

**OCN Sebo Credit SRL**  
**Financial Statements**  
**for the year ended 31 December 2021**

Prepared in accordance with  
International Financial Reporting Standards

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# FlagMAN-D

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Non-Bank Credit Organization „Sebo Credit“ Ltd

### OPINION

**[1]** We have audited the financial statements of the **Non-Bank Credit Organization „Sebo Credit“ Ltd** (the Company) which comprise the Statement of financial position as at December 31, 2021, Statement of profit or loss and other comprehensive income, Statement of changes in equity and Statement of cash flows, for the period January 1, 2021 – December 31, 2021, and a Notes to the Financial Statements, including a summary of significant accounting policies.

**[2]** In our opinion, the accompanying Financial statements of the Company for the period January 1, 2021 – December 31, 2021 are prepared in all material respects in accordance with International Financial Reporting Standards (**IFRSs**).

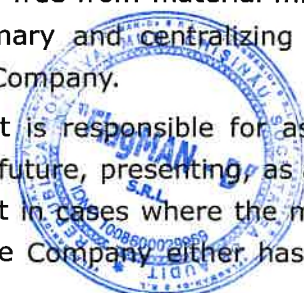
### BASIS FOR OPINION

**[3]** We conducted our audit in accordance with **International Standards on Auditing** (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Information section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the Republic of Moldova, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the **IESBA Code**. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### MANAGEMENT'S RESPONSIBILITIES FOR THE FINANCIAL INFORMATION

**[4]** The Company's management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting policies as detailed in Notes of the financial statements and in accordance with **IFRS** and for such internal control as management deems necessary to enable the preparation of the Financial Statements free from material misstatement, whether due to fraud or error. The responsibility for the primary and centralizing documents, accounts and ledgers presented lies with the management of the Company.

**[5]** When preparing the Financial Statements, the management is responsible for assessing the ability of the Company to continue its activity in the foreseeable future, presenting, as appropriate, the aspects related to the inability to continue the activity, except in cases where the management intends to either liquidate the Company or cease its activity. The Company either has no realistic alternative but to do so.



**[6]** Persons charged with governance are responsible for overseeing the Company's financial reporting process.

## **AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL INFORMATION**

**[7]** Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with **ISAs** will always detect a material misstatement when it exists.

**[8]** Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

**[10]** We communicate to the Company's management, among other things, the planned scope and timing of the audit, as well as the main audit findings, including any significant internal control deficiencies that we identify during the audit.

**[11]** We also provide those charged with governance with a statement that we have complied with the relevant ethical requirements regarding independence, and that we have disclosed to them all relationships and other matters that could reasonably be expected to affect our independence and, where if applicable, related protective measures.





**OTHER INFORMATION**

[12] The **engagement** partner on the audit resulting in this independent auditor's report is **Vladimir DOLGHI**.

On behalf of

**Audit Company FlagMAN-D Ltd**

Executive Director

**Vladimir DOLGHI**

Master in accounting, Licensed auditor

Certificate of qualification to the general auditor: series AG No. 000168 from February 08, 2008

**Registered in the Public Register of Auditors with the number 0802168**

**Legal address of the Audit Company FlagMAN-D Ltd:**

65, Mitropolit Varlaam str., of. 232, MD-2012, Chisinau, Republic of Moldova

**Certificate of state registration of the Audit Company FlagMAN-D Ltd:**

Seria MD No. 0074494 from June 16, 2008 with ID No. 1008600029969

**Registered in the Public Register of Audit Entities with the number 1903044**

**Chişinău, January 24, 2023**



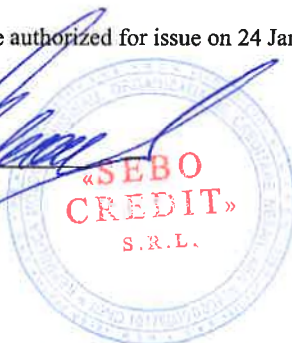
**OCN Sebo Credit SRL**  
**Statement of financial position**  
**As at 31 December 2021**

	Notes	31 December 2021 MDL	31 December 2020 MDL
<b>ASSETS</b>			
Cash and cash equivalents	4	14 998 888	11 781 227
Loans to customers	5	482 540 988	391 428 444
Prepayments	6	254 247	587 943
Trade receivables		3 523 984	4 807 391
Property and equipment	7	24 797 753	32 822 443
Intangible assets	8	18 147 159	13 265 975
Deferred tax asset	9	-	(2 360 361)
Other assets	10	3 754 699	12 637 527
<b>Total assets</b>		<b>548 017 719</b>	<b>464 970 589</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
<b>Liabilities</b>			
Borrowings	11	290 936 921	278 309 457
Trade and other payables	12	39 275 896	56 943 255
Customer advances		8 703 123	2 084 279
Deferred tax liabilities		8 117 066	-
<b>Total liabilities</b>		<b>347 033 006</b>	<b>337 336 992</b>
<b>Shareholders' equity</b>			
Share capital	13	54 550 000	54 550 000
Additional paid-in capital		5 455 000	30 000
Retained (earnings)/ losses		22 628 597	304 395
Retained (earnings)/ losses current period		118 351 116	72 749 202
<b>Total shareholders' equity</b>		<b>200 984 713</b>	<b>127 633 597</b>
<b>Total shareholders' equity and liabilities</b>		<b>548 017 719</b>	<b>464 970 589</b>

The accompanying notes on pages 5 to 49 are an integral part of these financial statements.

The financial statements were authorized for issue on 24 January 2023:

Mr. Sergiu Sobuleac  
CEO



Mrs. Rodica Paun  
CFO

Handwritten signature of Mrs. Rodica Paun.



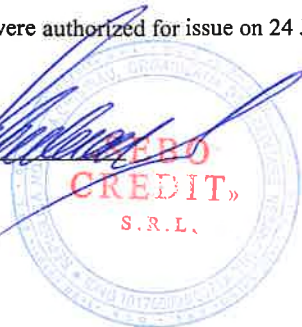
**OCN Sebo Credit SRL**  
**Statement of profit or loss and other comprehensive income**  
**for the year ended 31 December 2021**

	Notes	2021 MDL	2020 MDL
Interest and similar income	14	368 941 351	402 915 292
Interest and similar expense	14	(45 260 966)	(55 421 962)
<b>Net interest and similar income</b>		<b>323 680 385</b>	<b>347 493 330</b>
Other operating income	15	29 688 675	37 391 258
Personnel expenses	16	(44 563 348)	(35 055 755)
Impairment expense	5	(117 433 460)	(173 721 669)
General and administrative expenses	17	(67 473 773)	(69 868 625)
<b>Operating income/ (loss)</b>		<b>123 898 479</b>	<b>106 238 539</b>
Net foreign exchange gain / (loss)	18	13 777 120	(29 460 393)
<b>Net profit/ (loss) before taxation</b>		<b>137 675 599</b>	<b>76 778 146</b>
Income tax (expense) / credit	9	(19 324 483)	(4 028 944)
<b>Net profit/ (loss) for the year</b>		<b>118 351 116</b>	<b>72 749 202</b>
Other comprehensive income		-	-
<b>Total comprehensive income</b>		<b>118 351 116</b>	<b>72 749 202</b>

The accompanying notes on pages 5 to 49 are an integral part of these financial statements.

The financial statements were authorized for issue on 24 January 2023:

Mr. Sergiu Sobuleac  
 CEO



Mrs. Rodica Paun  
 CFO

Handwritten signature of Mrs. Rodica Paun



**OCN Sebo Credit SRL**  
**Statement of changes in equity**  
**for the year ended 31 December 2021**

	Share capital MDL	Reserve MDL	Retained profit/(loss) MDL	Total equity MDL
<b>At 1 January 2021</b>	54 550 000	30 000	73 053 597	127 633 597
<i>Comprehensive income</i>				
Profit for the year	-		37,573,319	118 351 116
<b>Total comprehensive income</b>	-		<b>118 351 116</b>	<b>118 351 116</b>
<i>Transactions with shareholders</i>				
Increase of capital		5 425 000	-	5 425 000
Distribution of dividends	-		(50 425 000)	(50 425 000)
<b>Total transactions with shareholders</b>	-	<b>5 425 000</b>	<b>(50 425 000)</b>	<b>(45 000 000)</b>
<b>At 31 December 2021</b>	<b>54 550 000</b>	<b>5 455 000</b>	<b>140 979 713</b>	<b>200 984 713</b>
<b>At 1 January 2020</b>	<b>300 000</b>	<b>30 000</b>	<b>110 854 395</b>	<b>111 184 395</b>
<i>Comprehensive income</i>				
Profit/(loss) for the year	-		72 749 202	72 749 202
<b>Total comprehensive income</b>	-		<b>72 749 202</b>	<b>72 749 202</b>
<i>Transactions with shareholders</i>				
Increase of capital	54 250 000		-	54 250 000
Distribution of dividends	-		(110 550 000)	(110 550 000)
<b>Total transactions with shareholders</b>	<b>54 250 000</b>		<b>(110 550 000)</b>	<b>(56 300 000)</b>
<b>At 31 December 2020</b>	<b>54 550 000</b>	<b>30 000</b>	<b>73 053 597</b>	<b>127 633 597</b>

The accompanying notes on pages 5 to 49 are an integral part of these financial statements.



