b>   | <b>Change</b> |
|---------------------------------------------------|--|--------------------|--------------------|---------------|
| Cash and cash equivalents                         |  | 557,694            | 4,344,863          | -87%          |
| Loans and advances granted                        |  | 172,863,835        | 165,432,788        | 4%            |
| Other current assets                              |  | 2,039,147          | 3,024,940          | -33%          |
| Intangible assets                                 |  | 206,217            | 92,811             | 122%          |
| Tangible assets                                   |  | 3,807,011          | 1,706,657          | 123%          |
| Deferred tax asset                                |  | 412,572            | 579,936            | -29%          |
| <b>TOTAL ASSETS</b>                               |  | <b>179,886,476</b> | <b>175,181,995</b> | <b>3%</b>     |
| <b>LIABILITIES AND EQUITY</b>                     |  |                    |                    |               |
| Borrowings                                        |  | 161,340,115        | 159,552,360        | 1%            |
| Liabilities related to the right of use of assets |  | 3,052,960          | 1,620,716          | 88%           |
| Other liabilities                                 |  | 6,433,768          | 5,284,552          | 22%           |
| Equity                                            |  | 9,059,633          | 8,724,367          | 4%            |
| <b>TOTAL LIABILITIES AND EQUITY</b>               |  | <b>179,886,476</b> | <b>175,181,995</b> | <b>3%</b>     |

- The significant decrease in cash at December 31, 2023 compared to 2022 was driven by the high demand for credit applications received in December (2.246, the maximum number recorded in the last 2 years) and the higher volume of new loans granted in the same month (2023: RON 7.5 million, 2022: RON 5.8 million).
- The book value of loans and advances granted increased in 2023 by RON 7.4 million (increased by 4%) compared to the previous year. The increase was determined by the increase in the carrying amount of receivables related to loans and advances granted in the amount of RON 28.3 million, which was partially offset by the decrease in the balance of loans granted to related parties (RON 14.6 million) and the increase in the balance of provisions related to expected credit risk losses (RON 6.5 million).
- Intangible assets increased in 2023 compared to the previous year by RON 113.4 thousand (increased by 122%). The company, this year, made investments in the acquisition of software for accounting, operational and in developing its own SAF-T reporting system in the total amount of RON 142.6 thousand, depreciation of intangible assets in the current year amounted to RON 33.6 thousand.
- Tangible assets in 2023 increased by RON 2.1 million both on account of the acquisition of computer technology (RON 106 thousand) and on account of investments in the arrangement of the new headquarters (RON 544 thousand) and changes in the value of assets regarding rights of use (increased by RON 1.952 thousand). The depreciation of tangible assets registered in the current year amounted to RON 832 thousand, out of which RON 740.7 thousand relate to asset use rights.

Loans and  
credits  
granted  
+ RON 7.4  
mil.

Use rights  
+ RON 1.95  
mil

- The decrease of 29% (RON 167 thousand) in the value of deferred assets related to income tax was mainly determined by the transition to IFRS (RON 199 thousand), which was partially offset by the positive change during the year.
- The change in liabilities related to right of use assets was driven by the recognition of rights of use related to new lease contracts for space (headquarters and car lot) and vehicles, as well as the early closure of rental contracts.
- The increase in equity of 4% is due to the increase in retained earnings.

During 2023, the Company did not carry out activities in the field of research and development. The Company also did not acquire its own shares during 2023.

According to management estimates, regarding the foreseeable development of the Company, the Company will continue its development activity during 2024, and will increase its client portfolio so as to be able to generate revenues necessary to finance the activity and the proper functioning of the Company.

### Net assets

As of December 31, 2023, the value of the Company's assets is RON 179.886.476 (2022: RON 175.181.995) and total liabilities are RON 170.826.843 (2022: RON 166.457.628). Under these circumstances, the net asset value, calculated as the difference between total assets and total liabilities, is RON 9.059.663 (2022: RON 8,724,367), which represents 980% (2022: 944%) of the subscribed and paid-in share capital.

### Own funds

|                            | 31-Dec-23          | 31-Dec-22          |
|----------------------------|--------------------|--------------------|
| Share capital and reserves | 1,108,800          | 1,108,800          |
| Retained earnings          | 7,950,838          | 7,615,572          |
| Other elements             | 102,972,240        | 103,085,646        |
| <b>Equity</b>              | <b>112,031,878</b> | <b>111,810,018</b> |

### Risk management

The Board of Directors has overall responsibility for establishing and monitoring the overall framework for risk management.

