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**O.C.N. "Mikro Kapital Company" SRL**

**Financial Statements**

**For the Year Ended 31 December 2024**

**Prepared in Accordance with**

**International Financial Reporting Standards**

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## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of O.C.N. Mikro Kapital Company SRL

### *Opinion*

We have audited the accompanying financial statements of O.C.N. Mikro Kapital Company SRL (the "Company"), which comprise statement of financial position as at December 31, 2024 and statement of comprehensive income, statement of changes in equity, statement of cash flow for the year then ended and Notes to the financial statements, including a summary of the significant accounting policies.

- |                                               |                 |
|-----------------------------------------------|-----------------|
| • Net assets/Equity                           | 156,585,065 MDL |
| • Net profit / Net loss of the financial year | 6,964,081 MDL   |

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the O.C.N. Mikro Kapital Company SRL as at December 31, 2024, and its financial performance and its cash flow for the year ended in accordance with International Financial Reporting Standards (hereinafter "IFRS").

### *Basis for opinion*

We conducted our audit in accordance with International Standards on Auditing ("ISAs") and the Law on Audit of Financial Statements No. 271 dated 15.12.2017 (hereinafter "Law 271/2017"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the O.C.N. Mikro Kapital Company SRL in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA Code)* together with the ethical requirements that are relevant to our audit of the financial statements in Republic of Moldova, and we have fulfilled out other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Other matter*

This report, including the audit opinion, has been issued and is addressed exclusively for the information and use of the Company. To the maximum extent permitted by law, our audit engagement was conducted with the objective of reporting those items that are intended for a financial audit report and not for other purposes. By issuing this opinion, we do not accept or assume responsibility for the use of this report for any other purposes or to any other person to whom this report may come.

### ***Management and Those Charged with Governance's responsibility of the financial statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the financial reporting process of the Company.

### ***Auditor's responsibilities for the audit of the financial statements***

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We are 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 internal control of the Company.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on ability of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Society to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information Company to express an opinion on financial statements.



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

For and on behalf of **Crowe Audit FPA SRL**



**Elena Panainte, Managing Partner,**  
Auditor's certificate AG no. 000278 as of 15.04.2011

24 March 2025  
Chisinau, Republic of Moldova

O.C.N. "Mikro Kapital Company" SRL  
**FINANCIAL STATEMENTS**  
For the year ended 31 December 2024  
(All amounts in Moldovan Lei (MDL) unless otherwise stated)

Statement of profit and loss and other comprehensive income

|                                                                | Note | 2024                | 2023                |
|----------------------------------------------------------------|------|---------------------|---------------------|
| Interest income calculated using the effective interest method |      | 124,658,699         | 141,262,456         |
| Interest expense                                               |      | (53,982,766)        | (63,933,592)        |
| <b>Net interest income</b>                                     | 4    | <b>70,675,932</b>   | <b>77,328,864</b>   |
| Fee and commission income                                      |      | 13,431,456          | 13,328,450          |
| Fee and commission expense                                     |      | (1,715,109)         | (1,915,200)         |
| <b>Net fee and commission income</b>                           | 5    | <b>11,716,347</b>   | <b>11,413,250</b>   |
| Other revenue                                                  | 6    | 12,408,500          | 6,154,860           |
| <b>Revenue from operating activity</b>                         |      | <b>94,800,779</b>   | <b>94,896,974</b>   |
| Impairment losses on financial instruments                     |      | (40,264,036)        | (27,865,998)        |
| Personnel expenses                                             | 8    | (25,839,575)        | (24,331,701)        |
| Depreciation and amortization                                  |      | (5,544,202)         | (5,412,660)         |
| Other expenses                                                 | 7    | (14,367,154)        | (17,330,852)        |
| <b>Expenses from operating activity</b>                        |      | <b>(86,014,967)</b> | <b>(74,941,211)</b> |
| <b>Net financial income</b>                                    |      | <b>8,785,812</b>    | <b>19,955,763</b>   |
| Net financial profit/(loss)                                    | 9    | (361,088)           | 617,682             |
| <b>Profit before tax</b>                                       |      | <b>8,424,724</b>    | <b>20,573,445</b>   |
| Income tax expense                                             | 10   | (1,460,643)         | (2,804,875)         |
| <b>Profit for the period</b>                                   |      | <b>6,964,081</b>    | <b>17,768,570</b>   |
| Other comprehensive income                                     |      | -                   | -                   |
| <b>Total comprehensive Income</b>                              |      | <b>6,964,081</b>    | <b>17,768,570</b>   |

The accompanying notes are an integral part of these financial statements.

The financial statements were authorized for issue on March 24, 2025, by:



*[Signature]*  
Chief Executive Officer, Turcanu Sergiu

*[Signature]*  
Chief Financial Officer, Chitroaga Natalia

## O.C.N. "Mikro Kapital Company" SRL

## FINANCIAL STATEMENTS

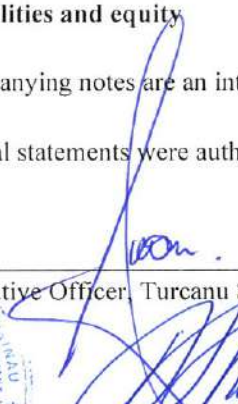
For the year ended 31 December 2024

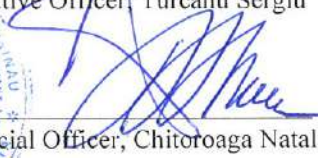
(All amounts in Moldovan Lei (MDL) unless otherwise stated)

| Statement of financial position     | Note | 2024               | 2023               |
|-------------------------------------|------|--------------------|--------------------|
| <b>Assets</b>                       |      |                    |                    |
| Cash and cash equivalents           | 11   | 4,192,894          | 14,298,838         |
| Loans granted to customers          | 12   | 502,746,902        | 564,177,316        |
| Other assets and receivables        | 13   | 13,725,114         | 24,679,898         |
| Financial investment                | 14   | 4,943,945          | 13,718,609         |
| Property and equipment              | 15   | 6,689,373          | 9,539,056          |
| Intangible assets                   | 16   | 1,072,818          | 1,130,769          |
| Deferred tax assets                 |      | -                  | 768,947            |
| <b>Total assets</b>                 |      | <b>533,371,046</b> | <b>628,313,433</b> |
| <b>Liabilities</b>                  |      |                    |                    |
| Trade and other liabilities         | 17   | 3,148,757          | 3,923,341          |
| Lease liability                     | 18   | 3,741,430          | 5,305,620          |
| Borrowings from banks and creditors | 19   | 354,737,509        | 456,093,815        |
| Advances from customers             | 20   | 3,779,889          | 5,709,127          |
| Accruals and deferred income        |      | 6,863,711          | 5,958,294          |
| Provisions                          | 21   | 3,299,314          | 1,702,252          |
| Deferred tax liabilities            | 22   | 1,215,371          | -                  |
| <b>Total liabilities</b>            |      | <b>376,785,981</b> | <b>478,692,449</b> |
| <b>Equity</b>                       | 23   |                    |                    |
| Share capital                       |      | 94,723,005         | 94,723,005         |
| Legal reserve                       |      | 9,472,300          | 9,472,300          |
| Retained earnings                   |      | 52,389,760         | 45,425,679         |
| <b>Total equity</b>                 |      | <b>156,585,065</b> | <b>149,620,984</b> |
| <b>Total liabilities and equity</b> |      | <b>533,371,046</b> | <b>628,313,433</b> |

The accompanying notes are an integral part of these financial statements.

The financial statements were authorized for issue on March 24, 2025, by:


 Chief Executive Officer, Turcanu Sergiu


 Chief Financial Officer, Chitoroaga Natalia


## FINANCIAL STATEMENTS

For the year ended 31 December 2024

(All amounts in Moldovan Lei (MDL) unless otherwise stated)

## Statement of changes in equity

|                                | Share capital | Reserves  | Retained earnings | Total equity |
|--------------------------------|---------------|-----------|-------------------|--------------|
| Balance at 1 January 2023      | 94,723,005    | 9,472,300 | 27,657,109        | 131,852,414  |
| Transactions with owners       | -             |           | -                 | -            |
| Result of the year             |               |           | 17,768,570        | 17,768,570   |
| Transfers to reserves          |               | -         | -                 | -            |
| Balance as at 31 December 2023 | 94,723,005    | 9,472,300 | 45,425,679        | 149,620,984  |
| Balance at 1 January 2024      | 94,723,005    | 9,472,300 | 45,425,679        | 149,620,984  |
| Transactions with owners       | -             |           | -                 | -            |
| Result of the year             |               |           | 6,964,081         | 6,964,081    |
| Transfers to reserves          |               | -         | -                 | -            |
| Balance as at 31 December 2024 | 94,723,005    | 9,472,300 | 52,389,760        | 156,585,065  |



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Statement of cash flows

|                                                                                                    | 2024                 | 2023                 |
|----------------------------------------------------------------------------------------------------|----------------------|----------------------|
| <b>Operating activities</b>                                                                        |                      |                      |
| Net profit                                                                                         | 6,964,081            | 17,768,570           |
| <i>Elimination of non-monetary items</i>                                                           |                      |                      |
| Income from dividends                                                                              | -                    | -                    |
| Income tax expenses                                                                                | 1,460,643            | 2,804,875            |
| Allowances for loans                                                                               | 40,264,036           | 27,865,998           |
| Untaken holiday provision                                                                          | 1,597,062            | (600,993)            |
| Provision expense for staff's bonus                                                                | -                    | 83,831               |
| Depreciation and amortization                                                                      | 5,360,372            | 5,412,660            |
| Interest and fee expense                                                                           | 55,697,875           | 65,848,792           |
| <b>Net cash flows from operating activities before changes in operating assets and liabilities</b> | <b>111,344,069</b>   | <b>119,183,733</b>   |
| <i>(Increase)/decrease in operating assets</i>                                                     |                      |                      |
| Lease and loans receivables                                                                        | 22,071,798           | 17,347,361           |
| Trade and other receivables                                                                        | 13,064,541           | (24,256,602)         |
| <i>Increase/(decrease) in operating liabilities</i>                                                |                      |                      |
| Trade and other payables                                                                           | (3,799,417)          | (6,259,712)          |
| Customer advances                                                                                  | (1,929,238)          | 510,989              |
| <b>Net cash flows from/(used in) operating activities before income tax</b>                        | <b>140,751,754</b>   | <b>106,525,770</b>   |
| Income tax paid                                                                                    | (125,438)            | 3,966,123            |
| <b>Net cash from operating activities</b>                                                          | <b>140,626,316</b>   | <b>110,491,892</b>   |
| <b>Investing activities</b>                                                                        |                      |                      |
| Purchase of property, plant and equipment:                                                         | (2,078,938)          | (1,772,647)          |
| - Out of which related to IFRS 16 ROU                                                              | (2,000,150)          | (1,670,500)          |
| Proceeds from disposal of property, plant and equipment                                            | -                    | -                    |
| Purchase of other intangible assets                                                                | (373,801)            | (53,730)             |
| Proceeds from disposal of other intangible assets                                                  | -                    | -                    |
| Financial investments                                                                              | 8,774,664            | (2,999,150)          |
| Dividends received                                                                                 | -                    | -                    |
| <b>Net cash used in investing activities</b>                                                       | <b>6,321,925</b>     | <b>(4,825,527)</b>   |
| <b>Financing activities</b>                                                                        |                      |                      |
| Proceeds from borrowings                                                                           | 317,622,484          | 468,165,545          |
| Repayment of borrowings                                                                            | (401,938,977)        | (503,830,807)        |
| Payment of interest                                                                                | (73,267,126)         | (68,778,832)         |
| <b>Net cash from (used in) financing activities</b>                                                | <b>(157,583,619)</b> | <b>(104,444,094)</b> |
| <b>Net change in cash and cash equivalents</b>                                                     | <b>(10,635,378)</b>  | <b>1,222,271</b>     |
| Cash and cash equivalents, beginning of year                                                       | 14,298,838           | 13,076,567           |
| <b>Cash and cash equivalents, end of year (Note 11)</b>                                            | <b>4,192,894</b>     | <b>14,298,838</b>    |
| <b>Net increase/ (decrease) in cash and cash equivalents</b>                                       | <b>(10,105,944)</b>  | <b>1,222,271</b>     |

NOTES TO FINANCIAL STATEMENTS

**1. Nature of operations & general information**

O.C.N. "Mikro Kapital Company" SRL ("Company") was initially established in 2013 as "Credit CMB" SRL and during 2019 has passed through a rebranding process.

The main activities of the Company include loans granted to legal entities and individuals from the Republic of Moldova.

The company operates through its headquarters, located in Chisinau, and through 11 other agencies throughout the Republic of Moldova: Chisinau (two agencies), Balti, Comrat, Soroca, Drochia, Edinet, Cahul, Orhei, Causeni and Ungheni. The financial statements comprise all Company's branches.

The only shareholder of the Company is Alternative Fund managed by Mikro Kapital Management which belongs to Joseph of Arimathea Asset Management Foundation. The beneficial owner of the Joseph of Arimathea Asset Management Foundation shall be the Board of Trustees since no individual can be identified. The composition of the Board of Trustees and ultimately UBO of the Company is presented in Note 24.

The Company is incorporated in the Republic of Moldova and the registered office of the Company is located at Puskin 45 B, Chisinau.

As at 31 December 2024 the Company employed 76 employees (as at 31 December 2023: 78 employees).

**Operating environment of the Company**

The Company, through its operations, has a significant exposure to the economy and financial markets of Moldova. The Republic of Moldova is a small lower-middle-income economy. According to a World Bank report, despite a solid economic performance over the past two decades, Moldova remains among the poorest countries in Europe. Although a growth model reliant on remittance-induced consumption has generated high growth and reduced poverty, it had become less sustainable well before the recent series of crises. The decline in remittances, combined with a shrinking and aging population, has resulted in low productivity growth, and a significant number of the lower-income population has become dependent on pensions and social assistance.

The banking sector in Moldova is sensitive to adverse fluctuations in confidence and economic conditions and may occasionally experience reductions in liquidity and increased levels of volatility in the market. Management is unable to predict all developments which may have an impact on the banking sector and consequently what effect, if any, they could have on the financial position of the Company. The company shall be functioning in an environment still challenging. Moldova's business environment in 2024 is influenced by various economic, political, fiscal, and external factors that present both challenges and opportunities for companies operating within the country.