**OCN Sebo Credit SRL**  
**Statement of cash flows**  
**for the year ended 31 December 2021**

	Notes	2021 MDL	2020 MDL
<b>Cash flows from operating activities</b>			
Loans disbursed to customers		(906 969 168)	(682 789 679)
Loans reimbursed from customers		742 835 078	596 435 971
Interest, commissions and other servicing fees received		358 189 092	372 507 260
Interest and commissions paid		(5 652 139)	(22 806 104)
Prepayments to suppliers		1 200	59 919
Advances received from customers		876 167	353 583
Other operating receipts		13 479 824	7 478 107
Payments for employee's remuneration		(38 773 357)	(29 922 255)
Other operating payments		(86 521 567)	(79 350 604)
<b>Net cash used in operating activities before income tax</b>		<b>77 465 130</b>	<b>161 966 198</b>
Income tax paid		(3 000 000)	(14 026 700)
<b>Net cash used in operating activities</b>		<b>74 465 130</b>	<b>147 939 498</b>
<b>Cash flows from investing activities</b>			
Acquisition of property and equipment and intangible assets		(7 223 924)	(10 640 288)
Sales of property and equipment and intangible assets		-	-
<b>Net cash used in investing activities</b>		<b>(7 223 924)</b>	<b>(10 640 288)</b>
<b>Cash flows from financing activities</b>			
Contributions to share capital from shareholders		-	54 250 375
Dividends paid		(53 296 192)	(60 616 121)
Proceeds from borrowings		143 914 752	235 724 112
Repayment of borrowings		(153 822 870)	(364 201 030)
<b>Net cash from financing activities</b>		<b>(63 204 310)</b>	<b>(134 842 664)</b>
Effects of exchange rate changes on cash and cash equivalents		(348 550)	(289 813)
<b>Net increase in cash and cash equivalents</b>		<b>3 688 346</b>	<b>2 166 733</b>
<b>Cash and cash equivalents at 1 January</b>	4	<b>10 416 529</b>	<b>8 249 796</b>
<b>Cash and cash equivalents at 31 December</b>	4	<b>14 104 875</b>	<b>10 416 529</b>

The accompanying notes on pages 5 to 49 are an integral part of these financial statements.



## **1. General Information**

OCN Sebo Credit SRL ("the Company") is a limited liability company, founded on 6 January 2017. The Company is incorporated and operates exclusively in the Republic of Moldova. The registered office of the Company is located at 42, Albișoara str., 4-th floor, Chisinau, Republic of Moldova.

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

As of 31 December 2021, OCN Sebo Credit SRL had a total number of 227 employees (31 December 2020: 228 employees). As of 31 December 2021, the Company has 42 branches.

The shareholders of OCN Sebo Credit SRL are:

- AS Eleving Consumer Finance (the old name Funderly Group AS), Letonia – 96,2561%;
- Eleving Group (the old name Mogo Finance SA), Luxemburg – 0,0002%;
- Individuals, Republica Moldova – 3,7437%.

The Eleving Group, Luxembourg, of which the Company is a part of, prepares a distinct set of consolidated financial statements, in accordance with the International Financial Reporting Standards adopted by the European Union ("IFRS"), for the financial year ended 31 December 2021.

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

During 2021, the Company complied with all the measures imposed by the authorities and carried out its operational activity continuously, in accordance with the decisions approved by the authorities at both national and local levels. The company focused on continuous and high-quality customer service, offering direct support in branches, which operated according to the regime imposed by the authorities, and ensuring the remote work of some employees allowed the maintenance of all operational processes, without limiting the access of customers to the teams that provide support.

At the time of issuing these financial statements, the Company's management performed stress tests related to performance, liquidity and solvency indicators in order to estimate the potential impact due to the emergency state declared in the Republic of Moldova, on the Company's ability to fulfill its financial obligations. As a result, all the reviewed indicators exceed the recommended limits and show that there is no significant uncertainty about the Company's ability to continue as a going concern due to the continued impact of COVID-19 and conflict events in Ukraine.

The company applied the following practices international in accordance with the recommendations of the International Accounting Standards Committee to adequately reflect the uncertainty associated with the COVID-19 pandemic:

- the execution of a restructuring program and/or the extension of loans, especially in the most important segments affected - consumer debtors and those released in the microcredit segment;
- the tightening of credit policy standards, including in terms of the quality of the guarantees presented;





**1. General Information (continued)**

- formation of reserves to cover potential risks;
- review of business plan parameters.

**2. Accounting policies**

**2.1 Basis of preparation**

The financial statements have been prepared on a historical cost basis, except for financial instruments that are measured at amortized cost, revalued amounts of fair values or fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange of goods and services.

**Statement of compliance**

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The Company maintains its accounting records in the currency of Moldova, being the Moldovan Leu (MDL), which is also its functional currency.

The Company prepares its statutory financial statements in accordance with Law on Accounting and National Accounting Standards of Republic of Moldova ("NAS"). These financial statements are based on the underlying statutory accounting records prepared under the historical cost convention and have been adjusted to conform, in all material aspects, to International Financial Reporting Standards.

The amounts reflected in the Financial Statements are expressed in MDL and all values were rounded to the nearest MDL, unless otherwise stated.

**Use of estimates and significant judgements**

The preparation of financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognized in the financial statements are described in Notes 5 and 22.

**2.2. Summary of significant accounting policies**

**a) Foreign currency translation**

Transactions are recorded in the functional currency MDL at the exchange rate at the date of the transaction. Assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate ruling at the balance sheet date and all differences are included in the profit or loss.





2.2. Summary of significant accounting policies (continued)

a) Foreign currency translation (continued)

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

	2021		2020	
	USD	Euro	USD	Euro
Average for the period	17,6816	20,9255	17,3201	19,7436
Year end	17,7452	20,0938	17,2146	21,1266

b) Financial instruments

(i) Recognition

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

**“Hold to collect” business model:**

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

There is no requirement that the assets classified in this category should be held until their maturity; sales are acceptable; if they are infrequent (even if significant in value) or insignificant in value both individually and in aggregate (even if frequent), when the risk profile of such instruments increases or is no longer in line with the company’s investment policy. A higher frequency of sales during a certain period is not necessarily in contradiction with this business model, if the company is able to justify the reasons for such sales and to prove that such sales do not reflect a change in the current business model.

**“Hold to collect and sell” business model:**

Under this business model, financial assets are held to collect the contractual cash flows, but they may also be sold in order to cover liquidity requirements or to maintain a certain interest return on the portfolio. They are measured at fair value through other items of comprehensive income (reserves) and may include government securities and bonds.

**Other business models:** are those which do not meeting the criteria of the business models mentioned above, for example business models in which the primary objective is realizing cash flows through sale, held for trading business models, business models under which assets are managed on a fair value basis, business models under which financial assets are acquired for sale/trading and measured through profit or loss (tradable securities, tradable shares, etc.). The portfolio is managed based on the market value evolution in respect of the assets concerned and includes frequent sales and purchases for the purpose of maximizing profit. The company recognizes all financial assets and liabilities at the transaction date. The transaction date is the date when the company undertakes to buy or to sell an asset.

At initial recognition, a financial asset can be classified as:

- a) measured at amortized cost, provided that the following conditions are cumulatively fulfilled:



**2.2. Summary of significant accounting policies (continued)**

**b) Financial instruments (continued)**

*(i) Recognition (continued)*

- the asset is held under a business model in which the primary objective is to collect contractual cash flows;
- the contractual terms of the financial asset generate cash flows at specific dates, representing solely payments of principal and interest.

b) measured at fair value through other comprehensive income are provided that the following conditions are cumulatively fulfilled:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

c) measured at fair value through profit and loss, if financial assets do not meet the criteria according to which the contractual cash flows need to be Solely Payments of Principal and Interest (the SPPI test) or if the assets are held for trading (for example derivatives or fund units). Embedded derivatives are no longer separated from the host financial assets but will be assessed in their entirety together with the non-derivative financial asset, for the purpose of the contractual cash flow characteristics test.

Derivative instruments are measured at fair value through profit or loss.

Financial liabilities are classified after the initial measurement at amortized cost, except for derivatives which are measured at fair value through profit or loss. Embedded derivatives are separated from the host contract if the separation criteria mentioned by IFRS 9 are met. The company does not hold financial liabilities designated at fair value through profit and loss. Financial liabilities cannot be reclassified.

The Company recognizes the non-derivative financial assets and liabilities in the statement of financial position, using the settlement date accounting, when the Company becomes a party of the contractual provisions of the financial asset or liability (standard acquisitions), i.e. when a possibility of input or output of a future economic benefit related to these financial assets and liabilities exists and their cost or value can be measured reliably.

All regular way purchases and sales of financial assets are recognized on the settlement date, i.e. the date that an asset is delivered to or by the Company. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace concerned.

A financial asset or financial liability is initially measured at their fair value, for an instrument that is not at fair value through profit or loss, plus transaction costs directly attributable to the purchase or issuance.