Subordinated to it, there is the Risk Management Committee, a structure composed of 3 members, namely the company's managers and the risk manager, which has an advisory role in establishing the strategy and objectives for each type of significant risk as well as in supervising and optimizing the basic processes, regulations and associated procedures.

The Company adopts a prudent approach to risk, in this respect, the Risk Management Committee is convened quarterly or whenever necessary to present the results of risk monitoring within the Company.

The Company also has internal structures specialized in identifying, managing and monitoring all types of risks.

The most important financial risks to which the Company is exposed are credit risks, market risk, currency risk, liquidity risk, taxation risk, operational risk, reputational risk.

#### a) Credit risk

Credit risk is the current or future risk of losses caused by borrowers' failure to meet their contractual obligations or by their failure to meet their established obligations. Credit risk is considered to be the main risk to which the company is exposed, and its efficient management and monitoring is considered a priority for the company.

The Company's credit risk environment is based on the efficient distribution of responsibilities across different levels, avoiding conflicts of interest and subjective judgments. The credit risk environment is constructed in accordance with the credit risk strategy, significant operational policies and general procedures, as well as the effective execution of these policies.

The company applies the principles of IFRS 9 "Financial instruments" when calculating expected losses from credit risk, thus the entire portfolio grouped into risk classes (stage 1, stage 2, stage 3) – each class having a specific methodology of calculating losses.

As of December 31, 2023, and December 31, 2022, the classification status of loans granted to individuals and the adjustments for the impairment of related receivables are as follows:

| 31-Dec-23                  |                    |                  |                  |                    |
|----------------------------|--------------------|------------------|------------------|--------------------|
|                            | Stage 1            | Stage 2          | Stage 3          | TOTAL              |
| Loans and advances granted | 156,711,519        | 13,075,569       | 21,430,564       | 191,217,652        |
| Expected credit loss       | (5,244,242)        | (3,966,370)      | (15,052,266)     | (24,262,878)       |
| <b>Net exposure</b>        | <b>151,467,277</b> | <b>9,109,199</b> | <b>6,378,298</b> | <b>166,954,774</b> |
| <i>Impairment rate</i>     | 3%                 | 30%              | 70%              | 13%                |

| 31-Dec-22                  |                    |                   |                  |                    |
|----------------------------|--------------------|-------------------|------------------|--------------------|
|                            | Stadiul 1          | Stadiul 2         | Stadiul 3        | TOTAL              |
| Loans and advances granted | 131,171,869        | 16,798,738        | 14,766,505       | 162,737,112        |
| Expected credit loss       | (3,434,624)        | (4,722,531)       | (9,699,854)      | (17,857,009)       |
| <b>Net exposure</b>        | <b>127,737,245</b> | <b>12,076,207</b> | <b>5,066,651</b> | <b>144,880,103</b> |
| <i>Impairment rate</i>     | 3%                 | 28%               | 66%              | 11%                |

On a background of price increases and inflation rates in 2023, customers' ability to pay decreased, leading to an increase in the impairment rate of loans and loans granted (expected credit losses/loans and advances granted) by 2% compared to the previous year (2022: 11%).

The value of the portfolio of receivables classified in stage 3 increased by 31% in 2023, increasing from RON 14.8 million in 2022 to RON 21.4 million in 2023.

#### b) Market risk

Market risk has three components: currency risk, interest rate risk and price risk.

The main sources of interest rate risk are the week correlation between maturity (for fixed rates) or price recalculation date (for variable interest rates). The asset portfolio bears fixed interest rates and the financing takes into account variable rates for funds drawn as loans are granted.

The company monitors the interest rate risk and aims for it to be at medium level, so the weighted average cost of borrowed sources cannot be higher than 16%, and respectively cannot be below the effective interest rate applied to loans and loans granted.

Interest rate risk was assessed as medium in Q1 2023 and low starting Q2 2023. The Company's management plans that in 2024 there will be no significant increase in this risk, given the diversification of the Company's funding sources, as well as the changes made to financial products in terms of the effective interest rate on loans and advances granted.