Moldova's economy saw minimal growth in 2024, with GDP rising by just 0.1%. Severe droughts and the ongoing war in Ukraine significantly impacted foreign investment and domestic consumption, leading to economic stagnation. Challenges remain, including political instability ahead of the upcoming elections and economic uncertainties in the European Union and the wider region. GDP growth in 2024 fell short of the 2.5% forecast by the Ministry of Economy, the World Bank, and the International Monetary Fund. Additionally, real remittances declined, impacting private consumption, although gradual improvements in investment provided some support.

The political landscape in 2024 was marked by a pivotal presidential election and a referendum on European Union (EU) accession. The pro-European incumbent, Maia Sandu, secured re-election, reflecting a national inclination towards EU integration. To bolster economic growth and support reforms, the European Union introduced the Moldova Growth Plan in October 2024, focusing on socio-economic reforms, enhanced access to the EU's single market, and increased financial support through a dedicated Reform and Growth Facility for Moldova.



**1. Nature of operations & general information (continued)**

Throughout 2024, the National Bank of Moldova (NBM) adjusted its base rate on several occasions to manage inflation and support economic stability. These adjustments reflect the NBM's responsive monetary policy aimed at balancing economic growth with price stability during 2024.

As of July 1, 2023, the National Bank of Moldova (NBM) expanded its regulatory oversight to include non-bank credit organizations (NBCOs), a sector previously supervised by the National Commission for Financial Markets (NCFM). This transition was facilitated by the enactment of the Law on Non-Bank Credit Institutions No. 1 dated March 16, 2018, which established the legal framework for NBCOs and designated the NBM as their supervisory authority.

**2. New and revised standards, in force for annual periods that start on or after 1 January 2024**

**a) New Standards as at 1 January 2024**

• **IAS 1: Presentation of Financial Statements**

Amendment to IAS 1 – Non-current liabilities with covenants. These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of liability. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions. Published January 2020 and November 2022, with effective date annual periods beginning on or after 1 January 2024. The adoption is not expected to have a material impact on the Company's financial statements.

• **IAS 7 / IFRS 7: Statement of Cash Flows / Financial Instruments: Disclosures**

Amendment to IAS 7 and IFRS 7 - Supplier finance. These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on an entity's liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB's response to investors' concerns that some companies' supplier finance arrangements are not sufficiently visible, hindering investors' analysis. Published May 2023 with effective date annual periods beginning on or after 1 January 2024 (with transitional reliefs in the first year). The adoption is not expected to have a material impact on the Company's financial statements.

• **IAS 21: The Effects of Change in Foreign Exchange Rates**

Amendments to IAS 21 - Lack of Exchangeability. An entity is impacted by the amendments when it has a transaction or an operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose. A currency is exchangeable when there is an ability to obtain the other currency (with a normal administrative delay), and the transaction would take place through a market or exchange mechanism that creates enforceable rights and obligations. Published August 2023 with effective date annual periods beginning on or after 1 January 2025 (early adoption is available). The adoption is not expected to have a material impact on the Company's financial statements.

• **IFRS 16: Leases Amendment to IFRS 16 – Leases on sale and leaseback**

These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted. Published September 2022 with effective date annual periods beginning on or after 1 January 2024. The adoption is not expected to have a material impact on the Company's financial statements.

**b) New and revised IFRS Accounting Standards in issue but not yet effective**

At the date of authorization of these financial statements, the Company has not applied the following new and revised IFRS Accounting Standards that have been issued but are not yet effective, as follows:

- Amendments to IAS 21: Lack of Exchangeability
- IFRS 18 Presentation and Disclosures in Financial Statements
- IFRS 19 Subsidiaries without Public Accountability: Disclosures

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3. Accounting policies

a. Basis of preparation

*Statement of compliance*

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

*Basis of measurement*

The financial statements are prepared under the historical cost basis, with the exception of cases where it is relevant to use fair value.

*Functional and presentational currency*

The financial statements are presented in Moldovan lei ("MDL"), which is the company's functional and presentation currency. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of profit or loss.

Non-monetary assets, liabilities and equity instruments are recorded at historical cost denominated in foreign currency and are translated using the exchange rate at the date of the initial transaction.

Revenues and losses in foreign currency arising from the revaluation of monetary assets and liabilities in foreign currency are reflected in the statement of profit and loss.

Modifications in the fair value of monetary elements denominated in foreign currency are analyzed between translation differences resulting from changes in the amortized cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortized cost are recognized in profit or loss, and other changes in the carrying amount are recognized in equity.

The non-monetary elements denominated in another currency that are accounted for at cost are translated using the exchange rates as of the date of the initial transaction. The non-monetary elements denominated in a foreign currency, measured at fair value are translated using the exchange rates as of the date of determining the fair value.

The year end and average exchange rates for the main currencies were the following:

|                        | 2024    |         | 2023    |         |
|------------------------|---------|---------|---------|---------|
|                        | USD     | EUR     | USD     | EUR     |
| Average for the period | 17.7918 | 19.2533 | 18.1607 | 19.6431 |
| Year end               | 18.4791 | 19.3106 | 17.4062 | 19.3574 |

*Presentation of financial statements*

The Company presents its statement of financial position broadly in order of liquidity. An analysis regarding recovery or settlement within 12 months after the statement of financial position date (current) and more than 12 months after the statement of financial position date (non-current) is presented in Note 25.

Financial assets and financial liabilities are offset, the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously. Income and expense are not offset in the profit or loss unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Company.



**3. Accounting policies (continued)**

**b. Significant accounting judgments, estimates and assumptions**

In the process of applying the Company's accounting policies, management has exercised judgment and estimates in determining the amounts recognized in the financial statements. Estimates and judgments are continuously evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances the most significant uses of judgment and estimates are as follows:

**Going concern**

The Company reported a net profit of MDL 6,964,081 for the year ended 31 December 2024 (31 December 2023: MDL 17,768,570) and at that date the retained earnings were positive of MDL 52,389,760 (31 December 2023: MDL 45,425,679). The Company has significant support as borrowings outstanding which were granted by its shareholder, 27% at 31 December 2024 (31 December 2023: 19%). Based on these, the Company's management has assessed the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue its activity for the near future.

The management assessed the impact of the war between Ukraine and Russia and conclude that the effects of the war do not represent a material uncertainty that may cast significant doubt upon the Company's ability to continue as a going concern, even though it brings higher uncertainty regarding the business environment.

Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern.

Therefore, the financial statements continue to be prepared on a going-concern basis.

**Impairment losses on loans granted to customers**

The Company reviews its receivables, loans, and advances at each statement of financial position date to assess whether an impairment loss should be recorded in the profit or loss. Management estimates the impairment loss according to IFRS 9.

**c. Summary of significant accounting policies**

**a) Financial assets and financial liabilities**

**Recognition and initial evaluation**

Financial assets are classified, at initial recognition, depending on the contractual terms and the business model for managing the instruments. All financial assets are recognized initially at fair value plus, in the case of financial assets are not recorded at fair value, transaction cost that is attributable to the acquisition of the financial assets. The company has only such financial assets that are recognized as loans and receivables.

**Classification**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in active markets. All loans and receivables are recognized in the statement of financial position on the contractual terms and the business model for managing the instruments.

**Impairment of financial assets**

The company recognizes loss allowances for ECL (Expected Credit Loss) on the following financial instruments that are not measured at FVTPL:

- Financial assets that are debt instruments
- Financial guarantees contracts
- Loan commitments

### 3. Accounting policies (continued)

Impairment according to IFRS 9 is based on expected losses and requires a timely recognition of the future expected losses.

The determination of expected losses at the reporting date relies on the effective interest rate established upon the initial recognition or an estimated rate. As concerns financial assets with variable interest rates, 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.

In some circumstances, renegotiation or modification of contractual cash flows of financial assets results in the recognition of available financial assets. The renegotiation of or change in the contractual cash flows related to financial assets results in a significant change in initial risk assessment and leads to categorising on Stage with lifetime provisioning.

If the contractual terms are significantly altered and none of the cash inflow during the year comes the existing financial asset is derecognized and the next cash inflow becomes recognized as Income from loans recovered.

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.

Evidence 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 de-recognition.

The company assesses on a forward-looking basis 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 and financial guarantee contracts. The company recognizes a loss allowance for such losses at each reporting date. The measurement of ECL 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.
- IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarized below:
- A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Company;
  - If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired;
  - If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'.
- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis.



**3. Accounting policies (continued)**

- A pervasive concept in measuring ECL following IFRS 9 is that it should consider forward-looking information.
- Purchased or originated credit-impaired financial assets ("POCI") are those financial assets that are credit-impaired on initial recognition. Their ECL is always measured on a lifetime basis (Stage 3).

**Impairment losses calculation**

The Company reviews the lease portfolio and loans to estimate its depreciation on a monthly basis. In determining whether a loss on impairment of lease and loans should be reflected in the income statement, the Company estimates that there is measurable data to lower expected future cash flows in the portfolio of lease and loan before this decrease is identified with a leasing and individual loan from the portfolio. These issues may indicate observable data of worsening service of a debtor in a group, national or economic conditions and correlates with asset losses in a group.

Management uses estimates based on the historical impairment of assets related to credit risk characteristics and objective impairment records like those in the portfolio in the forecast of future cash flows. The methodology and assumptions used to estimate both the magnitude, and the maturity of future cash flows are reviewed to reduce the differences between estimates and current losses on leases and loans.

When the result of these factors is different from the initially reflected values, they may materially affect the provision for losses for the period in which that determination occurred. Depreciation of leases and loans is calculated for individual leases and loans and for other leases and loans on a portfolio basis. For individually assessed leases and loans, the depreciation factors are determined first. Depreciation factors are financial difficulties of the client, disputes with the respective client, and extension or modification of the repayment schedule due to the impossibility of payment.

For overdue payments exceeding 90 days, it will be automatically considered that the lease and the loan are impaired.

For assessing the depreciation amount, the table of monthly cash flows expected from the credit performance, including the flows from the collateral, is made and the flows are updated using the effective interest rate.

**Distribution by collateral**

The Company defines the following categories of collateral:

- Hard collateral – a security consisting of the guarantor and non-consumable assets used in the Client's activities (including for personal use) for more than 12 months and having a depreciation characteristic during the whole period of their operation, but not completely disappearing or changing their original purpose. This type of collateral includes, for example, real estate (including buildings, facilities, premises, land), vehicles (including cars, trucks, buses), special technical equipment (including agricultural equipment), equipment (including production power machines), the right to long-term lease of real estate. These non-consumable assets are estimated with their own market fair value over the gross book value on lease or loan.
- Soft collateral – a security consisting of property or property rights (claims) that can be expended or consumed in the course of the financial and economic activities of the Client for 12 months. This type of collateral includes, for example, goods in circulation (including raw materials, fabric, goods for resale, harvested crop and future harvest), inventory, livestock, the right to a short-term lease of real estate, the assignment of a monetary claim and other types of security not specified in the hard collateral category and not classified as a guarantee.
- Mixt - security consisting of the guarantor and non-consumable assets used in the Client's activities (including for personal use) for more than 12 months and having a depreciation characteristic during the whole period of their operation, but not completely disappearing or changing their original purpose. This type of collateral includes, for example, real estate (including buildings, facilities, premises, land), vehicles (including cars, trucks, buses), special technical equipment (including agricultural equipment), equipment (including production power machines), the right to long-term lease of real estate. These non-consumable assets estimate with own market fair value under the gross book value on lease or loan.



### 3. Accounting policies (continued)

- Guarantee – the obligation of the only guarantor (surety) to return the debt of the borrower, if by the time of return he/she is insolvent.
- Unsecured – the absence of any category of security or guarantee.

The computation of impairment losses is calculated based on the following formula:

**EAD x PD x LGD**, where:

- EAD - leasing and loan balance less adjusted fair value of collateral
- PD – Probability of default
- LGD – Loss Default loss rate.

The rules for calculation are the following:

- Classify loan portfolio by 3 stages based on days past due:
- Stage 1 up to 29 days past due
- Stage 2: 30 to 89 days past due
- Stage 3 more than 90 days past due
- Future loan cash-flows are estimated using contractual terms for each loan and used to estimate 12 months expected credit losses and life-time expected credit losses.
- For loans classified as Stage 1 the Company considers 12 months expected losses while for Stage 2 and Stage 3 the Company considers Life-time expected credit losses.
- Estimation of PD and LGD is based on historical Company information as well as expected future trends and macroeconomic factors.

### Presentation of impairment losses in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows

- financial assets measured at amortized cost: as a deduction from the gross carrying amount of the assets;
- loan commitments and financial guarantee contracts: generally, as a provision;
- where a financial instrument includes both a drawn and an undrawn component, and the company cannot identify the ECL on the loan commitment component separately from those on the drawn component the Company presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and
- debt instruments measured at FVOCI: no loss allowance is recognized in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognized in the fair value reserve

#### b) Renegotiated loans

Where possible, the company restructures loans rather than take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated the loan is considered overdue and held during a certain "quarantine" period. Should the period expire, the loan is no longer considered overdue and is attributed a current status. Management continuously reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment.

**3. Accounting policies (continued)**

**c) Write-off of financial assets and finance lease receivables**

Loans and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset, considering that during the year they could not honor their obligations according to the schedule. This assessment is made after considering information such as the occurrence of significant changes in the financial position of the borrower so that the borrower can no longer satisfy its obligations, or arrears have registered a longer period than the period of collection established, or proceeds from collateral will not be sufficient to repay the entire exposure.

Recoveries of amounts previously written off are included in "income from loans recovered" in the statement of profit or loss and SOCE. Financial assets that are written off could still be subject to enforcement activities to comply with the company's procedures for recovery of amounts due.

**d) Repossessed assets**

In certain circumstances, objects under finance lease are repossessed following the foreclosure of lease contracts where the recoverability is in doubt. Foreclosed collateral are carried at the lower of its cost (being its fair value at the time of repossession) and net realisable value.

**e) Customer advances**

Customer advances represent prepayments made by the customers for the payment of contractual obligations to which the due date has not yet arrived. The amounts are settled automatically at the next due date of the contract.

**f) Borrowings**

Borrowings are initially recognized at cost, being the fair value of their issue proceeds received net of transaction costs incurred. Subsequently, borrowings are stated at amortized cost and any difference between net proceeds and the redemption value is recognized in the profit or loss over the period to maturity using the effective interest rate method.