## 2. Accounting policies (continued)

### 2.2. Summary of significant accounting policies (continued)

#### *b) Financial instruments (continued)*

##### *(ii) Derecognition of financial instruments*

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and

- the company transfer substantially all the risks and rewards of ownership, or
- the company neither transfers nor retains substantially all the risks and rewards of ownership and the company did not retain control.

The company enters into transactions where they retain the contractual rights to receive cash flows from assets but assume a contractual obligation to pay those cash flows to other entities and transfer substantially all of the risks and rewards.

The transactions are accounted for as 'pass through' transfers that result in derecognition if the company:

- Have no obligation to make payments unless they collect equivalent amounts from the assets;
- Are prohibited from selling or pledging the assets; and
- Have an obligation to remit any cash they collect from the assets without material delay.

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

The Company derecognizes a financial liability when its contractual obligations related to financial liability are discharged or canceled or expire.

##### *(iii) Offsetting financial assets and liabilities*

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

##### *(iv) The fair value of financial instruments*

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

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



**2. Accounting policies (continued)**

**2.2. Summary of significant accounting policies (continued)**

***b) Financial instruments (continued)***

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

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

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

The Company does not hold financial instruments measured at fair value. All financial instruments are measured at amortized cost and their fair value is disclosed in Note 21 of the financial statements.

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

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

The fair value hierarchy comprises three levels:

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

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

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

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

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

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

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

Impairment requirements under IFRS 9 are based on expected credit losses and imply the timely recognition of forthcoming estimated credit losses.



**2. Accounting policies (continued)**

**2.2. Summary of significant accounting policies (continued)**

**b) Financial instruments (continued)**

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

The Company assesses on forward-looking basics the expected credit losses ('ECL') associated with its debt instrument assets carried at amortized cost and fair value through other items of the comprehensive income and the exposure from loan commitments.

In order to measure expected credit losses, the Company are grouping their assets into three categories: stage 1 (assets with no increase in credit risk from initial recognition), stage 2 (assets for which significant increase in credit risk from initial recognition has been observed) and stage 3 (credit-impaired – assets that the Company are considering to be nonperforming).

The determination of expected losses at the reporting date relies on the effective interest rate established upon the initial recognition, except financial assets with variable interest rate, for which the expected credit losses must be determined based on the current effective interest rate. As concerns the purchased or originated financial assets that are credit-impaired, the expected credit losses must be determined based on the credit-adjusted effective interest rate established upon the initial recognition.

Under IFRS 9, a financial asset is credit-impaired when one or more events have occurred and have a significant impact on the expected future cash flows of the respective financial asset.

The proof that a financial asset is credit-impaired includes observable data about the following events:

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

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

The expected credit losses are calculated at each reporting date and they reflects:

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

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





## **2. Accounting policies (continued)**

### **2.2. Summary of significant accounting policies (continued)**

#### **b) Financial instruments (continued)**

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

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

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

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

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

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

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

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

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

#### **c) Intangible assets**

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Intangible assets are amortized over the useful economic life using a straight-line method and assessed for



**2. Accounting policies (continued)**

**2.2. Summary of significant accounting policies (continued)**

**c) Intangible assets (continued)**

impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization period used for intangible assets is as follows:

<u>Intangible asset</u>	<u>Useful life</u>
Software	1 – 7 years
Other intangible assets	3 – 5 years

**d) Property and equipment**

Property and equipment is stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value. Such cost includes the cost of replacing part of such property and equipment when that cost is incurred if the recognition criteria are met.

The carrying values of property and equipment are reviewed for impairment annually or more frequently when events or changes in circumstances indicate that the carrying value may not be recoverable.

The cost of purchased fixed assets is the value of the consideration given to acquire the assets and the value of other directly attributable costs, which have been incurred in bringing the assets to their present location and condition necessary for their intended use.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year when the asset is derecognized.

The asset's residual values, useful lives and methods are reviewed, and adjusted if appropriate, at each financial year end.

Depreciation is provided on a straight-line basis to write off the recorded cost of assets over their estimated useful lives as follows:

<u>Asset category</u>	<u>Useful life</u>
Special constructions	3 years
Furniture and equipment	3 – 10 years
Leasehold improvements	3 years
Vehicles	7 years
Other assets	2 – 40 years









## 2. Accounting policies (continued)

### 2.2. Summary of significant accounting policies (continued)

#### *k) Leases (continued)*

(e) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

From the lease commencement date, the Company as lessee, assesses the lease liability at the updated value of the leasing payments which are not paid on that date. The leasing payments must be updated using the implicit interest rate in the lease if that rate can be immediately determined. If this rate cannot be determined immediately, the Company as lessee, uses the incremental borrowing rate.

In the initial assessment of the operational leases, the Company as a lessee, shall classify the leases according to IFRS 16, Lease contracts only those contracts which fulfill one of the following conditions:

- the contract has a value higher than MDL 50 000 (fifty thousand);
- the contract has a duration longer than 1 (one) year.

If the implicit interest rate is not established in the lease, the Company will use as the marginal lending rate, the average rate on borrowings attracted by the Company.

The amortization of the asset related to the right of use is carried out linearly throughout the term of the contract.

The expenses related to the lease leasing payments which are not recognized and assessed according to IFRS 16, shall be classified in the profit or loss statement as rent expenses.

#### *l) Interest income and expenses, commission income and expenses*

Interest income and expense are recognized in the statement of profit or loss, for all interest bearing instruments, using the linear method which approximates the effective interest rate method.

Fees and direct transaction costs relating to origination of loans are deferred and amortized to interest income over the life of the loan using the linear method which approximates the effective interest rate method.

Penalties received and loan fines are recognized when the cash contribution is received, irrespective of their maturity, in other operating income.

Borrowing costs are expensed as incurred using the effective interest rate.

#### *m) Employee benefits*

The Company contributes in respect of its employees to the State Social Fund at the statutory rates in force during the year ended 31 December 2021 at 24% (31 December 2020: 24%), based on gross salary payments. The cost of these payments is charged to the income statement in the same period as the related salary cost.

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

#### *n) Provisions*

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the



## 2. Accounting policies (continued)

### 2.2. Summary of significant accounting policies (continued)

#### *n) Provisions (continued)*

obligation and a reliable estimate can be made from the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a borrowing cost.

#### *o) Impairment of non-financial assets*

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

#### *p) Contingencies*

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



**2. Accounting policies (continued)**

**2.2. Summary of significant accounting policies (continued)**

**q) Taxes**

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

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

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

**r) Related parties**

Parties are considered related when one party, either through ownership, contractual rights, family relationship or otherwise, has the ability to directly or indirectly control or significantly influence the other party. Related parties also include individuals that are principal owners, management and members of their families, parties with joint control over the Company, post-employment benefit plans for the benefit of employees of the Company or any entity that is a related party to the Company. To management's best knowledge all the transactions with the related parties are conducted on an arm's length basis.

**s) Subsequent events**

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

**u) Going concern**

These financial statements have been prepared on a going concern basis, which assumes that the Company will continue its business in the foreseeable future. The Company was founded in 2017 and is at a start-up phase and does not have indications that will not continue as a going concern.

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





### 2.3 Significant accounting judgements and estimates

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In addition, a clarification has to be made.

### 3. Standards effective for annual periods beginning on or after 1 January 2021

The accounting policies adopted are consistent with those of the previous year, except for the following amended IFRSs, which were adopted by the Company on 1 January 2021.

#### **Amendments to IFRS 16 Leases COVID-19-Related Rent Concessions beyond 30 June 2021. (Effective for annual periods beginning on or after 1 April 2021. Earlier application is permitted, including in financial statements not authorized for issue at 31 March 2021)**

The amendments extend by one year the application period of the optional practical expedient that simplifies how a lessee accounts for rent concessions that are a direct consequence of COVID-19. A lessee applies the amendments retrospectively and recognizes the cumulative effect of initially applying them in the opening retained earnings of the reporting period in which they are first applied. The Company does not expect that the amendments, when initially applied, could have a material impact on its financial statements.

#### **Amendment to IAS 16 Property, Plant and Equipment Property, Plant and Equipment – Proceeds before Intended Use (Effective for annual periods beginning on or after 1 January 2022 Early application is permitted)**

The amendments to IAS 16 require that the proceeds from selling items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended must be recognised, together with the cost of those items, in profit or loss and that the entity must measure the cost of those items applying the measurement requirements of IAS 2.

The amendments must be applied retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The cumulative effect of initially applying the amendments will be recognised as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented (if necessary). The Company does not expect that the amendments, when initially applied, could have a material impact on its financial statements.



**3. Standards effective for annual periods beginning on or after 1 January 2021 (continued)**

**Onerous Contracts – Cost of Fulfilling a Contract. (Effective for annual periods beginning on or after 1 January 2022 Early application is permitted)**

In determining costs of fulfilling a contract, the amendments require an entity to include all costs that relate directly to a contract. The amendment clarifies that the cost of fulfilling a contract comprises both: the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts. An entity shall apply those amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). The entity shall not restate comparative information. Instead, the entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application. The Company does not expect that the amendments, when initially applied, could have a material impact on its financial statements.