Currency risk is represented by exposure in RON for balance sheet assets in EUR and for balance sheet liabilities in EUR represented by borrowings (group and P2P borrowings). The currency risk in 2023 was assessed as small, as the fluctuation of the NBR exchange rate in 2023, which on average increased in 2023 compared to the previous year by about 0.3%, was not significant. According to data published by the NBR, the average EUR RON exchange rate increased from 4.9315 in 2022 to 4.9465 in 2023. In the first quarter of 2024, currency risk was also assessed at medium level.

Market risk associated with price volatility for the collateral portfolio of financed vehicles

Its monitoring takes into account:

- Monitoring of the progress of interest rates and their correlation between assets and liabilities / margin analysis,
- Monitoring of the net currency position on each currency and assessing the impact of currency risk on capital needs,
- Monitoring of the progress of the fair value of the collateral portfolio.

The company is exposed to this risk in terms of the collateral portfolio represented by vehicles. Company finances vehicle purchases (or provides consumer loans secured by vehicles). The largest share is represented by used vehicles, some of which are older than 10 years. The company is exposed to price risk because the collateral portfolio may depreciate (in terms of fair value/market value) significantly faster than estimates in the business plan, leading to a decrease in the coverage of the loan portfolio with guarantees. In order to manage this risk, Company has implemented a well-defined process of roadworthiness tests of vehicles when granting loans, a policy not to finance certain types of high-risk vehicles, and monitoring of these guarantees for fair value developments.

### **c) Liquidity risk**

Liquidity risk refers to the Company's inability to meet short-term payment obligations on account of realisable assets in the same period.

Monitoring and ensuring liquidity is one of the important concerns of the Company's management.

The Company is also constantly engaged in conducting analysis of liquidity position and cash flows according to maturity range.

Consequently, liquidity indicators are periodically analysed in order to establish the necessary corrections so as to eliminate deviations considered unacceptable.

The liquidity risk in 2023 was assessed as being at a medium to low level, the Company's current assets significantly exceeding the current liabilities, so at the end of 2023, the liquidity ratio (current assets/current liabilities) was 8.56, increasing compared to the other quarters of this year, and in Q1 2024 this rate was 8.31.

Starting with August 2023, the Company implemented the calculation of the liquidity indicator required by the requirements of the NBR Regulation no.20 of 13.10.2009 on non-banking financial institutions, with subsequent amendments, and monitored and ensured that the level of this indicator is above the minimum established by the Regulation (100%). At the end of 2023, this indicator registered 262%, registering an upward trend in the first quarter of 2024 (1134% on March 31, 2024).

### **d) Taxation risk**

Romanian tax legislation provides detailed and complex rules, which have undergone several changes in recent years. The interpretation of the text and the practical procedures for implementing tax legislation may vary, with the risk that certain transactions may be interpreted differently by tax authorities compared to the tax treatments applied by the Company.

The company complies with and applies the tax legislation in force for all tax categories. Thus, the Company's management considers that it has recorded fair values in the accounts of duties, taxes and other debts to the state.

In accordance with the legal regulations in force in Romania, the periods audited may be subject in the future to additional checks in exceptional cases. The Company's tax obligations regarding taxes and fees may be subject to tax audit for a period of 5 years after they have been registered. In certain situations, tax authorities may take a different position in interpreting legislation and calculate certain interest and tax penalties. Even if a tax is not material at the moment, due to high interest rates, penalties can be material at the time the tax authorities assess them.

In Romania there are a number of government agencies that have the right to carry out controls on companies and banks, Romanian or foreign legal entities. These controls are similar in nature to those carried out by authorities in other countries, but may extend not only to tax issues, but also to other legal or regulatory issues.

At the date of approval of this report, the Company is subject to a tax audit by the Regional General Directorate of Public Finance Bucharest, in order to verify the tax base for the period 2017-2022. The tax review was suspended in October 2023 for up to 6 months and is still pending at the time of the report.

The company assesses the tax risk for 2023 and 2024 as low.

### **e) Operational risk**

Operational risk is the risk of losses or failure to achieve estimated profits, which can be determined by internal factors (inadequate performance of internal activities, existence of inadequate staff or systems, etc.) or external factors (economic conditions, changes in the financial and banking environment, technological progress, etc.).

Operational risk includes risks that could arise from:

- Use of IT systems
- Implementation of processes (flows) and procedures
- Adequacy of human resources
- Information security incidents
- Fraud incidents
- Service outsourcing
- Non-compliance aspects

Mitigating the risk of fraud incidents was done in Q1 2024 by implementing tools dedicated to improving prevention systems and by adding additional fields in operating systems to streamline processes.