**g) Income and expense recognition**

Interest income is recognized to the extent that the economic benefits will probably flow to the Company and the interest income can be reliably measured.

Interest income and expense are recognized in the income statement for all bearing financial instruments carried at gross amount using the effective interest rate method.

The interest rate of a financial asset or financial liability is calculated on the initial recognition of a financial asset or a financial liability. In calculating interest income and expense, the interest rate is applied to the gross carrying amount of the asset or the amortized cost of the liability.

The 'amortized cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance.

The 'gross carrying amount of a financial asset' is the amortized cost of a financial asset before adjusting for any expected credit loss allowance.

Interest income calculated and presented in the statement of profit or loss includes:

- Interest on financial assets and financial liabilities measured at the accounting value;
- Fee for administration.
- Interest expenses are recognized in profit or loss at the carrying amount.



**3. Accounting policies (continued)**

**h) Commission fee income**

Fee, granting and administration commissions income and expense are included in the effective interest. Other fees and commission income are recognized in accordance with IFRS 15 at a point in time when the related services are performed. Other fees and commission income relate mainly to transaction and service fees, which are incurred as the services are received. These refer mostly to early disbursement fees for loans.

Commission fee income is recognized at the carrying amount of the consideration received or receivable for the services provided in the ordinary course of the Company's activities, the granting of loans. Fees and commissions are recognized on an accrual basis when the service has been provided.

**i) Property, plant and equipment**

Items of property and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment. If significant parts of an item of property or equipment have different useful lives, then they are accounted for as separate items (major components) of property and equipment. Any gain or loss on disposal of an item of property and equipment is recognized within other income in profit or loss.

Subsequent expenditure is capitalized only when it is probable that the future economic benefits of the expenditure will flow to the Group. Ongoing repairs and maintenance are expended as incurred.

Depreciation is calculated to write off the cost of items of property and equipment less their estimated residual values using the straight-line method over their estimated useful lives and is generally recognized in profit or loss. Land is not depreciated.

The estimated useful lives of significant items of property and equipment are as follows:

- Buildings ..... 40 years;
- IT equipment ..... 3–5 years;
- Other equipment ..... 5–10 years.

The right of use related to the rental contracts concluded with partners for the offices rented over the country are also presented as property plant of equipment, considering that it would be their nature if the underlying asset were owned by the Company. As per IFRS 16 – Leases, the asset is calculated as the initial amount of the lease liability, plus any other payments made to the lessor before the lease/contract commencement date, plus any initial direct costs incurred, minus any lease incentives received. The depreciation period for the right-of-use asset is from the lease commencement date to the end of the lease term. At the termination of a contract, the right-of-use asset and associated lease liability are removed from the books of the Company and the difference between the two amounts is accounted for as a profit or loss at that time.

**j) Intangible assets**

Acquired computer software licenses are recognized as intangible assets based on the costs incurred to acquire and bring to use the software. Amortization of software is calculated based on straight-line method, considering their useful life according to their description/benefits. Amortization is calculated on a straight-line basis over 3-10 years.

**k) Cash and cash equivalents**

Cash comprises both cash on hand and in the bank. Cash equivalents are short-term, highly liquid investments with a maturity of less than 90 days from the date of purchase, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.



**3. Accounting policies (continued)**

**l) Contingencies**

Contingent liabilities are not recognized in the financial statement, but they are disclosed, unless the possibility of an outflow of resources embodying economic benefits is remote.

A contingent asset is not recognized in the financial statements but is disclosed when an inflow of economic benefits is probable.

**m) Provisions**

Provisions are recognized when the Company has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic resources will be required from the Company and amounts can be estimated reliably. The timing or amount of the outflow may still be uncertain. The Company recognizes provisions concerning untaken holidays of employees calculated at the end of the reporting period based on the actual number of untaken days and the daily salary of the employees.

**n) Investment income**

Investment income is recognized when the right to receive income is established or income is determined. Income from financial investments is presented in the net financial gain/(loss) line (Note 9).

**o) Related parties**

A party is related to an entity if:

- directly, or indirectly through one or more intermediaries, the party:
  - controls, is controlled by, or is under common control with, the entity (this includes parents, subsidiaries and fellow subsidiaries)
  - has an interest in the entity that gives it significant influence over the entity; or
  - has joint control over the entity
- the party is an associate (as defined in IAS 28, Investments in Associates) of the entity
- the party is a joint venture in which the entity is a venture (see IAS 31, Interests in Joint Ventures)
- the party is a member of the key management personnel of the entity or its parent
- the party is a close member of the family of any individual referred to in (a) or (d)
- the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or
- the party is a post-employment benefit plan for the benefit of employees of the entity, or of any entity that is a related party of the entity.

Related party transactions represent a transfer of resources or obligations between related parties, regardless of whether a price is charged.

**p) Taxation**

Income tax expense comprises current and deferred tax. It is recognized in profit or loss. Penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore have accounted for them under IAS 37 Provisions, Contingent Liabilities and Contingent Assets and have recognized the related expenses in 'other expenses'.

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received.

That reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. The current tax also includes any tax arising from dividends.

**2. Accounting policies (continued)**

**p) Taxation (continued)**

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that future taxable profits will probably be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized, reductions are reversed when the probability of future taxable profits improves. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date. The measurement of the deferred tax reflects the tax consequences that would follow the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax assets and liabilities are offset only if certain criteria are met.

The nominal tax rate was set at 12% for 2024 and 12% for 2023.

**q) Share capital and reserves**

The net assets of the Company are those assets which are exempt from the obligations (debts) of the Company. The source of the net assets is the equity of the Company composed of authorized capital, additional capital, the reserve fund, undistributed profit as well as out of other resources and means provided for by the legislation in force.

The net assets shall be calculated according to the inventory (initial) value and, in the cases provided by law, according to the market value.

**r) Events subsequent to the reporting period**

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

**s) Comparatives**

Except when a standard or an interpretation permits or requires otherwise, all amounts are reported or disclosed with comparative information. Where IAS 8 applies, comparative figures have been adjusted to conform to changes in presentation in the current year.



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4. NET INTEREST INCOME

|                                     | 2024                | 2023                |
|-------------------------------------|---------------------|---------------------|
| <b>Statement of profit and loss</b> |                     |                     |
| Business loans                      | 41,146,049          | 50,903,981          |
| Agro loans                          | 56,720,048          | 63,350,454          |
| Home loans                          | 9,149,423           | 9,376,913           |
| Rapid loans (for business)          | 6,787,716           | 7,161,450           |
| Consumer loans                      | 10,855,462          | 10,469,658          |
| <b>Total interest income</b>        | <b>124,658,699</b>  | <b>141,262,456</b>  |
| <b>Interest expense</b>             | <b>(53,982,766)</b> | <b>(63,933,592)</b> |
| <b>Net interest income</b>          | <b>70,675,932</b>   | <b>77,328,864</b>   |

Net interest income measures the return of borrowed funds calculated on effective interest rate method. The interest rate included nominal rate, and all fees and commissions related to a loan (granting commissions, administration fees) for both granted and contracted loans.

The interest income amounted to 124 million MDL, reflecting a 12% decline compared to the previous year. The primary reason for this decrease is the reduction in the disbursement amount during 2024.

Regarding the interest expense evolution, there is a decrease of 16 % compared with the last year, generated by reimbursement of loans.

|                                     | 2024               | 2023               |
|-------------------------------------|--------------------|--------------------|
| <b>Statement of profit and loss</b> |                    |                    |
| for individuals                     | 19,853,376         | 19,844,429         |
| Micro                               | 6,717,556          | 8,328,421          |
| Small                               | 47,363,205         | 54,335,104         |
| SME                                 | 35,078,047         | 37,582,197         |
| Corporate                           | 15,646,514         | 21,172,305         |
| <b>Total interest income</b>        | <b>124,658,699</b> | <b>141,262,456</b> |

5. FEE AND COMMISSION INCOME

| FEE AND COMMISSION INCOME           | 2024              | 2023              |
|-------------------------------------|-------------------|-------------------|
| <b>Statement of profit and loss</b> |                   |                   |
| Fee and commission income           | 13,431,456        | 13,328,450        |
| Fee and commission expense          | (1,715,109)       | (1,915,200)       |
| <b>Fee and commission income</b>    | <b>11,716,347</b> | <b>11,413,250</b> |

The table above shows the fees and commissions that are not included in the computation of interest income with the effective interest rate method, and for both periods, 2024 and 2023, it was represented by early payment, contractual changes commissions of loans granted to clients and penalty for late payments.

6. OTHER REVENUE

|                                              | 2024              | 2023             |
|----------------------------------------------|-------------------|------------------|
| <b>Statement of profit and loss</b>          |                   |                  |
| Income from loans recovered                  | 10,406,578        | 3,259,590        |
| Other income from other operating activities | 2,001,921         | 2,895,270        |
| <b>Other revenue</b>                         | <b>12,408,500</b> | <b>6,154,860</b> |

Other income includes recoveries of court fees, issuance of certificates, and scrapped advances with commitments expired.



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## 6. OTHER REVENUE (continued)

During 2024 the Company decided to write off some legacy loan contracts for clients without payments during the year. However, the Company's policy assumes that those contracts are still monitored, and each legal procedure is undertaken in order to recover the amounts. All the collections realized on these contracts are recognized as an income from loans recovered. Results of the collection are shown below:

|                                  |                     |                     |
|----------------------------------|---------------------|---------------------|
| Income from loans recovered      | 10,406,578          | 3,259,590           |
| <i>Loans written off expense</i> | <i>(47,039,522)</i> | <i>(23,345,337)</i> |
| <b>Other revenue</b>             | <b>(36,632,943)</b> | <b>(20,085,747)</b> |

## 7. OTHER EXPENSES

|                                          | 2024              | 2023              |
|------------------------------------------|-------------------|-------------------|
| <b>Statement of profit and loss</b>      |                   |                   |
| Professional Services                    | 4,506,515         | 3,539,629         |
| Miscellaneous                            | 2,130,803         | 1,178,413         |
| Taxes Other Than Income Tax              | 1,822,073         | 666,950           |
| Marketing/Advertising                    | 1,613,140         | 3,220,081         |
| Bank Charges                             | 1,157,290         | 912,549           |
| Provision for assigned assets            | 696,336           | 2,826,062         |
| Vehicle Operating Cost                   | 496,990           | 519,623           |
| Utilities                                | 471,331           | 622,954           |
| Communications                           | 406,629           | 401,920           |
| Training Expenses                        | 330,818           | 417,289           |
| Office supplies                          | 306,791           | 303,637           |
| Travel Expenses                          | 168,302           | 91,703            |
| Office&Equipment Maintenance             | 160,014           | 171,758           |
| Agent's commission on clients attraction | 56,153            | 51,564            |
| License/Memberships                      | 33,787            | 32,458            |
| Protocol expenses                        | 10,180            | 53,029            |
| Loss from receivables assignment         | -                 | 2,321,236         |
| <b>Total other expenses</b>              | <b>14,367,154</b> | <b>17,330,853</b> |

The company has made notable adjustments in spending, with a 17% reduction in total other expenses. However, there are areas that require further attention. Below are key strategic highlights:

- **Professional Services** represent consulting-financial analysis services, audit, security, e-signature service, legal and translation services, underwriting services, IT services and other services provided by different providers mostly from the country. The growth of 27%, +967 k MDL is determined by the volume of reliance on consultants, legal, or advisory services provided and general contract price increase, correlated to market prices increase.
- **Miscellaneous** presents other types of expenses and services that were practically not planned and cannot be reflected in the existing expense categories. This includes: Other expenses and services - 60.3 k MDL, advertisements and periodical publications - 35.8 k MDL, expenses with the transitions with written-off of some debts - 101.0 k MDL, provision established for fines related to regulatory controls - 1.6 mln MDL.
- **Taxes other than income tax** increase by 173% comparing 2023 and include local taxes, taxes related to interest expense paid, value added tax for imported services, and regulatory payment to the National Commission of Financial Market (NCFM) for consumer portfolio. A decrease is recorded here, since the regulatory fee was imposed only for consumer loans and not for business. But it was a temporary event.

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7. OTHER EXPENSES (continued)

Starting next year, the NBM will also impose the tax on the business portfolio. The main contribution on increasing had the VAT – 596.6 k MDL. Company became VAT payers in 2024 and compared to 2023 when VAT on products and services was recognized in the input value of materials and services, in 2024 VAT is recognized directly on expenses because financial services do not represent taxable supplies with VAT.

- **Marketing / Advertising** expenses are due to advertising activity as part of the Company's strategy of increasing awareness of the public regarding its products. Marketing expenses decrease by 50% due to cutting in TV& radio advertising and events/gifts. Also, this is the result of cost-cutting effort and shift to digital advertising.
- **Bank Charges** represents expenses with bank commissions for services provided (552.2 k MDL 2023: 611.0 k MDL) and currency conversion commissions 605.1 k MDL (2023: 301.5 k MDL).
- **Provision & Loss from receivables assignment** During 2023, the company assigned a portion of the non-performing loans to PFB Legal Consulting SRL, a company with a strong track record in debt recovery. The total value of the assigned receivables amounted to MDL 15,166,974, of which MDL 12,845,738 (84% of the total assigned receivables) was to be recovered by PFB Legal Consulting SRL within 400 calendar days from the contract date, December 29, 2023. The contract price was set at 84% of the assigned receivables, with 100% of court and execution costs borne by the transferor. The difference between the total assigned receivables (MDL 15,166,974) and the contract price (MDL 12,845,738) equivalent to a 16% discount or MDL 2,321,236 was recognized as an expense in the profit or loss statement. To account for potential losses from non-recovery, the company adopted a prudential approach by establishing a provision of MDL 2,826,062 against the recoverable receivables (MDL 12,845,738). These net receivables were disclosed under Note 13: Other Assets and Receivables. In 2024, an off-balance sheet receivable assignment of MDL 400,000 was recorded. Since these receivables were not previously included in the company's balance sheet, their assignment did not generate an expense. However, upon their recognition in the balance sheet as income, the company established expense provisions amounting to 100% of the assignment value to cover potential non-reimbursements. For the 2023 assignment, the company reassessed the net value by setting up additional provisions of MDL 296,300, based on a historical Loss Given Default (LGD) rate of approximately 28% from the written-off portfolio.