**Amendments to IAS 12 Income Taxes Deferred Tax related to Assets and Liabilities arising from a Single Transaction. (Effective for annual periods beginning on or after 1 January 2023. Early application is permitted)**

The amendments narrow the scope of the initial recognition exemption (IRE) to exclude transactions that give rise to equal and offsetting temporary differences – e.g. leases and decommissioning liabilities. For leases and decommissioning liabilities, the associated deferred tax assets and liabilities will need to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented.

The entity accounts for deferred tax on leases and decommissioning liabilities applying the ‘integrally linked’ approach, resulting in a similar outcome to the amendments, except that the deferred tax impacts are presented net in the statement of financial position. Under the amendments, the entity will recognise a separate deferred tax asset and a deferred tax liability. There will be no impact on retained earnings on adoption of the amendments.

**Amendments to IAS 1 Presentation of Financial Statements Classification of Liabilities as Current or Non-current. (Effective for annual periods beginning on or after 1 January 2023 Early application is permitted)**

The amendments clarify that the classification of liabilities as current or non-current shall be based solely on the entity’s right to defer settlement at the end of the reporting period. The entity’s right to defer settlement for at least 12 months from the reporting date need not be unconditional but must have substance. The classification is not affected by management’s intentions or expectations about whether and when the entity will exercise its right. The amendments also clarify the situations that are considered settlement of a liability. The Company does not expect that the amendments, when initially applied, could have a material impact on its financial statements.





**3. Standards effective for annual periods beginning on or after 1 January 2021 (continued)**

**Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgments. (Effective for annual periods beginning on or after 1 January 2023 Early application is permitted)**

The amendments to IAS 1 require companies to disclose their material accounting policy information rather than significant accounting policies. The Company does not expect that the amendments, when initially applied, could have a material impact on its financial statements.

**Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. (Effective for annual periods beginning on or after 1 January 2023 Early application is permitted)**

The amendments introduced a definition of 'accounting estimates' and included other amendments to IAS 8 clarifying how to distinguish changes in accounting policies from changes in estimates. The distinction is important as changes in accounting policies are generally applied retrospectively while changes in estimates are accounted for in the period in which the change occurs. The Company does not expect that the amendments, when initially applied, could have a material impact on its financial statements.

**Annual Improvements to IFRS Standards 2018-2020. (Effective for annual periods beginning on or after 1 January 2022 Early application is permitted)**

**Amendment to IFRS 9 Financial Instruments**

The improvements clarify that, when assessing whether an exchange of debt instruments between an existing borrower and lender are on terms that are substantially different, the fees to include together with the discounted present value of the cash flows under the new terms include only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

The Company does not expect that the amendments, when initially applied, could have a material impact on its financial statements.



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**4. Cash and cash equivalents**

	<b>31 December 2021</b>	<b>31 December 2020</b>
	<b>MDL</b>	<b>MDL</b>
Cash in hand	6 728 907	6 109 704
Current accounts at banks in foreign currency	3 286 063	604 284
Current accounts at banks in local currency	4 089 906	3 702 541
	<b>14 104 876</b>	<b>10 416 528</b>
Cash in transit	894 013	1 364 699
<b>Total</b>	<b>14 998 888</b>	<b>11 781 227</b>

Bank accounts are held exclusively with Moldovan banks. As at 31 December 2021 the Company had current accounts in Moldova Agroindbank, Moldindconbank, Eximbank and Fincombank.

As at 31 December 2021 the cash held in Company's current bank accounts is not restricted.

**5. Loans to customers**

	<b>31 December 2021</b>	<b>31 December 2020</b>
	<b>MDL</b>	<b>MDL</b>
Loans to individuals, gross	585 320 715	559 267 213
Less: Allowance for impairment losses	(102 779 727)	(167 838 769)
<b>Loans to customers, net</b>	<b>482 540 988</b>	<b>391 428 444</b>

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

	<b>31 December 2021</b>	<b>31 December 2020</b>
	<b>MDL</b>	<b>MDL</b>
Loans to customers at nominal value	509 182 167	468 230 403
Add: Accrued interest and commission payable	76 204 684	97 857 942
Less: Unamortized commission	(66 136)	(6 821 132)
<b>Loans to customers, gross</b>	<b>585 320 715</b>	<b>559 267 213</b>



**5. Loans to customers (continued)**

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

	31 December 2021	31 December 2020
	MDL	MDL
Short term loans	143 954 726	137 184 653
Long term loans	338 586 262	254 243 791
	<b>482 540 988</b>	<b>391 428 444</b>

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

	31 December 2021	31 December 2020
	MDL	MDL
Up to 12 months	217 354 432	217 770 514
12 to 36 months	265 186 556	173 657 930
	<b>482 540 988</b>	<b>391 428 444</b>

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

	2021	2020
	MDL	MDL
Balance as at 1 January	167 838 769	138 994 601
Charge for the year	117 433 460	173 721 669
Write-offs	(182 492 503)	(144 877 501)
<b>Balance as at 31 December</b>	<b>102 779 727</b>	<b>167 838 769</b>

The table below summarizes the allowance for impairment losses on loans as of 31 December 2021 by group of assets:

	31 December 2021	31 December 2020
	MDL	MDL
Short term loans	40 488 081	57 592 014
Long term loans	62 291 646	110 246 755
	<b>102 779 727</b>	<b>167 838 769</b>

*Allowances for impairment*

The Company establishes an allowance for impairment losses that represents its estimate of incurred losses in its loan portfolio. The main component of this allowance is a collective loan loss allowance established for groups of homogeneous assets in respect of losses that have been incurred but have not been prior identified.



**5. Loans to customers (continued)**

*Write-off policy*

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

**6. Prepayments**

	<b>31 December 2021</b>	<b>31 December 2020</b>
	<b>MDL</b>	<b>MDL</b>
Advances to local suppliers	214 751	550 972
Advances to foreign suppliers	39 496	36 971
	<b>254 247</b>	<b>587 943</b>

As at 31 December 2021, the majority of Company's prepayments relate to rental services.



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**7. Property and equipment**

The movement of property and equipment for the year ended 31 December 2021:

	<b>Assets in progress*</b>	<b>Furniture and equipment</b>	<b>Leasehold improvements</b>	<b>Vehicles</b>	<b>Right-of-use assets</b>	<b>Other</b>	<b>Total</b>
	<b>MDL</b>	<b>MDL</b>	<b>MDL</b>	<b>MDL</b>	<b>MDL</b>	<b>MDL</b>	<b>MDL</b>
<b>Cost</b>							
As at 1 January 2021	49 464	8 091 782	2 127 189	1 170 229	38 345 627	743 740	50 528 031
Additions	-	526 959	558 287	520 136	2 515 454	23 690	4 144 526
Transfers	-	-	-	-	-	-	-
Disposals	-	(1 198 315)	(792 153)	(840 619)	(948 680)	(289 704)	(4 069 471)
<b>As at 31 December 2021</b>	<b>49 464</b>	<b>7 420 426</b>	<b>1 893 322</b>	<b>849 746</b>	<b>39 912 402</b>	<b>477 726</b>	<b>50 603 086</b>
<b>Accumulated depreciation</b>							
As at 1 January 2021	-	(3 036 255)	(1 189 723)	(301 288)	(12 663 905)	(514 417)	(17 705 588)
Depreciation charge	-	(1 693 288)	(813 896)	(169 078)	(8 772 593)	(226 596)	(11 675 452)
Transfers	-	-	-	-	-	-	-
Disposals	-	1 198 315	792 153	346 855	948 680	289 704	3 575 707
<b>As at 31 December 2021</b>	<b>-</b>	<b>(3 531 228)</b>	<b>(1 211 465)</b>	<b>(123 511)</b>	<b>(20 487 819)</b>	<b>(451 309)</b>	<b>(25 805 333)</b>
<b>Net book value</b>							
<b>As at 31 December 2021</b>	<b>49 464</b>	<b>3 889 197</b>	<b>681 857</b>	<b>726 234</b>	<b>19 424 583</b>	<b>26 417</b>	<b>24 797 753</b>
<b>As at 1 January 2021</b>	<b>49 464</b>	<b>5 055 527</b>	<b>937 466</b>	<b>868 941</b>	<b>25 681 722</b>	<b>229 324</b>	<b>32 822 443</b>

\*Assets in progress represent special construction, furniture and equipment which as of 31 December 2021 were not put into use.

The cost of property and equipment fully depreciated, but still in use by the Company, as of 31 December 2021 represents MDL 0 (31 December 2020: none). The company does not own tangible assets pledged under pledge contracts or encumbered with rights.