**Operational risk monitoring** aims at collecting operational incidents in an operational risk register and analysing them from the point of view of:

- Risk localization
- Risk Officer
- Risk event manager
- Risk typology
- Risk frequency
- Risk severity
- Financial impact risk
- Risk compliance impact

Operational risk events are monitored as they occur. Their records are managed and evaluated by tracking the evolution of risk indicators.

In operational risk management, the following general principles shall apply:

- Monitoring the efficiency of new processes, products and partnerships;
- Careful supervision of assets generating operational risks by the management of each department of the Company, according to the specifics of the activity;
- Compliance with all legal regulations imposed by competent bodies as well as internal rules;
- Review the Company's processes by ensuring an effective program of internal audit engagements.

#### **f) Reputational risk**

Reputational risk is defined as the risk of negative impact on profits and capital caused by the unfavorable perception of the Company's image by customers, partners, shareholders, investors or supervisory authorities.

Reputational risk monitoring is carried out by analyzing:

- Incident reports;
- Compliance with the code of ethics and professional conduct;
- Compliance with internal processes;
- Risk indicators to which the Company is exposed.

Reputational risk refers to MOGO's exposure to events that could lead to low customer confidence in its products and diminished customer portfolio or difficulty in attracting new customers; difficulty in attracting funding sources; difficulty in retaining employees; non-compliance with the requirements imposed by the NBR.

Reputational risk monitoring is carried out through:

- Daily monitoring of local and central media.
- Monitoring MOGO's activity with a focus on events that may expose the Company to reputational risk (especially those related to the relationship with customers and the supervisory authority).
- Monitoring the level of complaints received from customers (nature, frequency, financial impact on MOGO)

In February 2024, a verification action was carried out by the National Bank of Romania, which aimed to comply with the legal requirements regarding prudential reporting to the NBR. As a result of this action, a plan of measures was received and is being implemented.

In March 2024, the National Authority for Consumer Protection carried out a control action, following which a plan of measures was received, which was implemented.

#### **Internal control**

The Company's internal control is a continuous process involving directors, managers and employees through which reasonable assurance is provided regarding the achievement of performance, information and reporting objectives:

- Carrying out the activity in conditions of efficiency and effectiveness;
- Providing credible, relevant, complete and timely data and information to the structures involved in decision-making within the Company as well as to external users of information;
- Ensuring compliance of the Company's activities with the legal framework, with the requirements imposed by the Group and with its own internal rules and regulations.

The internal control system consists of the following elements, between which there is a close correlation:

- The role and responsibilities of the Board of Directors and the Managers and the control environment;
- Identification and assessment of significant risks, incidents in the Company's activity;
- Control activities and separation of duties and responsibilities;

- Information and communication within the Company;
- Activities to monitor and correct deficiencies.

The effective implementation of these elements is a prerequisite for the Company to achieve the objectives set.

A significant role in monitoring the internal control system is played by the internal auditor. The internal audit activity is an independent activity and is materialized by performing audit missions. In 2023, the audit missions carried out, according to the approved internal audit plan, were as follows:

- Analysis of the activity of the Sales Department, partner account managers compartment
- Analysis of the activity of the Sales Department, compartment credit sales
- Analysis of the activity of the Human Resources Department

The recommendations of the internal auditor have been brought to the attention of the company's management, are in the attention of the Audit Committee and are in different stages of implementation, most of which have already been implemented.

For 2024, the approved audit plan presents the following audit missions:

- Rule on management of conflict of interest
- Regulation of the Risk Management Committee
- Accounting policies and monographs according to IFRS
- Procurement procedure

#### **Events after the balance sheet date**

Mr. Badiu Ionuț, ceased his activity from the position of General Manager within Mogo IFN SA starting with March 2024, Mr. Lucian Prună being appointed as General Manager.

In January 2024, the total amount of the loan granted by ACP credit – EUR 10 million – was disbursed, the loan being used to partially repay P2P loans and to finance the Company's activity.

In February 2024, at national level, the Consumer Protection Act on the total cost of lending and assignment of receivables, adopted by the Senate in December 2021, was reinstated. The law was approved by the Senate and Chamber of Deputies, but was challenged before the Constitutional Court, and at the date of this report, the decision of the Constitutional Court is awaited.

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

#### **Board of Directors of MOGO IFN SA:**

Valerij Petrov, President

Neringa Plauskiene, Member

Vladislavs Mejertals, Member