8. PERSONNEL EXPENSES

|                                      | 2024              | 2023              |
|--------------------------------------|-------------------|-------------------|
| <b>Statement of profit and loss</b>  |                   |                   |
| Salaries and bonuses                 | 20,585,066        | 19,108,464        |
| Social and medical security expenses | 4,983,341         | 4,700,163         |
| Untaken holidays provision expense   | 271,169           | 461,274           |
| Provision expense for staff's bonus  | -                 | 61,800            |
| <b>Total personnel expenses</b>      | <b>25,839,576</b> | <b>24,331,701</b> |

|                                     | 2024              | 2023              |
|-------------------------------------|-------------------|-------------------|
| <b>Statement of profit and loss</b> |                   |                   |
| Loans officers                      | 13,774,770        | 13,479,553        |
| Administrative personnel            | 5,898,799         | 5,198,763         |
| Management                          | 6,166,007         | 5,653,385         |
| <b>Total</b>                        | <b>25,839,576</b> | <b>24,331,701</b> |

As of December 31, 2024, the Company's management was composed of the Chief Executive Officer, Chief Financial Officer, Chief Risk Officer, Chief Accountant, and two Regional Managers. As of December 31, 2023, the Chief Risk Officer (CRO) position was not present.



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|                                          | 2024      | 2023      |
|------------------------------------------|-----------|-----------|
| <b>8. PERSONNEL EXPENSES (continued)</b> |           |           |
| Statement of profit and loss             |           |           |
| Loan officers                            | 54        | 60        |
| Administrative personnel                 | 16        | 13        |
| Management                               | 6         | 5         |
| <b>Total number of personnel</b>         | <b>76</b> | <b>78</b> |

**9. NET FINANCIAL PROFIT/(LOSS)**

|                                    | 2024             | 2023           |
|------------------------------------|------------------|----------------|
| Statement of profit and loss       |                  |                |
| FX gain/loss                       | (426,142)        | 548,451        |
| Interest received from deposits    | 65,055           | 69,231         |
| <b>Net financial profit/(loss)</b> | <b>(361,088)</b> | <b>617,682</b> |

As a result of foreign currency exchange rate fluctuations during 2024, the Company recorded a net financial loss of MDL 426,142. For more details on exchange rate risk, please refer to Note 25.1.a of the Financial Statements. Additionally, interest income from deposits held at BC MAIB amounted to MDL 65,055.

**10. INCOME TAX**

|                                                      | 2024             | 2023             |
|------------------------------------------------------|------------------|------------------|
| Statement of profit and loss                         |                  |                  |
| Profit/(loss) before tax                             | 8,424,724        | 20,573,445       |
| Rate of income tax                                   | 12%              | 12%              |
| <b>Income tax theoretically</b>                      | <b>1,010,967</b> | <b>2,468,813</b> |
| Non-taxable income                                   | (303,764)        | (1,172,973)      |
| Non-deductible expenses                              | 4,051,067        | 3,947,101        |
| Tax losses carried forward from previous tax periods | 0                | 26,389           |
| Temporary differences effect                         | 3,747,303        | 2,800,517        |
| <b>Effect of differences</b>                         | <b>449,676</b>   | <b>336,062</b>   |
| Income tax withheld in advance                       | -                | -                |
| <b>Income tax expense</b>                            | <b>1,460,643</b> | <b>2,804,875</b> |

Income tax expense is computed based on the nominal tax rate of 12% (2023: 12%).

The non-deductible expenses were recorded mainly by non-deductible interest expenses for early repayment of loans and its withholding tax from the shareholder.

**11. CASH AND CASH EQUIVALENTS**

|                                  | 2024             | 2023              |
|----------------------------------|------------------|-------------------|
| Assets                           |                  |                   |
| Cash in current accounts CCY     | 2,117,813        | 13,578,300        |
| Cash in current accounts FCY     | 2,068,986        | 720,538           |
| Other cash items                 | 6,095            | 0                 |
| <b>Cash and cash equivalents</b> | <b>4,192,894</b> | <b>14,298,838</b> |

The Company's cash holdings are maintained exclusively in bank accounts at various banks in the Republic of Moldova. Foreign currency balances are recorded in the financial statements in MDL at the NBM exchange rate as of the reporting date. Additionally, other cash items include cash in transit, representing amounts transferred by financing partners through banks but not yet received by the end of the reporting period.

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**12. LOANS GRANTED TO CUSTOMERS**

|                                                     | <b>2024</b>        | <b>2023</b>        |
|-----------------------------------------------------|--------------------|--------------------|
| <b>Assets</b>                                       |                    |                    |
| Gross loans to customer <1 yr                       | 243,127,969        | 259,620,082        |
| Gross loans to customer > 1yr                       | 269,633,829        | 320,110,597        |
| <b>Total Gross book of active loans (principal)</b> | <b>512,761,798</b> | <b>579,730,679</b> |
| Accrued interest from loans                         | 21,503,733         | 22,740,753         |
| <b>Gross Loan Portfolio</b>                         | <b>534,265,531</b> | <b>602,471,432</b> |
| Allowance for loan impairment                       | (31,518,629)       | (38,294,116)       |
| <b>Loans granted to customers</b>                   | <b>502,746,902</b> | <b>564,177,316</b> |

The company's loan portfolio contracted by 11%, reflecting reduced lending activity due to the fact that about 50% from GLP represents farmers and the Company was reluctant for a new investment in agriculture sector.

Another factor that influences the growth of GLP is the insufficiency of the liquidity. The impairment losses regarding loans receivables at the end of both period (2024 and 2023) were calculated based on IFRS 9 methodology. The decrease at 31 December 2024 compared with prior year was determined by reducing the total volume of GLP. The prudential strategy of the company's management, considering the regional turbulences caused by the war in Ukraine and a heavy drought and heat that affected some areas of the country, lead to the increase in loss loan expenses for the 2024 year thus, affected considerable the profitability of the company.

In order to ensure the financing sources, the Company had made pledges on the loan portfolio, as it is presented in *Note 19 - Borrowings from banks and creditors*.

The tables below are presented at the carrying principal outstanding amount:

**a) Distribution by Product**

|                            | <b>2024</b>        | <b>2023</b>        |
|----------------------------|--------------------|--------------------|
| <b>Assets</b>              |                    |                    |
| Business loans             | 195,478,126        | 214,937,277        |
| Agro loans                 | 220,890,513        | 260,167,548        |
| Home loans                 | 46,841,025         | 52,347,199         |
| Rapid loans (for business) | 15,840,858         | 19,563,674         |
| Consumer loans             | 33,711,275         | 32,714,981         |
| <b>Total</b>               | <b>512,761,798</b> | <b>579,730,679</b> |

|                 | <b>2024</b>        | <b>2023</b>        |
|-----------------|--------------------|--------------------|
| <b>Assets</b>   |                    |                    |
| for individuals | 80,552,300         | 85,062,180         |
| Micro           | 16,983,961         | 21,850,558         |
| Small           | 169,916,384        | 207,383,275        |
| SME             | 156,337,296        | 176,857,220        |
| Corporate       | 88,971,857         | 88,577,446         |
| <b>Total</b>    | <b>512,761,798</b> | <b>579,730,679</b> |



**12. LOANS GRANTED TO CUSTOMERS (continued)****b) Distribution by collateral**

| Assets          | 2024               |             | 2023               |             |
|-----------------|--------------------|-------------|--------------------|-------------|
|                 | Active loans       | %           | Active loans       | %           |
| Hard collateral | 134,590,844        | 26%         | 148,190,465        | 26%         |
| Soft collateral | 40,039,844         | 8%          | 47,430,716         | 8%          |
| Mixt            | 148,518,471        | 29%         | 167,681,423        | 29%         |
| Guarantor       | 188,731,686        | 37%         | 215,979,855        | 37%         |
| Unsecured       | 880,952            | 0%          | 448,219            | 0%          |
| <b>Total</b>    | <b>512,761,798</b> | <b>100%</b> | <b>579,730,679</b> | <b>100%</b> |

It is worth mentioning that, about 63% of the portfolio is secured by collateral and almost all active loans bear a personal guarantee.

**c) Distribution by branch**

| Assets        | 2024               |             |                    |             | 2023               |             |                    |             |
|---------------|--------------------|-------------|--------------------|-------------|--------------------|-------------|--------------------|-------------|
|               | Granted Loans*     | %           | Active loans       | %           | Granted Loans*     | %           | Active loans       | %           |
| Chisinau      | 55,931,956         | 18%         | 85,869,855         | 17%         | 60,711,707         | 17%         | 102,369,193        | 18%         |
| Balti         | 43,169,399         | 14%         | 69,457,967         | 14%         | 43,957,865         | 12%         | 80,142,932         | 14%         |
| Soroca        | 40,627,363         | 13%         | 68,453,751         | 13%         | 53,078,504         | 15%         | 82,130,467         | 14%         |
| Drochia       | 21,700,992         | 7%          | 37,360,187         | 7%          | 29,607,993         | 8%          | 44,423,118         | 8%          |
| Comrat        | 17,569,198         | 6%          | 32,320,223         | 6%          | 24,365,348         | 7%          | 44,411,979         | 8%          |
| Edinet        | 15,555,948         | 5%          | 26,728,997         | 5%          | 15,348,613         | 4%          | 32,178,066         | 6%          |
| Cahul         | 12,536,867         | 4%          | 39,601,040         | 8%          | 26,478,132         | 7%          | 48,373,903         | 8%          |
| Calea Iesilor | 34,004,323         | 11%         | 44,303,045         | 9%          | 35,333,737         | 10%         | 53,425,060         | 9%          |
| Orhei         | 30,085,305         | 9%          | 44,728,714         | 9%          | 28,904,052         | 8%          | 39,641,919         | 7%          |
| Causeni       | 20,726,091         | 6%          | 25,757,241         | 5%          | 19,076,449         | 5%          | 22,784,150         | 4%          |
| Ungheni       | 27,070,778         | 8%          | 38,180,777         | 7%          | 25,993,436         | 7%          | 29,849,892         | 5%          |
| <b>Total</b>  | <b>318,978,220</b> | <b>100%</b> | <b>512,761,798</b> | <b>100%</b> | <b>362,855,837</b> | <b>100%</b> | <b>579,730,679</b> | <b>100%</b> |

\*Granted loans represent the gross amount disbursed by each location during the year.

The table below presents the movement on impairment losses:

|                                                     | 2024                | 2023                |
|-----------------------------------------------------|---------------------|---------------------|
| Allowance for loan impairment at 01 January         | (38,294,116)        | (33,773,455)        |
| Impairment losses of loans during the year          | 6,775,486           | (4,520,661)         |
| <b>Allowance for loan impairment at 31 December</b> | <b>(31,518,630)</b> | <b>(38,294,116)</b> |

|                                                  | 2024                | 2023                |
|--------------------------------------------------|---------------------|---------------------|
| Loans written off expense                        | (47,039,522)        | (23,345,337)        |
| Impairment losses of loans                       | 6,775,486           | (4,520,661)         |
| <b>Impairment losses of loans at 31 December</b> | <b>(40,264,036)</b> | <b>(27,865,998)</b> |

The Company recorded loan impairment of MDL 40,264,036 in 2024 (2023: 27,865,998), out of which impaired loans, including interest on these loans in amount of MDL 47,039,522 were written off in 2024 (2023: 23,345,337).

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**13. OTHER ASSETS AND RECEIVABLES**

|                                              | 2024              | 2023              |
|----------------------------------------------|-------------------|-------------------|
| <b>Assets</b>                                |                   |                   |
| Deferred expenses                            | 1,863,433         | 2,774,562         |
| Trade receivables                            | 1,186,203         | 10,770,930        |
| Promotional materials and office maintenance | 132,967           | 186,398           |
| Inventories                                  | 197,473           | 184,904           |
| Guarantees granted                           | 169,736           | 169,736           |
| Tax prepayment                               | 2,454,901         | 573,692           |
| Other assets                                 | 7,720,402         | 10,019,676        |
| <b>Other assets and receivables</b>          | <b>13,725,114</b> | <b>24,679,898</b> |

In deferred expenses, MDL 1,863,433 (2023: 2,774,562) represent fee and commissions for attracted funds and the expenses for car insurance as well as other expenses that require deferral in time.

The tax prepayment from 31 December 2024 represents income tax paid in advance in 2024 based on the Company's estimation of total income tax for the year. This asset will be settled with future tax liabilities.

Other assets represent the assignment of the receivables to a collector company. The purpose of the assignment was to facilitate the recovery of the receivables as fast and efficiently as possible, by the professional collection company.

**14. FINANCIAL INVESTMENTS**

|                                                                         | 2024             | 2023              |
|-------------------------------------------------------------------------|------------------|-------------------|
| <b>Assets</b>                                                           |                  |                   |
| Restricted Cash (deposits with local banks, money reserves on deposits) | 4,943,945        | 13,718,609        |
| <b>Financial investment</b>                                             | <b>4,943,945</b> | <b>13,718,609</b> |

Restricted cash represents deposits placed under a contract with BC MoldovaAgroindbank SA, opened in September 2023, with an annual interest rate of 1%. The contract allows the Company to deposit and withdraw funds until the maturity date of September 12, 2038.

**15. PROPERTY AND EQUIPMENT**

| Assets                              | Property and equipment | Vehicles  | Right of use | Total      |
|-------------------------------------|------------------------|-----------|--------------|------------|
| As of 31.12.2023 - Gross book value | 5,262,455              | 3,623,475 | 19,566,399   | 28,452,329 |
| Depreciation charge for the year    | 3,076,072              | 1,500,160 | 14,337,041   | 18,913,273 |
| Net book value as of 31.12.2023     | 2,186,383              | 2,123,316 | 5,229,358    | 9,539,057  |
| Additions                           | 78,788                 | -         | 2,000,150    | 2,078,938  |
| Depreciation charge for the year    | 897,934                | 504,791   | 3,525,895    | 4,928,620  |
| As of 31.12.2024 - Gross book value | 5,341,243              | 3,623,475 | 21,566,549   | 30,531,267 |
| Depreciation charge for the year    | 3,974,006              | 2,004,952 | 17,862,936   | 23,841,894 |
| Net book value as of 31.12.2024     | 1,367,237              | 1,618,523 | 3,703,613    | 6,689,373  |



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15. PROPERTY AND EQUIPMENT (continued)

The Company's most important fixed assets at the end of 2024 and 2023 were represented by improvements to the Company's offices and vehicles used by its own employees for sales activity. There were no significant additions booked during the year.