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**7. Property and equipment (continued)**

The movement of property and equipment for the year ended 31 December 2021:

	Assets in progress*	Furniture and equipment	Leasehold improvements	Vehicles	Rights-of-use assets	Other	Total
	MDL	MDL	MDL	MDL	MDL	MDL	MDL
<b>Cost</b>							
As at 1 January 2020	421 340	7 053 843	4 035 887	1 170 229	22 882 328	1 329 650	36 893 277
Additions	51 615	2 783 157	502 682	-	17 150 850	36 040	20 524 343
Transfers	(423 491)	-	-	-	-	-	(423 491)
Disposals	-	(1 745 218)	(2 411 379)	-	(1 687 550)	(621 950)	(6 466 097)
<b>As at 31 December 2020</b>	<b>49 464</b>	<b>8 091 782</b>	<b>2 127 189</b>	<b>1 170 229</b>	<b>38 345 627</b>	<b>743 740</b>	<b>50 528 031</b>
<b>Accumulated depreciation</b>							
As at 1 January 2020	-	(2 841 059)	(2 466 994)	(134 112)	(13 368 364)	(648 352)	(19 458 881)
Depreciation charge	-	(1 921 767)	(1 031 837)	(167 176)	(983 092)	(355 453)	(4 459 325)
Transfers	-	-	-	-	-	-	-
Disposals	-	1 726 571	2 309 108	-	1 687 550	489 388	6 212 618
<b>As at 31 December 2020</b>	<b>-</b>	<b>(3 036 255)</b>	<b>(1 189 723)</b>	<b>(301 288)</b>	<b>(12 663 905)</b>	<b>(514 417)</b>	<b>(17 705 588)</b>
<b>Net book value</b>							
<b>As at 31 December 2020</b>	<b>49 464</b>	<b>5 055 527</b>	<b>937 466</b>	<b>868 941</b>	<b>25 681 722</b>	<b>229 324</b>	<b>32 822 443</b>
<b>As at 1 January 2020</b>	<b>421 340</b>	<b>4 212 784</b>	<b>1 568 893</b>	<b>1 036 117</b>	<b>9 513 964</b>	<b>681 298</b>	<b>17 434 396</b>

\*Assets in progress represent special construction, furniture and equipment which as of 31 December 2020 were not put into use.



**OCN Sebo Credit SRL**  
**Notes to the Financial Statements**  
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**8. Intangible assets**

The movement of intangible assets for the year ended 31 December 2021:

	<b>2021</b>	<b>2020</b>
	<b>MDL</b>	<b>MDL</b>
<b>Cost</b>		
At 1 January	19 969 556	11 584 208
Additions	7 924 904	10 214 965
Disposals	(318 455)	(1 829 618)
<b>At 31 December</b>	<b>27 576 005</b>	<b>19 969 556</b>
<b>Accumulated amortization</b>		
At 1 January	(6 703 581)	(3 840 678)
Charge for the period	(2 725 265)	(2 862 903)
<b>At 31 December</b>	<b>(9 428 846)</b>	<b>(6 703 581)</b>
<b>Net Book Value</b>		
At 1 January	13 265 975	7 743 530
At 31 December	18 147 159	13 265 975

Additions during the year ended 31 December 2021 represent software and software licenses (1C, MS Windows, MS Office, Adobe Creative Cloud, specially designed ERP). The value of depreciable intangible assets is 18 147 159 MDL. The company does not own non-depreciable intangible assets. As of 31 December 2021, the Company has no any fully amortized intangible assets which are in use (31 December 2020: similar).

**9. Taxation**

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

	<b>2021</b>	<b>2020</b>
	<b>MDL</b>	<b>MDL</b>
Profit before tax	137 675 599	76 778 146
Moldovan statutory income tax rate	12%	12%
Expected tax expense	16 521 072	9 213 377
Non-taxable income/ non-deductible expense	2 803 411	(5 184 434)
<b>Actual tax expense</b>	<b>19 324 483</b>	<b>4 028 944</b>
Tax expense comprises:		
Current tax expense	13 567 778	992 737
Deferred tax expense/ (credit):		
– Origination and reversal of temporary differences	5 756 705	3 036 207
<b>Tax expense</b>	<b>19 324 483</b>	<b>4 028 944</b>





**OCN Sebo Credit SRL**  
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**9. Taxation (continued)**

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

<b>Deferred tax assets (liabilities)</b>	<b>1 January 2020</b>	<b>Recognized in profit or loss</b>	<b>31 December 2021</b>
<i>Assets</i>			
Property and equipment	(3 105 466)	842 251	(2 263 215)
Loans to customers	(3 039 979)	(5 147 704)	(8 187 683)
Other assets	209 544	(5 790)	203 754
<b>Total assets</b>	<b>(5 935 901)</b>	<b>(4 311 243)</b>	<b>(10 247 144)</b>
<i>Liabilities</i>			
Trade and other payables	3 575 540	(1 445 462)	2 130 078
<b>Total liabilities</b>	<b>3 575 540</b>	<b>(1 445 462)</b>	<b>2 130 078</b>
<b>Tax losses carried forward</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Recognized as:</b>			
Deferred tax asset	(2 360 361)	-	(8 117 066)
<b>Deferred tax savings/ (expenses)</b>	<b>-</b>	<b>(5 756 705)</b>	<b>-</b>

As at 31 December 2020 deferred taxes arising from temporary differences are summarized as follows:

<b>Deferred tax assets (liabilities)</b>	<b>1 January 2019</b>	<b>Recognized in profit or loss</b>	<b>31 December 2020</b>
<i>Assets</i>			
Property and equipment	(1 271 597)	(1 833 869)	(3 105 466)
Loans to customers	-	(3 039 979)	(3 039 979)
Other assets	211 577	(2 033)	209 544
<b>Total assets</b>	<b>(1 060 020)</b>	<b>(4 875 881)</b>	<b>(5 935 901)</b>
<i>Liabilities</i>			
Trade and other payables	1 735 866	1 839 674	3 575 540
<b>Total liabilities</b>	<b>1 735 866</b>	<b>1 839 674</b>	<b>3 575 540</b>
<b>Tax losses carried forward</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Recognized as:</b>			
Deferred tax asset	675 846	-	(2 360 361)
<b>Deferred tax savings/ (expenses)</b>	<b>-</b>	<b>(3 036 207)</b>	<b>-</b>



**OCN Sebo Credit SRL**  
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**10. Other assets**

	<b>31 December 2021</b>	<b>31 December 2020</b>
	<b>MDL</b>	<b>MDL</b>
Security deposits	1 333 000	1 334 983
Prepaid expenses	470 598	395 432
Loans to employees	157 252	1 417 796
Low value items in use	212 457	212 057
Low value items in stock	113 299	123 586
Other receivables from employees	2 833 956	3 068 956
<i>Less: Amortization difference on other receivables</i>	<i>(1 697 957)</i>	<i>(1 746 205)</i>
Receivables from other operations	129 476	18 765
Tax prepayments	117 729	7 467 135
Other	84 890	345 020
	<b>3 754 699</b>	<b>12 637 527</b>

Security deposits include deposit payments made under operational lease agreements for the spaces rented where the Company's representative branches are located.

In accordance with loan agreement concluded between Mintos Finance Estonia OU and the Company, the parties make on weekly basis an annex to this agreement related to installments to be transferred. From the date of the agreement till the date of effective cash inflow, the amount agreed by the parties is recorded as a receivable through the transit account.

**11. Borrowings**

	<b>Currency</b>	<b>Maturity</b>	<b>31 December 2021</b>	<b>31 December 2020</b>
			<b>MDL</b>	<b>MDL</b>
Fixed rate loans	EUR	08.01.28	232 081 401	241 378 734
Fixed rate loans	MDL	01.06.22	30 000 000	30 000 000
Fixed rate loans	MDL	03.09.22	22 000 000	-
Fixed rate loans	MDL	undetermined	1 000 000	-
Fixed rate loans	MDL	22.07.23	3 800 000	3 800 000
			<b>288 881 401</b>	<b>275 178 734</b>
Add: interest and commissions payable			2 055 521	3 130 723
			<b>290 936 921</b>	<b>278 309 457</b>

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

During 2019 – 2020 there were signed multiple additional loans limit modification agreements:

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



**11. Borrowings (continued)**

On 24 March 2020, the Company signed an additional agreement to change the maturity date to 8 January 2028. The loan is secured according to the Pledge Agreement concluded with the Company, with a pledge on the receivables resulting from the Company's loan contracts with its customers in the amount of 1,2 (one point two) applied to contractual liabilities.

In 2020-2021, several contracts were signed, namely:

- on 23 July 2020, a credit line was contracted, in amount of MDL 20 000 000; on 22.12.2020 was signed an amendment regarding the amount increase up to 25 000 000 MDL; on 29.12.2020 was signed an amendment regarding the amount increase up to 30 000 000 MDL; on 24.05.2021 an amendment amount to extend the term by another 12 months;
- on 3 September 2020, a revolving credit line was contracted, in amount of MDL 20 000 000, for a term of 12 months; on 30 September 2020, was signed an annex regarding the amount increase up to MDL 100 000 000 and on 2 September 2021, was signed an annex extending the deadline until 3 September 2022;
- on 28 December 2020, a revolving credit line was contracted, in amount of MDL 1 000 000, for a term of 12 months; on 15.09.2021 the deadline was changed to a fixed one;
- on 22.07.2020 a subordinated loan agreement in amount of 3 800 000 MDL, for a term of 3 years.



## 12. Trade and other payables

	31 December 2021		31 December 2020	
	MDL		MDL	
Trade payables to local suppliers	1 539 464		2 351 422	
Trade payables to foreign suppliers	4 823 901		2 854 040	
Settlements with employees	1 407 809		1 264 299	
Taxes and duties to State budget	5 533 734		3 861 868	
Lease liabilities	19 912 250		29 230 634	
Provision for unused vacation	4 132 835		2 872 804	
Provision for audit services	332 742		689 713	
Dividends payable	-		12 999 974	
Accrued liabilities	1 574 455		812 150	
Other liabilities	18 705		6 350	
	<b>39 275 896</b>		<b>56 943 255</b>	

As at 31 December 2021, trade payables to foreign suppliers include payables in amount of MDL 4 823 901 (31 December 2020: MDL 2 854 040) which represent costs for IT, business development and marketing services, as well as licenses.