Following the IFRS 16 implementation a right of use and related depreciation were recognized in connection to operating lease contracts for offices of the Company in the entire country. As of 31 December 2024, the Company operates in 11 locations based on rent contracts concluded with suppliers for a period greater than 12 months (usually 36 months).

16. INTANGIBLE ASSETS

| Assets                           | Brands | Computer software | Total     |
|----------------------------------|--------|-------------------|-----------|
| As of 31.12.2023                 | 21,385 | 2,903,459         | 2,924,845 |
| Amortization as of 31.12.2023    | 15,459 | 1,778,616         | 1,794,075 |
| Net book value as of 31.12.2023  | 5,926  | 1,124,842         | 1,130,768 |
| Additions                        | -      | 373,801           | 373,801   |
| Amortization charge for the year | 2,333  | 429,419           | 431,752   |
| As of 31.12.2024                 | 21,385 | 3,277,260         | 3,298,646 |
| Amortization as of 31.12.2024    | 17,792 | 2,208,036         | 2,225,827 |
| Net book value as of 31.12.2024  | 3,593  | 1,069,224         | 1,072,819 |

Intangible assets owned by the Company are mostly related to computers, software and licenses used in operating activity.

17. TRADE AND OTHER LIABILITIES

|                            | 2024             | 2023             |
|----------------------------|------------------|------------------|
| <b>Liabilities</b>         |                  |                  |
| Employee liabilities       | 1,559,374        | 1,381,027        |
| Other current liabilities  | 701,874          | 2,184,276        |
| Trade payables             | 280,763          | 310,023          |
| Other Tax liabilities      | 22,234           | 41,565           |
| Income tax payable         | -                | -                |
| Foreign trade payables     | 584,512          | 6,450            |
| <b>Trading liabilities</b> | <b>3,148,757</b> | <b>3,923,341</b> |

At the end of December 2024, the most important liabilities were related to employees (salaries and taxes related to December salaries), also other current liabilities representing mainly withholding tax payable related to interest paid for borrowings received from abroad.

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18. LEASE LIABILITY

|                        | 2024             | 2023             |
|------------------------|------------------|------------------|
| <b>Liabilities</b>     |                  |                  |
| Lease liability        | 3,741,430        | 5,305,620        |
| <b>Lease liability</b> | <b>3,741,430</b> | <b>5,305,620</b> |

Lease liability presented by the Company is related to the operating lease contracts in force for the offices from the entire country after the adoption of IFRS 16 – Leases.

19. BORROWINGS FROM BANKS AND CREDITORS

|                                            | 2024               | 2023               |
|--------------------------------------------|--------------------|--------------------|
| <b>Liabilities</b>                         |                    |                    |
| Borrowings in CCY                          | 209,618,401        | 224,513,462        |
| Borrowings in FCY                          | 139,024,451        | 207,916,444        |
| <b>Total</b>                               | <b>348,642,852</b> | <b>432,429,906</b> |
| <br>                                       |                    |                    |
| Borrowings in country                      | 53,530,038         | 81,180,648         |
| Borrowings abroad                          | 295,112,814        | 351,249,258        |
| <b>Total</b>                               | <b>348,642,852</b> | <b>432,429,906</b> |
| <br>                                       |                    |                    |
| Short term borrowed funds                  | 166,665,498        | 257,382,476        |
| Long term borrowed funds                   | 181,977,354        | 175,047,430        |
| <b>Total</b>                               | <b>348,642,852</b> | <b>432,429,906</b> |
| <br>                                       |                    |                    |
| Short term interest                        | 6,094,657          | 23,663,909         |
| Long term interest                         | 0                  | -                  |
| <b>Total</b>                               | <b>6,094,657</b>   | <b>23,663,909</b>  |
| <b>Borrowings from banks and creditors</b> | <b>354,737,509</b> | <b>456,093,815</b> |

The Company's financing needs to support its business development and lending capacity were high in 2024. However, creditors remained reluctant to resume financing. Despite this, the shareholder's contribution continued to represent a significant portion of total borrowings received.

As of December 31, 2024, the majority of the borrowed funds were classified as short-term liabilities, accounting for 47% of the total borrowings.

The Company needs to comply with certain covenants for the existing borrowings with some of the financial institutions. For some agreements, if the Company breach the covenants, the funds would become payable on demand. At 31.12.2024, some funds were classified as short term, because of breach of a financial covenant.

The entity breached covenants with other certain creditors, but the loan agreements stipulate notifications, and penalties on the outstanding balance for the breach, and do not grant the creditors the right to demand early repayment. By the date of the approval of these financial statements, those creditors did not demand or invoice such penalties, not conditions for booking provisions for risks and charges met. However, the Company booked provision for eventual penalty from a local lender.

In order to obtain the contracts, the Company's pledge in favour of partner was at 31 December 2024 by MDL 282,066,497 (31 December 2023 by MDL 220,139,664).



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**19. BORROWINGS FROM BANKS AND CREDITORS (CONTINUED)**

Please see below the split and evolution of Company's borrowings by source of financing:

|                                    | <b>2024</b>        |                  | <b>2023</b>        |                   |
|------------------------------------|--------------------|------------------|--------------------|-------------------|
|                                    | <b>Principal</b>   | <b>Interest</b>  | <b>Principal</b>   | <b>Interest</b>   |
| Other funds                        | 174,745,882        | 2,158,533        | 267,145,452        | 3,420,835         |
| Shareholder                        | 92,813,640         | 3,702,705        | 84,103,806         | 19,867,341        |
| <i>Including Subordinated debt</i> | 37,281,060         | 2,456,464        | 37,281,060         | 2,456,464         |
| Bank                               | 81,083,330         | 233,419          | 81,180,648         | 375,732           |
| <b>Total</b>                       | <b>348,642,852</b> | <b>6,094,657</b> | <b>432,429,906</b> | <b>23,663,909</b> |

The interest balance recorded by the Company at the end of 2024 (MDL 6,094,657) was significantly lower than in December 2023 (MDL 23,663,909), mostly due to reimbursement of funds to other foreign borrowers during the year.

**20. ADVANCES FROM CUSTOMERS**

|                                | <b>2024</b>      | <b>2023</b>      |
|--------------------------------|------------------|------------------|
| <b>Liabilities</b>             |                  |                  |
| Advances from customers        | 3,779,889        | 5,709,127        |
| <b>Advances from customers</b> | <b>3,779,889</b> | <b>5,709,127</b> |

These are advances received from customers for the payment of contractual obligations to which the due date has not yet arrived.

**21. PROVISIONS**

|                    | <b>2024</b>      | <b>2023</b>      |
|--------------------|------------------|------------------|
| <b>Liabilities</b> |                  |                  |
| Provisions         | 3,299,314        | 1,702,252        |
| <b>Provisions</b>  | <b>3,299,314</b> | <b>1,702,252</b> |

The provisions booked are related to the Company's employees, the most important part being for untaken holidays, MDL 1,734,736 (2023 1,702,252 ) Another part of these provisions are related the fine from regulator.

**22. DEFERRED TAX**

|                          | <b>2024</b>      | <b>2023</b>    |
|--------------------------|------------------|----------------|
| Deferred tax assets      | -                | 768,947        |
| Deferred tax liabilities | 1,215,371        | -              |
| <b>Deferred tax</b>      | <b>1,215,371</b> | <b>768,947</b> |

Deferred tax assets or liabilities reported by the Company are related to the temporary differences recorded between the statutory books and the IFRS financial statements approach regarding loans receivables revaluation, property and equipment, lease liability, other assets and other liabilities, including provisions for untaken holidays and provisions for staff's bonus.

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23. EQUITY

|                     | 2024               | 2023               |
|---------------------|--------------------|--------------------|
| <b>Equity</b>       |                    |                    |
| Share capital       | 94,723,005         | 94,723,005         |
| Reserves            | 9,472,300          | 9,472,300          |
| Retained earnings   | 52,389,761         | 45,425,679         |
| <b>Total Equity</b> | <b>156,585,065</b> | <b>149,620,984</b> |

The sole shareholder is Alternative Fund managed by Mikro Kapital Management S.A., holding 100% of the Company. The whole share capital is issued and fully paid.

During the 2024 audited year there were no registered changes in shareholder structure or share capital value.

The company's retained earnings have grown by 15%. This indicator has been determined by the positive result of the year of MDL 6,964,081. There were no other equity movements during the audited year.

Per local legislation, at least of 5% of the Company's net statutory profits must be allocated to the legal reserves until this represents the minimum 10% out of the Company's share capital without the possibility to be distributed to the shareholders.

24. RELATED PARTY TRANSACTIONS

The 100% shareholder of the Company is a fund of securitization, Alternative Fund managed by Mikro Kapital Management, registered in Luxembourg and the ultimate controlling party is Board of Trustee of Joseph of Arimathea Asset Management Foundation based in Hungary. The Alternative Fund is an important lender of the company. Please see below the list of related parties, the balance at 31 December 2023 and transactions recorded during the year.

a) List of related parties

| No/N<br>r | List of Related Party                                                      | Type of relation                            | Country of origin   |
|-----------|----------------------------------------------------------------------------|---------------------------------------------|---------------------|
| 1         | Alternative Securitisation Fund RCS managed by Mikro Kapital Management SA | Founder of OCN Mikro Kapital Company SRL    | Luxembourg          |
| 2         | Mikro Kapital Hungary Kft                                                  | Founder of Alternative SF (100%)            | Hungary             |
| 3         | Mikro Kapital SARL                                                         | Founder of Mikro Kapital Hungary Kft (100%) | Luxembourg          |
| 4         | Mikro Kapital Group SA                                                     | Founder of Mikro Kapital SARL (91,03%)      | Luxembourg          |
| 5         | Joseph of Arimathea Asset Management Foundation                            | Founder of Mikro Kapital Group SA (100%)    | Hungary             |
| 6         | Enrica Stella Maria Gracia Arena                                           | The beneficial owner of company             | Italia              |
| 7         | Paolo Trani                                                                | The beneficial owner of company             | Italia              |
| 8         | Stella Trani                                                               | The beneficial owner of company             | France              |
| 9         | Paolo Anton Trani                                                          | The beneficial owner of company             | Luxembourg          |
| 10        | Elena Martina Trani                                                        | The beneficial owner of company             | Great Britain       |
| 11        | Emilia Graciela Villagra Ramirez                                           | The beneficial owner of company             | Hungary             |
| 12        | Violi Riccardo                                                             | The beneficial owner of company             | Italia              |
| 13        | Heinig Thomas Christian                                                    | Head of board                               | Germany             |
| 14        | Poleshchuk Yaroslav                                                        | Member of board                             | Russia              |
| 15        | Marney Richard                                                             | Member of board                             | Great Britain       |
| 16        | Turcanu Sergiu                                                             | Administrator, CEO                          | Republic of Moldova |
| 17        | Chitroaga Natalia                                                          | CFO                                         | Republic of Moldova |



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| No/Nr | List of Related Party | Type of relation       | Country of origin   |
|-------|-----------------------|------------------------|---------------------|
| 18    | Lungu Eduard          | CRO                    | Republic of Moldova |
| 19    | Girleanu Constantin   | Regional manager South | Republic of Moldova |
| 20    | Edu Inna              | Regional manager North | Republic of Moldova |

## b) Balances in relation with related parties (all amounts in MDL)

| No /nr | Name of the company/person                      | Type of transaction             | 2024       | 2023       |
|--------|-------------------------------------------------|---------------------------------|------------|------------|
| 1      | Alternative Securitisation Fund                 | Shares owned in Company         | 94,723,005 | 94,723,005 |
|        | RCS managed by Mikro Kapital Management SA      | Borrowings received by Company  | 92,813,640 | 84,103,806 |
|        |                                                 | Interest accrued for borrowings | 3,702,705  | 19,867,341 |
| 2      | Mikro Kapital Hungary KFT                       | Financial consulting services   | 131,663    | 0          |
| 3      | Mikro Kapital Corporate Services LLC            |                                 | 0          | 0          |
| 4      | Turcanu Sergiu                                  | -                               | 0          | 0          |
| 5      | Violi Riccardo                                  | -                               | 0          | 0          |
| 6      | Heinig Thomas Christian                         | -                               | 0          | 0          |
| 7      | Mikro Kapital SARL                              | -                               | 0          | 0          |
| 8      | Mikro Kapital Group SA                          | -                               | 0          | 0          |
| 9      | Joseph of Arimathea Asset Management Foundation | -                               | 0          | 0          |
| 10     | Enrica Stella Maria Gracia Arena                | -                               | 0          | 0          |
| 11     | Paolo Trani                                     | -                               | 0          | 0          |
| 12     | Stella Trani                                    | -                               | 0          | 0          |
| 13     | Paolo Anton Trani                               | -                               | 0          | 0          |
| 14     | Elena Martina Trani                             | -                               | 0          | 0          |
| 15     | Emilia Graciela Villagra Ramirez                | -                               | 0          | 0          |
| 16     | Poleshchuk Yaroslav                             | -                               | 0          | 0          |
| 17     | Marney Richard                                  | -                               | 0          | 0          |
| 18     | Chitoroaga Natalia                              | Loan granted                    | 500,000    | 550,000    |
|        |                                                 | Interest accrued                | 3,197      | 3,649      |
| 19     | Girleanu Constantin                             | Loan granted                    | 0          | 21,830     |
|        |                                                 | Interest accrued                | 0          | 121        |
| 20     | Edu Inna                                        | Loan granted                    | 53,890     | 158,021    |
|        |                                                 | Interest accrued                | 274        | 794        |

## c) Transactions in relation with related parties (all amounts in MDL)

## 1. Sales / Loans granted:

| No/nr | Name of the company/person | Type of transaction                        | 2024      | 2023 |
|-------|----------------------------|--------------------------------------------|-----------|------|
| 1     | Turcanu Sergiu             | Loan granted                               | 1,000,000 | 0    |
|       |                            | Interest accrued                           | 42,586    | 0    |
|       |                            | Borrowings paid                            | 1,000,000 | 0    |
|       |                            | Interest paid                              | 42,586    | 0    |
|       |                            | Equity increase                            | 0         | 0    |
|       |                            | Acquisition according to forward agreement | 0         | 0    |
|       |                            | Payments according to forward agreement    | 0         | 0    |
| 2     | Chitoroaga Natalia         | Loan granted                               | 500,000   | 0    |
|       |                            | Interest accrued                           | 40,416    | 0    |

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| No/nr | Name of the company/person | Type of transaction                        | 2024    | 2023 |
|-------|----------------------------|--------------------------------------------|---------|------|
|       |                            | Borrowings paid                            | 550,000 | 0    |
|       |                            | Interest paid                              | 40,869  | 0    |
|       |                            | Equity increase                            | 0       | 0    |
|       |                            | Acquisition according to forward agreement | 0       | 0    |
|       |                            | Payments according to forward agreement    | 0       | 0    |
| 3     | Girleanu Constantin        | Loan granted                               | 0       | 0    |
|       |                            | Interest accrued                           | 613     | 0    |
|       |                            | Borrowings paid                            | 21,830  | 0    |
|       |                            | Interest paid                              | 734     | 0    |
|       |                            | Equity increase                            | 0       | 0    |
|       |                            | Acquisition according to forward agreement | 0       | 0    |
|       |                            | Payments according to forward agreement    | 0       | 0    |
| 4     | Edu Inna                   | Loan granted                               | 0       | 0    |
|       |                            | Interest accrued                           | 14,013  | 0    |
|       |                            | Borrowings paid                            | 104,131 | 0    |
|       |                            | Interest paid                              | 14,532  | 0    |
|       |                            | Equity increase                            | 0       | 0    |
|       |                            | Acquisition according to forward agreement | 0       | 0    |
|       |                            | Payments according to forward agreement    | 0       | 0    |

## 2. Acquisition / Borrowings:

| No/nr | Name of the company/person                                                 | Type of transaction                        | 2024       | 2023        |
|-------|----------------------------------------------------------------------------|--------------------------------------------|------------|-------------|
| 1     | Alternative Securitisation Fund RCS managed by Mikro Kapital Management SA | Borrowings received                        | 34,569,130 | 60,964,800  |
|       |                                                                            | Interest accrued                           | 18,733,687 | 29,311,342  |
|       |                                                                            | Borrowings paid                            | 25,859,296 | 133,452,390 |
|       |                                                                            | Interest paid                              | 34,898,324 | 28,337,552  |
|       |                                                                            | Equity increase                            | 0          | 0           |
|       |                                                                            | Acquisition according to forward agreement | 0          | 0           |
|       |                                                                            | Payments according to forward agreement    | 0          | 0           |
| 2     | Marney Richard                                                             | Membership agreement                       | 411,693    | 342,785     |
| 3     | Mikro Kapital Hungary KFT                                                  | Financial consulting services              | 526,884    | 402,599     |
| 4     | Mikro Kapital Corporate Services LLC                                       | Financial consulting services              | 0          | 127,759     |



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**25. RISK MANAGEMENT**

**Introduction and overview**

Mikro Kapital Management is responsible for approving and monitoring the Group's general risk management policies, which the Company has to follow when creating its own policies. The Company's Board of Directors has the overall responsibility for the establishment and oversight of the Company's risk management framework. The Board of Directors is responsible for approving and monitoring Company risk management policies.

Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The company, through its training and management standards and procedures, aims to develop a discipline and constructive control environment in which all employees understand their roles and obligations.

The Group Chief Internal Auditor oversees how management monitors compliance with Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by Company. The Group Chief Internal Auditor is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Company's Board of Directors. The Chief Internal Auditor and all members of Mikro Kapital Group Internal Audit function are required to comply with the international Standards for Professional Practice of Internal Auditing and the Code of Ethics published by the Institute of Internal Auditors.

Company's management analysed the impact of the war started by the Russian Federation in Ukraine on February 24, 2022, on its own activities and concluded that the direct effects of the war would be reduced, as the Company does not have significant operations with commercial partners from the countries involved in the war. However, the economic consequences and uncertainties resulting from this war or from the actions taken by governments and the private sector to respond to the effects of this conflict may have an impact on various financial indicators and, ultimately, on the normal conduct of the Company's business. It is not possible to accurately estimate the duration and severity of the consequences of the war, nor their impact on the financial position and results of future financial years. Management believes that no adjustments are necessary to the financial statements as of December 31, 2024.

Company is exposed to market price risk, interest rate risk, credit risk, liquidity risk, operational risk, compliance risk, litigation risk, reputation risk and capital management arising from the financial instrument it holds. The risk management policies employed by Company to manage these risks are discussed below:

**a. Market price risk**

'Market risk' is the risk that changes in market prices – e.g. interest rates, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's/issuer's credit standing) – will affect Company's income or the value of its holdings of financial instruments.

The objective of Company's market risk management is to manage and control market risk exposures within acceptable parameters to ensure Company's solvency while optimizing the return on risk.

Overall authority for market risk is vested in Management. Management sets up limits for each type of risk in aggregate and for portfolios, with market liquidity being a primary factor in determining the level of limits set for portfolio.

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25. Risk management (continued)

a) Foreign exchange risk

The Company takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates (i.e. the USD / MDL and EUR / MDL exchange rates) on its financial position and cash flows. The Board sets limits on the level of exposure by currency positions, which are mandatorily monitored monthly and on demand during the month. The table below summarizes the Company's exposure to foreign currency exchange rate risk on 31 December. Included in the table are the Company's financial instruments denominated in foreign currencies at carrying amounts, categorized by currency.

| 31-Dec-24                               | USD          | EUR                | MDL                | Total              |
|-----------------------------------------|--------------|--------------------|--------------------|--------------------|
| <b>Assets</b>                           |              |                    |                    |                    |
| Cash and cash equivalents               | 6,095        | 2,068,986          | 2,117,813          | 4,192,894          |
| Financial investment                    | -            | 4,943,945          | -                  | 4,943,945          |
| Loans granted to customers              | -            | 196,609,732        | 306,137,169        | 502,746,902        |
| Other assets and receivables            | -            | 55,713             | 13,965,736         | 14,021,450         |
| <b>Total financial assets</b>           | <b>6,095</b> | <b>203,678,377</b> | <b>322,220,719</b> | <b>525,905,190</b> |
| <b>Liabilities</b>                      |              |                    |                    |                    |
| Borrowings from banks and other parties | -            | 140,616,340        | 214,121,169        | 354,737,509        |
| Advances from customers                 | -            | 1,121,175          | 2,658,713          | 3,779,889          |
| Lease liabilities                       | -            | 3,267,525          | 473,905            | 3,741,431          |
| Trade and other liabilities             | 4,151        | 754,511            | 2,295,650          | 3,054,312          |
| Accruals and deferred income            | -            | 2,351,269          | 4,512,442          | 6,863,711          |
| <b>Total liabilities</b>                | <b>4,151</b> | <b>148,110,821</b> | <b>224,061,880</b> | <b>372,176,852</b> |
| <b>Net on balance sheet</b>             | <b>1,943</b> | <b>55,567,556</b>  | <b>98,158,839</b>  | <b>153,728,339</b> |

| 31 Dec. 2023                            | USD           | EUR                | MDL                | Total              |
|-----------------------------------------|---------------|--------------------|--------------------|--------------------|
| <b>Assets</b>                           |               |                    |                    |                    |
| Cash and cash equivalents               | 38,692        | 681,845            | 13,578,301         | 14,298,838         |
| Financial investment (net)              | -             | 13,718,609         | -                  | 13,718,609         |
| Loans granted to customers              | -             | 196,780,504        | 367,396,812        | 564,177,316        |
| Other assets and receivables            | 26,987        | 9,289,436          | 15,363,475         | 24,679,898         |
| <b>Total financial assets</b>           | <b>65,679</b> | <b>220,470,394</b> | <b>396,338,588</b> | <b>616,874,661</b> |
| <b>Liabilities</b>                      |               |                    |                    |                    |
| Borrowings from banks and other parties | -             | 210,191,472        | 245,902,343        | 456,093,815        |
| Advances from customer                  | -             | 1,969,224          | 3,739,903          | 5,709,127          |
| Lease Liabilities                       | -             | 5,146,548          | 159,072            | 5,305,620          |
| Trade and other liabilities             | 6,055         | 113,939            | 3,803,347          | 3,923,341          |
| Accruals and deferred income            | -             | 1,221,953          | 4,736,341          | 5,958,294          |
| <b>Total liabilities</b>                | <b>6,055</b>  | <b>218,643,136</b> | <b>258,341,006</b> | <b>476,990,197</b> |
| <b>Net on balance sheet</b>             | <b>59,624</b> | <b>1,827,258</b>   | <b>137,997,582</b> | <b>139,884,464</b> |

At 31 December 2024, if the MDL had strengthened/(weakened) 10 per cent against the EUR with all other variables held constant, the post-tax profit for the twelve-month period ended 31 December 2024 would have been approximately MDL (555,675)/ MDL 555,675, (2023: MDL (182,726)/ MDL 182,726, lower / higher.



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25. Risk management (continued)

b. Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. Borrowings issued at variable rates expose the Company to cash flow interest rate risk. Borrowings issued at fixed rates expose the Company to fair value interest rate risk. The Company's management monitors the interest rate fluctuations on a continuous basis and acts accordingly. At the reporting date, the interest rate profile of interest-bearing financial instruments was:

| Type                                    | Fixed rate<br>MDL | Floating rate MDL  | Total              |
|-----------------------------------------|-------------------|--------------------|--------------------|
| Loans granted to customers              | 223,251,504       | 289,510,294        | 512,761,798        |
| Bank deposits                           | 4,943,945         | -                  | 4,943,945          |
| Borrowings from banks and other parties | 204,872,191       | 143,770,662        | 348,642,852        |
| <b>Net impact</b>                       | <b>23,323,258</b> | <b>145,739,632</b> | <b>169,062,891</b> |

| Changes in base interest<br>rate, in bps | Variable rate assets | Variable rate liability | Net impact of change in<br>interest rate |
|------------------------------------------|----------------------|-------------------------|------------------------------------------|
| +/-100                                   | 28,951,029           | 14,377,066              | 14,573,963                               |
| +/-200                                   | 57,902,059           | 28,754,132              | 29,147,926                               |
| +/-300                                   | 86,853,088           | 43,131,198              | 43,721,890                               |

As a significant part of financial assets and liabilities are based on fixed-rate interest, the repricing is mostly according to maturity for fixed interest and is similar to the disclosure in the liquidity note.

c. Credit risk

'Credit risk' is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's loans and advances to customers. For risk management reporting purposes, the Company considers and consolidates all elements of credit risk exposure – e.g. individual obligor default risk, and sector risk.

The company's activities may give rise to risk at the time of settlement of transactions and trades.

'Settlement risk' is the risk of loss due to the failure of an entity to honour its obligations to deliver cash, securities or other assets as contractually agreed.

For certain types of transactions, the Company mitigates this risk by conducting settlements through a settlement/clearing agent to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations. Settlement limits form part of the credit approval/limit monitoring process described earlier. Acceptance of settlement risk on free-settlement trades requires transaction-specific or counterparty-specific approvals from the Company's Risk.

The Board of Directors oversees the credit risk, including the following:

- *Approving credit policies*, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.
- *Establishing the authorization structure* for the approval and renewal of credit facilities.



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### 25. Risk management (continued)

Authorization limits are allocated to Company's branches (up to 100,000 MDL) and to four levels of Credit Committees, including the level of the Board of Directors. Larger facilities (above 1,600,000 MDL in exposure) require approval by the Company's Board of Directors.

- *Reviewing and assessing credit risk:* The Company's credit committees assess all credit exposures according to designated limits before facilities are committed to customers by the business unit concerned. Renewals and reviews of facilities are subject to the same review process.
- *Limiting concentrations of exposure* to regions and industries (for loans and advances, financial guarantees, and similar exposures), and by issuer, credit rating band, and market liquidity.
- *Developing and maintaining the Company's processes for measuring expected credit losses (ECL).* This includes processes for:
  - initial approval, regular validation, and back-testing of the models used;
  - determining and monitoring significant increases in credit risk; and
  - incorporation of forward-looking information.
- *Reviewing compliance* of business units with agreed exposure limits, including those for selected industries, country risk and product types. Regular reports on the credit quality of local portfolios are provided to the Group, which may require appropriate corrective action to be taken. These include reports containing estimates of ECL allowances.
- *Providing advice, guidance and specialist skills* to business units to promote best practices throughout Company is in charge with the management of credit risk. Each business unit is required to respect the Company's credit policies and procedures, with credit approval authorities delegated from the Board of Directors.

Also, the Board of Directors established a Risk Management function in the Company. The Company's Chief Risk Officer reports to management, the Group Chief Risk Officer and the Board of Directors and is responsible for managing the Company's credit risk too. Each branch is responsible for the quality and performance of its credit portfolio and for monitoring and controlling all credit risks in its portfolios, including those subjects to central approval. Regular audits of branches and the Company's Credit processes are undertaken by Internal Audit.

| Indicator name                                                      | 2024         | 2023         |
|---------------------------------------------------------------------|--------------|--------------|
| <b>Portfolio at Risk (PAR) &gt; 30 Ratio</b>                        | <b>8.7%</b>  | <b>8.7%</b>  |
| PAR>30 days                                                         | 44,354,473   | 50,187,244   |
| Gross Loan Portfolio                                                | 512,761,798  | 579,730,679  |
| <b>Portfolio at Risk (PAR) &gt; 30 Ratio and Renegotiated Loans</b> | <b>14.0%</b> | <b>13.1%</b> |
| PAR>30 days + Value of Renegotiated Loans                           | 71,861,037   | 76,230,959   |
| Gross Loan Portfolio                                                | 512,761,798  | 579,730,679  |
| <b>Write off Ratio</b>                                              | <b>8.6%</b>  | <b>3.9%</b>  |
| Value of Loans Written Off                                          | 47,039,522   | 23,345,337   |
| Average gross portfolio                                             | 546,246,238  | 599,240,994  |
| <b>Risk Coverage Ratio</b>                                          | <b>71.1%</b> | <b>76.3%</b> |
| Impairment Loss Allowance                                           | 31,518,629   | 38,294,116   |
| PAR>30                                                              | 44,354,473   | 50,187,244   |
| <b>Risk Coverage Ratio including Renegotiated Loans</b>             | <b>43.9%</b> | <b>50.2%</b> |
| Impairment Loss Allowance                                           | 31,518,629   | 38,294,116   |
| PAR>30 days + Value of Renegotiated Loans                           | 71,861,037   | 76,230,959   |
| <b>Open Credit Exposure Ratio</b>                                   | <b>8.2%</b>  | <b>7.9%</b>  |
| Portfolio at risk >30 days - Impairment Loss Allowance              | 12,835,844   | 11,893,129   |

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| Indicator name                                                        | 2024        | 2023        |
|-----------------------------------------------------------------------|-------------|-------------|
| Total Equity                                                          | 156,585,065 | 149,620,984 |
| Open Credit Exposure Ratio including Renegotiated Loans               | 25.8%       | 25.4%       |
| PAR>30 days + Value of Renegotiated Loans - Impairment Loss Allowance | 40,342,407  | 37,936,843  |
| Total Equity                                                          | 156,585,065 | 149,620,984 |
| Provisioning Expense Ratio                                            | 7.4%        | 4.7%        |
| Impairment Losses on Loans                                            | 40,264,036  | 27,865,998  |
| Average gross loan portfolio                                          | 546,246,238 | 599,240,994 |

Credit risk measurement

In measuring the credit risk of loans and advances to customers and to the Company at a counterparty level, the Company reflects three components:

- (i) the 'probability of default' by the client or counterparty on its contractual obligations;
- (ii) current exposures to the counterparty and its likely future development, from which the Company derives the 'exposure at default'; and
- (iii) the likely recovery ratio on the defaulted obligations (the 'loss given default').