## 13. Issued capital

The Company was registered on 6 January 2017 as a limited liability company with a share capital of MDL 10 000. On 13 March 2019 the share capital was increased to MDL 300 000. As at 31 December 2019 the shareholders are: Tig Invest LTD incorporated in Latvia and Sergiu Sobuleac resident of the Republic of Moldova. On 27 January 2020, TIG Invest LTD sold 0,630% of its equity shares in the Company to four individuals. On 3 July 2020, the share capital was increased to MDL 54 550 000, four individuals contributed larger amounts, respectively increasing the percentage share by 0,1137%. On 16 July 2020, TIG Invest LTD sold 96,2561% of its equity shares in the Company to Elevating Consumer Finance AS (formerly AS Funderly Group). On July 23, 2020, TIG Invest LTD sold 0,0002% of its equity shares in the Company to Eleving Group (formerly SA Mogo Finance).

On March 1 2021, were signed the Minutes of the Extraordinary General Meeting of Associates regarding the increase in reserve capital in the amount of MDL 5 425 000.

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

Equity holders	Country of incorporation	31 December 2021		31 December 2020	
		Share	Share	Share	Share
		MDL	%	MDL	%
Eleving Consumer Finance AS (fost Funderly Group AS)	Letonia	52 507 685	96,2561	52 507 685	96,2561
Eleving Group (fost Mogo Finance SA)	Luxemburg	100	0,0002	100	0,0002
Individuals	Republica Moldova	2 042 215	3,7437	2 042 215	3,7437
		<b>54 550 000</b>	<b>100</b>	<b>54 550 000</b>	<b>100</b>



**14. Interest and similar income and expense**

	2021 MDL	2020 MDL
<i>Interest and similar income</i>		
Loans to customers	368 941 351	402 915 292
	<b>368 941 351</b>	<b>402 915 292</b>
<i>Interest and similar expense</i>		
Borrowings	(45 260 966)	(55 421 962)
	<b>(45 260 966)</b>	<b>(55 421 962)</b>
<b>Net interest income</b>	<b>323 680 385</b>	<b>347 493 330</b>

**15. Other operating income**

	2021 MDL	2020 MDL
Penalties on loans to customers	18 354 179	27 849 231
Sale of portfolio	11 309 136	9 360 742
Other operating income/ (loss)	25 361	181 285
	<b>29 688 675</b>	<b>37 391 258</b>

**16. Personnel expenses**

	2021 MDL	2020 MDL
Salaries and bonuses	(33 689 197)	(27 350 027)
Social insurance and contributions	(8 227 831)	(6 486 761)
Provision for unused vacation	(1 260 031)	(623 515)
Other personnel expenses	(1 386 289)	(595 452)
	<b>(44 563 348)</b>	<b>(35 055 755)</b>

Insurance and contributions include the accrual of contributions made by the Company and calculated as a percentage of gross salary to the State Social Fund of 24%. These contributions are charged to the income statement in the period in which the related salary is earned by the employee.



17. General and administrative expenses

	2021 MDL	2020 MDL
Business development support	(16 030 213)	(14 226 132)
Business promotion and advertising	(9 928 040)	(11 616 242)
Depreciation and amortization	(14 719 172)	(16 262 225)
IT services	(9 675 125)	(8 362 130)
Professional services	(6 012 500)	(9 345 290)
Postage, telephone and internet	(2 511 435)	(2 712 860)
Database access	(1 640 800)	(1 374 419)
Stationery and supplies	(1 237 083)	(1 503 225)
Donations	(789 530)	(857 707)
Utilities and rent	(334 556)	649 663
Bank charges	(572 972)	(699 830)
Transportation	(567 497)	(482 915)
NCFM regulatory tax	(479 545)	(468 897)
Training	(129 516)	(44 869)
Membership and association expenses	(57 624)	(84 120)
Accommodation and representation	(165 331)	(46 342)
Repairs and maintenance	(203 949)	(206 010)
Other	(2 418 884)	(2 225 076)
	<b>(67 473 773)</b>	<b>(69 868 625)</b>

The company rents several branches for carrying out its operational activity. As of December 31, 2021, the Company has 42 branches (excluding head office), of which: 11 are in the municipality of Chisinau and 31 are located outside the municipality of Chisinau (in 2020: 41 branches).

18. Net financial gains

	2021 MDL	2020 MDL
Foreign exchange gains, net	15 433 746	(26 128 818)
Income from other receivables from employees at amortized cost	-	-
Losses on trading of foreign currency	(375 424)	(1 731 078)
Expense from other receivables from employees at amortized cost	-	-
Interest expense on leases	(1 253 983)	(1 376 388)
Extraordinary events expenses	100 000	-
Other	(127 220)	(224 109)
	<b>13 777 120</b>	<b>(29 460 393)</b>





**19. Related parties**

Nature of relations between the parties related to those parts associated with the company entered into significant transactions or had significant balances at 31 December 2021, are detailed below.

The related parties as at 31 December 2021 are:

- Eleving Consumer Finance AS (Funderly Group AS) (shareholder)
- Eleving Group (MOGO FINANCE S.A.) (shareholder)
- Mogo Loans SRL OCN (Company related to the Parent)
- Se Finance SRL OCN (Company related to the Parent)
- Sergiu Sobuleac (CEO, shareholder)
- Rodica Paun (CFO, shareholder)
- Orhei Aelita (Head of legal, shareholder)
- Tetelea Silvia (Head of CS, shareholder)
- Savciuc Irina (Head of CC, shareholder)

The following table shows the transactions that were concluded with the founders for the financial year ended 31 December:

	<u>2021</u>	<u>2020</u>
<b>Capital operations</b>		
Increase of share capital	-	54 250 000
Declared dividends	45 000 000	31 055 000

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

The following table shows the amount of transactions that were concluded with other related parties for the financial year ended 31 December and the balances with them at that date:

	<u>2021</u>	<u>2020</u>
<b>Balance as at 31 December</b>		
Balance of loans from related parties	26 800 000	3 800 000
Interest liabilities	171 759	58 093
Procurement of assets	6 473 760	8 177 221
Liabilities regarding the procurement of assets and services	4 641 617	2 846 279
<b>Statement of profit or loss</b>		
Interest expense	882 268	633 565
Expenses related to the services procured	20 101 862	17 813 528

During the year ended 31 December 2021, management personnel received remuneration in amount of 5 390 690 MDL (2020: 4 993 400 MDL), this amount includes the mandatory state social insurance contributions. The management staff did not receive any other benefits, except for optional medical insurance that is offered to all employees of the Company, as well as loans granted with or without interest. The balance of short-term



**19. Related parties (continued)**

interest-free loans granted to the Company's management personnel on 31 December 2021, is in amount of MDL 0 (31 December 2020: 0 lei). The balance of short-term loans with interest - 12% granted to the Company's management personnel on 31 December 2020 is in amount of MDL 0 (31 December 2020: 1 218 194 lei).

**20. General commitments and contingencies**

**Capital commitments**

There were no capital commitments as at 31 December 2021.

**Legal claims**

As at 31 December 2021 the Company was involved in several lawsuits arising out of normal corporate activities. In none of these the Company has a role of defendant.

**21. Fair value of financial instruments**

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three Levels of a fair value hierarchy. The three Levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: unobservable inputs for the asset or liability.



21. Fair value of financial instruments (continued)

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

31 December 2021	Carrying value	Level 1	Level 2	Level 3	Fair value
<b>Financial assets</b>					
Cash and cash equivalents	14 998 888	14 998 888	-	-	14 998 888
Loans to customers	482 540 988	-	-	638 494 303	638 494 303
Prepayments	254 247	-	-	254 247	254 247
Trade receivables	3 523 984	-	-	3 523 984	3 523 984
Other financial assets	2 873 018	-	-	2 873 018	2 873 018
<b>Financial liabilities</b>					
Borrowings	290 936 921	-	-	290 936 921	290 936 921
Trade and other payables	39 275 896	-	-	39 275 896	39 275 896
Customer advances	8 703 123	-	-	8 703 123	8 703 123
Deferred tax liabilities	8 117 066	-	-	8 117 066	8 117 066
<b>31 December 2020</b>					
	Carrying value	Level 1	Level 2	Level 3	Fair value
<b>Financial assets</b>					
Cash and cash equivalents	11 781 227	11 781 227	-	-	11 781 227
Loans to customers	391 428 444	-	-	540 896 847	540 896 847
Prepayments	587 943	-	-	587 943	587 943
Trade receivables	4 807 391	-	-	4 807 391	4 807 391
Other financial assets	11 795 102	-	-	11 795 102	11 795 102
<b>Financial liabilities</b>					
Borrowings	278 309 457	-	-	278 309 457	278 309 457
Trade and other payables	56 943 255	-	-	56 943 255	56 943 255
Customer advances	2 084 279	-	-	2 084 279	2 084 279
Deferred tax liabilities	0	-	-	-	-