The table below shows the percentage of the Company's on-balance sheet items relating to loan contracts and the associated impairment provision for each stage of the contract from the loan portfolio:

31 Dec. 2024

| Data on PAR                         | Stage 1     | Stage 2    | Stage 3    | Total       |
|-------------------------------------|-------------|------------|------------|-------------|
| Current Portfolio                   | 404,790,612 | 25,259,581 | 2,317,604  | 432,367,796 |
| Portfolio at Risk 1 to 30 days      | 45,523,503  | 2,114,290  | 434,859    | 48,072,652  |
| Portfolio at Risk 31 to 90 days     | -           | 18,234,138 | -          | 18,234,138  |
| Portfolio at Risk more than 90 days | -           | 4,207,979  | 31,382,965 | 35,590,944  |
| Total Gross book value              | 450,314,115 | 49,815,988 | 34,135,428 | 534,265,531 |
| Impairment                          | 11,273,653  | 4,089,196  | 16,155,780 | 31,518,629  |

31 Dec. 2023

| Data on PAR                         | Stage 1     | Stage 2    | Stage 3    | Total       |
|-------------------------------------|-------------|------------|------------|-------------|
| Current Portfolio                   | 460,521,533 | 24,928,542 | 427,629    | 485,877,704 |
| Portfolio at Risk 1 to 30 days      | 56,033,283  | 545,628    | 820,923    | 57,399,204  |
| Portfolio at Risk 31 to 90 days     | -           | 24,642,709 | 2,520,847  | 27,163,556  |
| Portfolio at Risk more than 90 days | -           | -          | 32,030,969 | 32,030,969  |
| Total Gross book value              | 516,554,815 | 50,116,879 | 35,799,737 | 602,471,432 |
| Impairment                          | 14,756,676  | 4,508,079  | 19,029,360 | 38,294,116  |



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**25. Risk management (continued)**

Also, the tables below present the reconciliation of gross and allowance balances during the period:

|                                                      | <u>Total</u>  | <u>Stage 1</u> | <u>Stage 2</u> | <u>Stage 3</u> |
|------------------------------------------------------|---------------|----------------|----------------|----------------|
| Gross carrying amount as at 1 January 2024           | 602,471,432   | 516,554,815    | 50,116,879     | 35,799,737     |
| New assets originated or purchased                   | 318,978,220   | 318,978,220    | 0              | 0              |
| Assets derecognized or repaid (excluding write-offs) | (192,924,796) | (183,873,656)  | (7,387,264)    | (1,663,876)    |
| <i>Variation in stages:</i>                          |               |                |                |                |
| Increase (decrease) in stage 1                       | (144,124,976) | (144,124,976)  |                |                |
| Increase (decrease) in stage 2                       | 184,536       |                | 184,536        |                |
| Increase (decrease) in stage 3                       | (3,279,363)   |                |                | (3,279,363)    |
| <i>Transfers to stages:</i>                          |               |                |                |                |
| Transfers from stage 1 to stage 2                    | 0             | (36,694,523)   | 36,694,523     |                |
| Transfers from stage 1 to stage 3                    | 0             | (21,199,858)   |                | 21,199,858     |
| Transfers from stage 2 to stage 1                    | 0             | 674,093        | (674,093)      |                |
| Transfers from stage 2 to stage 3                    | 0             |                | (29,118,594)   | 29,118,594     |
| Transfers from stage 3 to stage 2                    | 0             |                | 0              | 0              |
| Write off loans                                      | (47,039,522)  |                |                | (47,039,522)   |
| Gross carrying amount as at 31 December 2024         | 534,265,531   | 450,314,115    | 49,815,988     | 34,135,428     |

|                                                      | <u>Total</u> | <u>Stage 1</u> | <u>Stage 2</u> | <u>Stage 3</u> |
|------------------------------------------------------|--------------|----------------|----------------|----------------|
| Impairment allowance as at 1 January 2024            | (38,294,116) | (14,756,676)   | (4,508,079)    | (19,029,360)   |
| New assets originated or purchased                   | (6,552,894)  | (6,552,894)    | 0              | 0              |
| Assets derecognized or repaid (excluding write-offs) | 5,710,312    | 4,270,227      | 813,150        | 626,934        |
| <i>Variation in stages:</i>                          |              |                |                |                |
| Increase (decrease) in stage 1                       | 3,028,198    | 3,028,198      |                |                |
| Increase (decrease) in stage 2                       | (296,316)    |                | (296,316)      |                |
| Increase (decrease) in stage 3                       | 1,736,817    |                |                | 1,736,817      |
| Remeasurement due to change in credit risk           | (43,890,152) | (14,238,823)   | (17,989,226)   | (11,662,103)   |
| <i>Transfers to stages:</i>                          |              |                |                |                |
| Transfers from stage 1 to stage 2                    | 0            | 3,060,653      | (3,060,653)    |                |
| Transfers from stage 1 to stage 3                    | 0            | 13,934,316     |                | (13,934,316)   |
| Transfers from stage 2 to stage 1                    | 0            | (18,654)       | 18,654         |                |
| Transfers from stage 2 to stage 3                    | 0            |                | 20,933,273     | (20,933,273)   |
| Transfers from stage 3 to stage 2                    | 0            |                | 0              | 0              |
| Write off loans                                      | 47,039,522   |                |                | 47,039,522     |
| Impairment allowance as at 31 December 2024          | (31,518,629) | (11,273,653)   | (4,089,196)    | (16,155,780)   |

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## 25. Risk management (continued)

|                                                      | <u>Total</u>  | <u>Stage 1</u>    | <u>Stage 2</u> | <u>Stage 3</u> |
|------------------------------------------------------|---------------|-------------------|----------------|----------------|
| Gross carrying amount as at 1 January 2023           | 637,205,835   | 558,944,028       | 58,932,390     | 19,329,417     |
| New assets originated or purchased                   | 362,855,837   | 362,855,837       | -              | -              |
| Assets derecognized or repaid (excluding write-offs) | (219,967,665) | (206,621,934)     | (12,068,370)   | (1,277,362)    |
| <i>Variation in stages:</i>                          |               |                   |                |                |
| Increase (decrease) in stage 1                       | (149,982,940) | (149,003,982,940) |                |                |
| Increase (decrease) in stage 2                       | (3,632,556)   |                   | (3,632,556)    |                |
| Increase (decrease) in stage 3                       | (661,742)     |                   |                | (661,742)      |
| <i>Transfers to stages:</i>                          |               |                   |                |                |
| Transfers from stage 1 to stage 2                    | -             | (29,908,209)      | 29,908,209     |                |
| Transfers from stage 1 to stage 3                    | -             | (26,489,449)      |                | 26,489,449     |
| Transfers from stage 2 to stage 1                    | -             | 7,757,482         | (7,757,482)    |                |
| Transfers from stage 2 to stage 3                    | -             |                   | (15,265,311)   | 15,265,311     |
| Transfers from stage 3 to stage 2                    | -             |                   | -              | -              |
| Write off loans                                      | (23,345,337)  |                   |                | (23,345,337)   |
| Gross carrying amount as at 31 December 2023         | 602,471,432   | 516,554,815       | 50,116,879     | 35,799,737     |

|                                                      | <u>Total</u> | <u>Stage 1</u> | <u>Stage 2</u> | <u>Stage 3</u> |
|------------------------------------------------------|--------------|----------------|----------------|----------------|
| Impairment allowance as at 1 January 2023            | (33,773,454) | (15,820,907)   | (4,749,810)    | (13,202,737)   |
| New assets originated or purchased                   | (8,876,821)  | (8,876,821)    | -              | -              |
| Assets derecognized or repaid (excluding write-offs) | 7,299,339    | 4,764,359      | 1,402,732      | 1,132,248      |
| <i>Variation in stages:</i>                          |              |                |                |                |
| Increase (decrease) in stage 1                       | 1,794,107    | 1,794,107      |                |                |
| Increase (decrease) in stage 2                       | (311,979)    |                | (311,979)      |                |
| Increase (decrease) in stage 3                       | 148,355      |                |                | 148,355        |
| Remeasurement due to change in credit risk           | (27,919,000) | (14,664,606)   | (8,494,424)    | (4,759,969)    |
| <i>Transfers to stages:</i>                          |              |                |                |                |
| Transfers from stage 1 to stage 2                    | -            | 3,201,428      | (3,201,428)    |                |
| Transfers from stage 1 to stage 3                    | -            | 15,134,970     |                | (15,134,970)   |
| Transfers from stage 2 to stage 1                    | -            | (289,206)      | 289,206        |                |
| Transfers from stage 2 to stage 3                    | -            |                | 10,557,623     | (10,557,623)   |
| Transfers from stage 3 to stage 2                    | -            |                | -              | -              |
| Write off loans                                      | 23,345,337   |                |                | 23,345,337     |
| Impairment allowance as at 31 December 2023          | (38,294,116) | (14,756,676)   | (4,508,079)    | (19,029,360)   |



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**25. Risk management (continued)**

**The maximum credit risk exposure**

The below table represents a maximum credit risk exposure to the Company as at 31 December 2024 and 31 December 2023, without taking account of any collateral held or other credit enhancements attached. For on-balance-sheet assets, the exposures set out below are based on net carrying amounts as reported in the balance sheet. As shown below, the most important part of the total maximum exposure is derived from loans granted to corporate entities, 82% (2023: 81%).

| <b>Maximum exposure</b>                                    | <b>2024</b>        | <b>2023</b>        |
|------------------------------------------------------------|--------------------|--------------------|
| <i>Maximum credit risk exposures are as follows:</i>       |                    |                    |
| Financial assets at cost                                   | 4,943,945          | 13,718,609         |
| Cash and cash equivalents                                  | 4,192,894          | 14,298,838         |
|                                                            | 9,136,839          |                    |
| <b>Loans granted to customers:</b>                         |                    |                    |
| Individuals                                                | 80,552,300         | 85,062,180         |
| <b>Loans to corporate entities:</b>                        | <b>432,209,498</b> | <b>494,668,499</b> |
| – Micro & Small business                                   | 186,900,345        | 229,233,833        |
| – Medium business                                          | 156,337,296        | 176,857,220        |
| – Large business                                           | 88,971,857         | 88,577,446         |
| <i>Credit risk exposures relating to off-balance sheet</i> |                    |                    |
| Loan commitments and other credit-related liabilities      | 3,544,403          | 1,600,000          |
| <b>As at 31 December</b>                                   | <b>525,443,040</b> | <b>609,348,125</b> |

Management is confident in its ability to continue to control and sustain minimal exposure of credit risk to the Company resulting from both its loan and advances portfolio based on the following:

- 87% of the loans and advances portfolio is categorised in the first stage of the impairment (2023: 86%);
- Loans to individuals represent 15,89% of the loan portfolio (2023: 14.67%);

Loans granted to customers are summarized as follows by type of client:

| <b>Type</b>              | <b>Stage 1</b>     | <b>Stage 2</b>    | <b>Stage 3</b>    | <b>2024</b>        | <b>2023</b>        |
|--------------------------|--------------------|-------------------|-------------------|--------------------|--------------------|
| – Individuals            | 79,833,309         | 778,057           | 1,227,764         | 81,839,131         | 86,189,457         |
| – Micro & Small business | 165,746,860        | 18,212,371        | 10,294,525        | 194,253,756        | 237,195,631        |
| – Medium business        | 133,912,837        | 17,362,565        | 11,895,466        | 163,170,867        | 184,743,615        |
| – Large business         | 70,821,109         | 13,462,995        | 10,717,673        | 95,001,777         | 94,342,728         |
| <b>Total Gross</b>       | <b>450,314,115</b> | <b>49,815,988</b> | <b>34,135,428</b> | <b>534,265,531</b> | <b>602,471,432</b> |
| Impairment               | (11,273,653)       | (4,089,196)       | (16,155,780)      | (31,518,629)       | (38,294,116)       |
| <b>Net amount</b>        | <b>439,040,462</b> | <b>45,726,793</b> | <b>17,979,647</b> | <b>502,746,902</b> | <b>564,177,316</b> |

The financial effect of collateral is presented by disclosing collateral values separately for (i) those assets where collateral and other credit enhancements are equal to or exceed the carrying value of the asset ("over-collateralized assets") and (ii) those assets where collateral and other credit enhancements are less than the carrying value of the asset ("under-collateralized assets").