(i) Loans to customers

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

(ii) Borrowings and other payables

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



## **22. Risk management**

### ***Financial risk management***

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

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

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

### ***Credit risk***

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

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

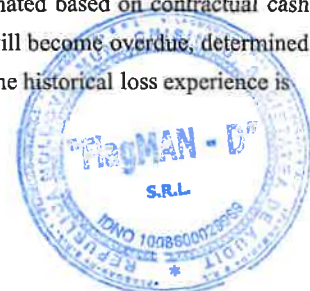
Exposure to credit risk is managed through regular analysis of the ability of clients and potential clients to meet interest and commissions and capital repayment obligations and by changing these lending limits where appropriate. As the Company is oriented to lend loans to individuals only, the maximum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

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

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

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

The future cash flows related to loans that are analyzed for impairment are estimated based on contractual cash flows and managements historical experience of the probabilities that payments will become overdue, determined from the history of previous losses and from the recoveries of overdue amounts. The historical loss experience is



**22. Risk management (continued)**

*Credit risk (continued)*

adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

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

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

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

	<b>31 December 2021</b>	<b>31 December 2020</b>
	<b>MDL</b>	<b>MDL</b>
Cash and cash equivalents	14 998 888	11 781 227
Loans to customers	482 540 988	391 428 444
Trade receivables	3 523 984	4 807 391
Other financial assets	2 873 018	11 795 102
	<b>503 936 879</b>	<b>419 812 164</b>

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

	<b>31 December 2021</b>	<b>31 December 2020</b>
	<b>MDL</b>	<b>MDL</b>
Cash and cash equivalents	4 148 106	2 855 089
Loans to customers	3 444 293	4 687 523
Trade receivables	74 958	55 201
Other financial assets	1 136 000	7 410 353
	<b>8 803 357</b>	<b>15 008 166</b>

The above table represents the worse-case scenario of credit risk exposure at 31 December 2021 and 31 December 2020, without taking into account any of the credit enhancements attached.



**22. Risk management (continued)**

*Credit risk (continued)*

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

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

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

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

	<b>31 December 2021</b>	<b>31 December 2020</b>
	<b>MDL</b>	<b>MDL</b>
Stage 1	494 434 289	409 825 641
Stage 2	28 980 826	13 698 419
Stage 3	61 905 599	135 743 153
<b>Gross</b>	<b>585 320 715</b>	<b>559 267 213</b>
Less: Allowance for impairment losses	(102 779 727)	(167 838 769)
<b>Net</b>	<b>482 540 988</b>	<b>391 428 444</b>

Loans from the loan portfolio that are in Stage 1 are classified in the Standard Risk category by reference to the internal rating system adopted.

	<b>31 December 2021</b>	<b>31 December 2020</b>
	<b>MDL</b>	<b>MDL</b>
No days overdue	454 424 268	385 014 741
< 30 days	40 010 021	24 810 900
	<b>494 434 289</b>	<b>409 825 641</b>

Loans from the loan portfolio that are in Stage 2 are classified in the Standard Risk category by reference to the internal rating system adopted.

	<b>31 December 2021</b>	<b>31 December 2020</b>
	<b>MDL</b>	<b>MDL</b>
Between 31 days and 60 days	16 344 619	7 174 049
Between 61 days and 90 days	12 636 207	6 524 370
	<b>28 980 826</b>	<b>13 698 419</b>





22. Risk management (continued)

*Credit risk (continued)*

Loans from the loan portfolio that are in Stage 3 are classified in the Standard Risk category by reference to the internal rating system adopted.

	31 December 2021	31 December 2020
	MDL	MDL
Between 91 days and 180 days	24 404 500	20 231 472
>181 days	37 501 099	115 511 682
	<b>61 905 599</b>	<b>135 743 153</b>

*Liquidity risk*

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

The maturity structure of the Company's assets and liabilities based on the remaining contractual maturity as of 31 December 2021 is shown in the next table. In this table, assets with "undefined maturity" include non-monetary assets, which are planned to be recovered through their use, as well as monetary assets the term of recovery of which is not determined as of the year end. Liabilities with "undefined maturity" include non-monetary liabilities.

As at 31 December 2021	Total	Less than 12 months	More than 12 months	Undefined maturity
	MDL	MDL	MDL	MDL
<b>ASSETS</b>				
Cash and cash equivalents	14 998 888	14 998 888	-	-
Loans to customers	482 540 988	217 354 432	265 186 556	-
Prepayments	254 247	254 247	-	-
Trade receivables	3 523 984	3 523 984	-	-
Property and equipment	24 797 753	-	-	24 797 753
Intangible assets	18 147 159	-	-	18 147 159
Deferred tax asset	-	-	-	-
Other assets	3 754 699	1 047 689	2 296 365	410 645
<b>TOTAL ASSETS</b>	<b>548 017 719</b>	<b>237 179 241</b>	<b>267 482 921</b>	<b>43 355 557</b>
<b>LIABILITIES</b>				
Borrowings	290 936 921	228 243 838	62 693 083	-
Trade and other payables	39 275 896	27 176 377	12 099 519	-
Customer advances	8 703 123	8 703 123	-	-
Deferred tax liabilities	8 117 066	-	-	8 117 066
<b>TOTAL LIABILITIES</b>	<b>347 033 006</b>	<b>264 123 338</b>	<b>74 792 602</b>	<b>8 117 066</b>
<b>Maturity GAP</b>	<b>200 984 713</b>	<b>(26 944 097)</b>	<b>192 690 319</b>	<b>35 238 491</b>
<b>Cumulative maturity GAP</b>	<b>-</b>	<b>(26 944 097)</b>	<b>165 746 221</b>	<b>200 984 713</b>



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22. Risk management (continued)

Liquidity risk (continued)

As at 31 December 2020	Total MDL	Less than 12 months MDL	More than 12 months MDL	Undefined maturity MDL
<b>ASSETS</b>				
Cash and cash equivalents	11 781 227	11 781 227	-	-
Loans to customers	391 428 444	217 770 514	173 657 930	-
Prepayments	587 943	587 943	-	-
Trade receivables	4 807 391	4 807 391	-	-
Property and equipment	32 822 443	-	-	32 822 443
Intangible assets	2,353,394	-	-	13 265 975
Deferred tax asset	42,408	-	-	(2 360 361)
Other assets	12 637 527	9 489 837	2 467 026	680 664
<b>TOTAL ASSETS</b>	<b>464 970 589</b>	<b>244 436 913</b>	<b>176 124 956</b>	<b>44 408 720</b>
<b>LIABILITIES</b>				
Borrowings	278 309 457	231 811 264	46 498 194	-
Trade and other payables	56 943 255	38 047 621	18 895 634	-
Customer advances	2 084 279	2 084 279	-	-
Deferred tax asset	-	-	-	-
<b>TOTAL LIABILITIES</b>	<b>337 336 992</b>	<b>271 943 164</b>	<b>65 393 828</b>	<b>-</b>
<b>Maturity GAP</b>	<b>127 633 597</b>	<b>(27 506 252)</b>	<b>110 731 128</b>	<b>44 408 720</b>
<b>Cumulative maturity GAP</b>	<b>-</b>	<b>(27 506 252)</b>	<b>83 224 877</b>	<b>127 633 597</b>



**22. Risk management (continued)**

**Market risk**

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

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

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

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

**Interest rate risk**

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

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

As at 31 December 2021	Total	Less than 12 months	More than 12 months	Non-interest bearing
	MDL	MDL	MDL	MDL
<b>ASSETS</b>				
Cash and cash equivalents	14 998 888	-	-	14 998 888
Loans to customers	482 540 988	217 354 432	265 186 556	-
Trade receivables	3 523 984	-	-	3 523 984
Other financial assets	2 873 018	-	-	2 873 018
<b>TOTAL FINANCIAL ASSETS</b>	<b>503 936 879</b>	<b>217 354 432</b>	<b>265 186 556</b>	<b>21 395 890</b>
<b>LIABILITIES</b>				
Borrowings	290 936 921	228 243 838	62 693 083	-
Trade and other payables	39 275 896	7 812 731	12 099 519	19 363 646
<b>TOTAL FINANCIAL LIABILITIES</b>	<b>330 212 817</b>	<b>236 056 570</b>	<b>74 792 602</b>	<b>19 363 646</b>
<b>Re-pricing GAP</b>	<b>173 724 061</b>	<b>(18 702 138)</b>	<b>(190 393 954)</b>	<b>2 032 245</b>
<b>Cumulative re-pricing GAP</b>	<b>-</b>	<b>(18 702 138)</b>	<b>171 691 816</b>	<b>173 724 061</b>



22. Risk management (continued)

*Interest rate risk (continued)*

As at 31 December 2020	Total	Less than 12 months	More than 12 months	Non-interest bearing
	MDL	MDL	MDL	MDL
<b>ASSETS</b>				
Cash and cash equivalents	11 781 227	-	-	11 781 227
Loans to customers	391 428 444	217 770 514	173 657 930	-
Trade receivables	4 807 391	-	-	4 807 391
Other financial assets	11 795 102	-	-	11 795 102
<b>TOTAL FINANCIAL ASSETS</b>	<b>197 827 713</b>	<b>180 315 751</b>	<b>12 277 936</b>	<b>5 234 026</b>
<b>LIABILITIES</b>				
Borrowings	278 309 457	231 811 264	46 498 194	-
Trade and other payables	56 943 255	10 335 000	18 895 634	30,732,031
<b>TOTAL FINANCIAL LIABILITIES</b>	<b>335 252 713</b>	<b>242 146 263</b>	<b>65 393 828</b>	<b>27 712 621</b>
<b>Re-pricing GAP</b>	<b>(137 425 000)</b>	<b>(61 830 512)</b>	<b>(53 115 892)</b>	<b>(22 478 595)</b>
<b>Cumulative re-pricing GAP</b>	<b>-</b>	<b>(61 830 512)</b>	<b>(114 946 404)</b>	<b>(137 425 000)</b>



**22. Risk management (continued)**

**Currency risk**

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

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

	31 December 2021	31 December 2020
	MDL	MDL
<b>Monetary assets</b>		
in MDL	500 611 320	419 145 088
in EUR	3 301 299	616 685
in USD	21 502	50 392
in RUB	2 758	-
<b>Total monetary assets</b>	<b>503 936 879</b>	<b>419 812 164</b>
<b>Monetary liabilities</b>		
in MDL	73 349 455	60 945 030
in EUR	255 526 763	272 217 934
in USD	1 336 599	2 089 749
in RUB	-	-
<b>Total monetary liabilities</b>	<b>330 212 817</b>	<b>335 252 713</b>
GAP in MDL	427 261 865	358 200 058
GAP in EUR	(252 225 464)	(271 601 249)
GAP in USD	(1 315 098)	(2 039 357)
<b>Total GAP</b>	<b>173 721 304</b>	<b>84 559 451</b>



22. Risk management (continued)

*Sensitivity analysis to interest rate risk*

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

The Company's interest-bearing financial assets – in its majority the loan portfolio – are priced at fixed rates, as well as the Company's interest bearing financial liabilities, despite the fact that interest rates on borrowings were modified during the year.

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

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

2021	Increase in basis points p.p.	Sensitivity of Net Interest Income/(Loss)		
		Less than 12 months MDL	More than 12 months MDL	Total MDL
	+100	(187 021)	1 903 940	1 716 918
	+50	(93 511)	951 970	858 459

2021	Decrease in basis points p.p.	Sensitivity of Net Interest Income/(Loss)		
		Less than 12 months MDL	More than 12 months MDL	Total MDL
	-100	187 021	(1 903 940)	(1 716 918)
	-50	93 511	(951 970)	(858 459)

2020	Increase in basis points p.p.	Sensitivity of Net Interest Income/(Loss)		
		Less than 12 months MDL	More than 12 months MDL	Total MDL
	+100	(618 305)	(531 159)	(1 149 464)
	+50	(309 153)	(265 579)	(574 732)

2020	Decrease in basis points p.p.	Sensitivity of Net Interest Income/(Loss)		
		Less than 12 months MDL	More than 12 months MDL	Total MDL
	-100	618 305	531 159	1 149 464
	-50	309 153	265 579	574 732





**22. Risk management (continued)**

*Sensitivity analysis to currency risk*

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

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

2021	Changes in currency %	FX rate MDL	Effect on PBT MDL
EUR	+5%	21,0985	(12 611 273)
EUR	-5%	19,0891	12 611 273
EUR	+10%	22,1032	(25 222 546)
EUR	-10%	18,0844	25 222 546
USD	+5%	18,6325	(65 755)
USD	-5%	16,8579	65 755
USD	+10%	19,5197	(131 510)
USD	-10%	15,9707	131 510
2020	Changes in currency %	FX rate MDL	Effect on PBT MDL
EUR	+5%	22,1829	(13 580 062)
EUR	-5%	20,0703	13 580 062
EUR	+10%	23,2393	(27 160 125)
EUR	-10%	19,0139	27 160 125
USD	+5%	18,0753	(101 968)
USD	-5%	16,3539	101 968
USD	+10%	18,9361	(203 936)
USD	-10%	15,4931	203 936

**Taxation risk**

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



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

**Capital management**

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

The Company manages its capital structure and adjusts it, in light of changes in economic conditions. The Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, converting of loans from shareholders, issue new shares

No changes were made in the objectives, policies or processes during the year ending 31 December 2021.

**23. Maturity structure**

The Company's assets and liabilities structure as at 31 December 2021 taking as a basis the remaining period to maturity, is as follows:

31 December 2021	Total	Less than 1 year	More than 1 year
	MDL	MDL	MDL
<b>ASSETS</b>			
Cash and cash equivalents	14 998 888	14 998 888	-
Loans to customers	482 540 988	217 354 432	265 186 556
Prepayments	254 247	254 247	-
Trade receivables	3 523 984	3 523 984	-
Property and equipment	24 797 753	-	24 797 753
Intangible assets	18 147 159	-	18 147 159
Deferred tax asset	-	-	-
Other assets	3 754 699	1 047 689	2 707 010
<b>TOTAL ASSETS</b>	<b>548 017 719</b>	<b>237 179 241</b>	<b>310 838 477</b>
<b>LIABILITIES</b>			
Borrowings	290 936 921	228 243 838	62 693 083
Trade and other payables	39 275 896	27 176 377	12 099 519
Customer advances	8 703 123	8 703 123	-
Deferred tax liabilities	8 117 066	-	8 117 066
<b>TOTAL LIABILITIES</b>	<b>347 033 006</b>	<b>264 123 338</b>	<b>82 909 668</b>
<b>MATURITY GAPS</b>	<b>200 984 713</b>	<b>(26 944 097)</b>	<b>227 928 810</b>



23. Maturity structure (continued)

31 December 2020	Total	Less than 1 year	More than 1 year
	MDL	MDL	MDL
<b>ASSETS</b>			
Cash and cash equivalents	11 781 227	11 781 227	-
Loans to customers	391 428 444	217 770 514	173 657 930
Prepayments	587 943	587 943	-
Property and equipment	4 807 391	4 807 391	-
Intangible assets	32 822 443	-	32 822 443
Deferred tax asset	13 265 975	-	13 265 975
Other assets	(2 360 361)	-	(2 360 361)
<b>TOTAL ASSETS</b>	<b>452 333 062</b>	<b>234 947 075</b>	<b>217 385 987</b>
<b>LIABILITIES</b>			
Borrowings	278 309 457	231 811 264	46 498 194
Trade and other payables	56 943 255	38 047 621	18 895 634
Customer advances	2 084 279	2 084 279	-
Deferred tax liabilities	-	-	-
<b>TOTAL LIABILITIES</b>	<b>337 336 992</b>	<b>271 943 164</b>	<b>65 393 828</b>
<b>MATURITY GAPS</b>	<b>114 996 070</b>	<b>(36 996 089)</b>	<b>151 992 159</b>

24. Guarantees granted

On September 29, 2020, the Company guaranteed, along with other group companies, the obligations resulting from the bond issuance by Mogo Finance SA (group company) in amount of EUR 100 000 000, due on July 10, 2022. The Listing Prospectus was approved by the Luxembourg Financial Sector Supervisory Commission (Commission de Surveillance du Secteur Financier). On March 19, 2021, the National Bank of Moldova (NBM) issued the authorization for granting the guarantee. In addition, a pledge agreement dated June 14, 2021 was established on receivables (other than those pledged for the Cooperation Agreement for loans issuance), intellectual property rights and funds from bank accounts. The pledge was authorized by the NBM on July 19, 2021. The company was released from the guarantees indicated above through the contract of guarantees release, including the pledge was written off and the NBM was duly informed. Elevation Group SA (formerly known as Mogo Finance SA) closed the previously issued bonds and issued other bonds in amount of 150 000 000 Euros, with a deadline of October 18, 2026.

The company (and other group companies) constituted a guarantee in order to ensure the payment of the bonds and constitute a pledge on the funds from the bank accounts and trademarks. The guarantee and pledge were authorized by the NBM on January 28, 2022.



**25. Subsequent events**

On 7 March 2022, were signed the Minutes of the Extraordinary General Meeting of Associates regarding the reduction of the share capital to the amount of MDL 4 200 000, at the time of signing the financial statements, this change had not yet been registered with the Public Services Agency.

On 21 February 2022, the Russian Federation officially recognized two separatist regions in eastern Ukraine and authorized the use of military force in these territories. On 24 February 2022, Russian troops invaded Ukraine and initiated military operations in several locations. These ongoing operations have resulted in casualties, significant population displacement, damage to infrastructure and disruption of economic activity in Ukraine. In response, several jurisdictions, including the EU, the UK, Switzerland, the US, Canada, Japan and Australia have announced initial tranches of economic sanctions on Russia (and, in some cases, Belarus). The Company's management has monitored and analyzed the events and as the Company has no commercial relations with the countries involved in the conflict and has no direct exposure, it considers that the effects of the current situation on the financial statements of the entity for 2021 are insignificant and does not indicate any significant uncertainty regarding business continuity. Accordingly, such effects have not been reflected in the 2021 financial statements.