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25. Risk management (continued)

The effect of collateral at 31 December 2024 and 31 December 2023:

| a) Split by type of collateral |                    |                    |                    |                    |
|--------------------------------|--------------------|--------------------|--------------------|--------------------|
|                                | 2024               |                    | 2023               |                    |
| Distribution by collateral     | Gross book value   | Collateral amount  | Gross book value   | Collateral amount  |
| Hard collateral                | 138,881,594        | 408,868,791        | 152,215,365        | 353,057,241        |
| Soft collateral                | 43,530,761         | 139,811,445        | 50,592,439         | 151,643,489        |
| Mixt                           | 156,579,007        | 168,176,234        | 177,547,985        | 195,015,579        |
| Guarantor                      | 190,268,880        | 0                  | 219,591,014        | -                  |
| Unsecured                      | 5,005,289          | 0                  | 2,524,628          | -                  |
| <b>Total</b>                   | <b>534,265,531</b> | <b>716,856,471</b> | <b>602,471,432</b> | <b>699,716,309</b> |

| b) Split of collateral by stage |                    |                       |                    |                       |
|---------------------------------|--------------------|-----------------------|--------------------|-----------------------|
|                                 | 2024               |                       | 2023               |                       |
| Distribution by stage           | Gross book value   | Collateral fair value | Gross book value   | Collateral fair value |
| Stage 1                         | 450,314,115        | 558,250,468           | 516,554,815        | 556,240,160           |
| Stage 2                         | 49,815,988         | 98,457,194            | 50,116,879         | 89,621,140            |
| Stage 3                         | 34,135,428         | 60,148,809            | 35,799,737         | 53,855,009            |
| <b>Total</b>                    | <b>534,265,531</b> | <b>716,856,471</b>    | <b>602,471,432</b> | <b>699,716,309</b>    |

c) Over / under collateralised assets  
 31 Dec. 2024

|                       | Over               |                       | Under              |                       |
|-----------------------|--------------------|-----------------------|--------------------|-----------------------|
| Distribution by stage | Gross book value   | Collateral fair value | Gross book value   | Collateral fair value |
| Stage 1               | 204,807,352        | 516,988,082           | 245,506,763        | 41,262,386            |
| Stage 2               | 38,777,218         | 96,935,733            | 11,038,770         | 1,521,461             |
| Stage 3               | 26,021,037         | 56,540,028            | 8,114,390          | 3,608,781             |
| <b>Total</b>          | <b>269,605,607</b> | <b>670,463,842</b>    | <b>264,659,924</b> | <b>46,392,629</b>     |

31 Dec. 2023

|                       | Over               |                       | Under              |                       |
|-----------------------|--------------------|-----------------------|--------------------|-----------------------|
| Distribution by stage | Gross book value   | Collateral fair value | Gross book value   | Collateral fair value |
| Stage 1               | 256,767,904        | 522,007,725           | 259,786,912        | 34,232,435            |
| Stage 2               | 33,548,235         | 85,926,147            | 16,568,644         | 3,694,993             |
| Stage 3               | 25,943,320         | 51,162,509            | 9,856,417          | 2,692,499             |
| <b>Total</b>          | <b>316,259,458</b> | <b>659,096,381</b>    | <b>286,211,973</b> | <b>40,619,927</b>     |

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25. Risk management (continued)

d) Credit-impaired assets

31 Dec. 2024

|                                     | Gross exposure     | Impairment allowance | Carrying amount    | Fair value of collateral held |
|-------------------------------------|--------------------|----------------------|--------------------|-------------------------------|
| <i>Loans to individuals:</i>        |                    |                      |                    |                               |
| – Consumer loans                    | 34,382,109         | (927,697)            | 33,454,412         | 9,753,178                     |
| – Housing loans                     | 47,457,022         | (536,189)            | 46,920,833         | 165,604,710                   |
| <i>Loans to corporate entities:</i> |                    |                      |                    |                               |
| – Micro & Small business            | 194,253,756        | (12,602,396)         | 181,651,360        | 125,954,060                   |
| – Medium business                   | 163,170,867        | (10,385,595)         | 152,785,272        | 225,022,460                   |
| – Large business                    | 95,001,777         | (7,066,752)          | 87,935,025         | 190,522,063                   |
| <b>Total credit-impaired assets</b> | <b>534,265,531</b> | <b>(31,518,629)</b>  | <b>502,746,902</b> | <b>716,856,471</b>            |

31 Dec. 2023

|                                     | Gross exposure     | Impairment allowance | Carrying amount    | Fair value of collateral held |
|-------------------------------------|--------------------|----------------------|--------------------|-------------------------------|
| <i>Loans to individuals:</i>        |                    |                      |                    |                               |
| – Consumer loans                    | 33,333,099         | (1,069,121)          | 32,263,978         | 12,935,164                    |
| – Housing loans                     | 52,856,358         | (1,187,375)          | 51,668,984         | 113,828,891                   |
| <i>Loans to corporate entities:</i> |                    |                      |                    |                               |
| – Micro & Small business            | 237,195,631        | (14,156,278)         | 223,039,353        | 152,769,908                   |
| – Medium business                   | 184,743,615        | (12,705,777)         | 172,037,838        | 241,153,832                   |
| – Large business                    | 94,342,728         | (9,175,565)          | 85,167,163         | 179,028,514                   |
| <b>Total credit-impaired assets</b> | <b>602,471,432</b> | <b>(38,294,116)</b>  | <b>564,177,316</b> | <b>699,716,309</b>            |

Loans and advances renegotiated

Restructuring activities include extended payment arrangements, approved external management plans, modification and deferral of payments. Following the restructuring, a customer that has some problem with payments is reset to a normal status and managed together with other similar accounts. Restructuring policies and practices are based on indicators or criteria which, in the judgment of local management, indicate that payment will most likely continue. These policies are kept under continuous review.



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Outstanding balances of renegotiated loans as at 31 December 2024 amounted MDL 41,716,990 (2023: MDL 40,526,239), please see the table below:

|                                                  | 2024              | 2023              |
|--------------------------------------------------|-------------------|-------------------|
| Loans to corporate entities                      | 41,123,240        | 39,474,774        |
| including in arrears                             | 15,893,195        | 16,494,044        |
| Other loans to individuals                       | 593,749           | 1,051,465         |
| including in arrears                             | 444,513           | 895,778           |
| <b>Total restructured</b>                        | <b>41,716,990</b> | <b>40,526,239</b> |
| <i>From which restructured current portfolio</i> | 25,379,282        | 23,136,418        |
| <i>From which restructured in arrears</i>        | 16,337,708        | 17,389,821        |

**d. Liquidity risk**

‘Liquidity risk’ is the risk that a Company will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises from mismatches in the timing and amounts of cash flows, which is inherent to the Company’s operations and investments.

The Board of Directors sets the Company’s strategy for managing liquidity risk and oversight of the implementation is administered by the Company’s management. The Board of directors approves the Company’s liquidity policies and procedures created by the Risk team. The company manages the Company’s liquidity position on a day-to-day basis and reviews daily reports covering the liquidity position of the Company. A summary report, including any exceptions and remedial action taken, is submitted regularly to the Board of directors.

The company’s approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company’s reputation. The key elements of the Company’s liquidity strategy are as follows:

- *Maintaining a diversified funding* base consisting of foreign funds and local companies, also Groups funds and maintaining contingency facilities.
- *Carrying a portfolio* of highly liquid assets, diversified by currency and maturity.
- *Monitoring maturity mismatches*, behavioural characteristics of the Company’s financial assets and financial liabilities, and the extent to which the Company’s assets are encumbered and so not available as potential collateral for obtaining funding.
- *Stress testing* of the Company’s liquidity position against various exposures and global, country-specific and Group-specific events.

The back office receives information from other business units regarding the liquidity profile of their financial assets and financial liabilities and details of other projected cash flows arising from projected future business. The back office sends the requirement to Group funds to ensure that sufficient liquidity is maintained within the Company as a whole. The liquidity requirements of business units are met through loans from Group funds to cover any short-term fluctuations and longer-term funding to address any structural liquidity requirements.

Regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions. The scenarios are developed taking into account both Group-specific events (e.g. a rating downgrade) and market-related events (e.g. prolonged market illiquidity, reduced convertibility of currencies, natural disasters or other catastrophes).

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**25. Risk management (continued)**

The data in the below table measures the maturities of assets and liabilities on the balance sheet. This table helps us to determine where funding gaps exist, allowing it to adjust maturities as possible and plan for liquidity needs. In line with the IFRS' conservative and prudent approach, this table is based on asset and liability contractual maturity dates, but it does not include the amounts related to future interest to be received/paid.

As at 31 Dec. 2024

| Assets                              | <1<br>month       | 1-3<br>months     | 3-12<br>months      | 1-5<br>years       | >5<br>years        | Total              |
|-------------------------------------|-------------------|-------------------|---------------------|--------------------|--------------------|--------------------|
| Cash and cash equivalents           | 4,192,894         |                   |                     |                    |                    | 4,192,894          |
| Loans granted to customers          | 30,925,609        | 41,612,415        | 185,424,766         | 265,681,862        | 10,620,879         | 534,265,531        |
| Financial Investments               |                   |                   |                     | 4,943,945          |                    | 4,943,945          |
| Other assets                        |                   | 9,237,044         | 4,488,070           | -                  |                    | 13,725,114         |
| <b>Total assets</b>                 | <b>35,118,503</b> | <b>50,849,459</b> | <b>189,912,836</b>  | <b>270,625,807</b> | <b>10,620,879</b>  | <b>557,127,484</b> |
| Liabilities                         | <1<br>month       | 1-3<br>Months     | 3-12<br>months      | 1-5<br>years       | >5<br>Years        | Total              |
| Borrowings from banks and creditors | 16,212,305        | 26,327,471        | 225,445,544         | 86,752,189         | -                  | 354,737,509        |
| Lease Liabilities                   | 308,137           | 603,679           | 1,483,132           | 1,346,483          | -                  | 3,741,431          |
| Advances from customers             | 1,603,260         | 455,480           | 1,721,149           |                    |                    | 3,779,889          |
| Accruals and deferred income        | 434,525           | 546,145           | 3,356,490           | 2,429,433          | 97,119             | 6,863,711          |
| Other liabilities                   | 2,446,883         | 701,874           |                     | 1,215,371          | -                  | 4,364,128          |
| <b>Total liabilities</b>            | <b>21,005,110</b> | <b>28,634,648</b> | <b>232,006,315</b>  | <b>91,743,476</b>  | <b>97,119</b>      | <b>373,486,667</b> |
| <b>Net liquidity gap</b>            | <b>14,113,394</b> | <b>22,214,810</b> | <b>(42,093,479)</b> | <b>178,882,331</b> | <b>10,523,760</b>  | <b>183,640,816</b> |
| <b>Cumulative liquidity gap</b>     | <b>14,113,394</b> | <b>36,328,204</b> | <b>(5,765,275)</b>  | <b>173,117,056</b> | <b>183,640,816</b> |                    |

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| Assets                          | <1<br>month       | 1-3<br>months     | 3-12<br>months     | 1-5<br>years       | >5<br>years        | Total              |
|---------------------------------|-------------------|-------------------|--------------------|--------------------|--------------------|--------------------|
| Cash and cash equivalents       | 14,298,838        |                   |                    |                    |                    | 14,298,838         |
| Loans granted to customers      | 40,303,179        | 33,727,899        | 208,329,758        | 312,800,583        | 7,310,014          | 602,471,432        |
| Financial Investments           |                   |                   | 10,162,635         | 3,555,974          |                    | 13,718,609         |
| Other assets                    |                   | 14,490,486        |                    | 10,189,412         |                    | 24,679,898         |
| <b>Total assets</b>             | <b>54,602,016</b> | <b>48,218,385</b> | <b>218,492,393</b> | <b>326,545,969</b> | <b>7,310,014</b>   | <b>655,168,776</b> |
| Liabilities                     | <1<br>month       | 1-3<br>Months     | 3-12<br>months     | 1-5<br>years       | >5<br>Years        | Total              |
| Borrowings from banks and other | 15,811,194        | 40,501,674        | 224,733,516        | 174,945,736        | 101,694            | 456,093,815        |
| Lease liabilities               | 288,904           | 581,322           | 2,465,252          | 1,970,142          | -                  | 5,305,620          |
| Advances from customers         | 3,777,222         | 1,522,170         | 409,734            | -                  | -                  | 5,709,127          |
| Other liabilities               | 1,716,870         | 1,832,281         | 374,190            | -                  | -                  | 3,923,341          |
| <b>Total liabilities</b>        | <b>21,594,190</b> | <b>44,437,448</b> | <b>227,982,692</b> | <b>176,915,879</b> | <b>101,694</b>     | <b>471,031,903</b> |
| <b>Net liquidity gap</b>        | <b>33,007,826</b> | <b>3,780,937</b>  | <b>(9,490,299)</b> | <b>149,630,090</b> | <b>7,208,320</b>   | <b>184,136,873</b> |
| <b>Cumulative liquidity gap</b> | <b>33,007,826</b> | <b>36,788,763</b> | <b>27,298,464</b>  | <b>176,928,554</b> | <b>184,136,873</b> |                    |



## 25. Risk management (continued)

## e. Operational risk

'Operational risk' is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks – e.g. those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Company's operations.

The company's objective is to manage operational risk to balance the avoidance of financial losses and damage to the Company's reputation with overall cost-effectiveness and innovation. In all cases, the Company's policy requires compliance with all applicable legal and regulatory requirements.

The Board of Directors has created a Group's Operational Risk Policies, and Management is responsible for the implementation of controls to address operational risk. This responsibility is supported by the development of overall Group standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorization of transactions;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- requirements for the reporting of operational losses and proposed remedial action;
- development of contingency plans;
- training and professional development;
- ethical and business standards;
- information technology and cyber risks; and
- risk mitigation, including insurance where this is cost-effective.

Compliance with Group standards is supported by a program of periodic reviews undertaken by Internal Audit. The results of Internal Audit reviews are discussed with the Group Audit, with summaries submitted to the Audit Committee and senior management of Company. Below is displayed the efficiency by branch.

| Indicators                 | 2024                       |                                      | 2023                       |                                      |
|----------------------------|----------------------------|--------------------------------------|----------------------------|--------------------------------------|
|                            | Number of<br>Loan Officers | Active portfolio per<br>Loan Officer | Number of<br>Loan Officers | Active portfolio<br>per Loan Officer |
| Chisinau str. Puskin       | 5                          | 17,173,971                           | 5                          | 20,473,839                           |
| Balti                      | 8                          | 8,682,246                            | 9                          | 8,904,770                            |
| Soroca                     | 6                          | 11,408,958                           | 7                          | 11,732,924                           |
| Drochia                    | 5                          | 7,472,037                            | 5                          | 8,884,624                            |
| Comrat                     | 3                          | 10,773,408                           | 4                          | 11,102,995                           |
| Edinet                     | 6                          | 4,454,833                            | 6                          | 5,363,011                            |
| Chisinau str.Calea Iesilor | 4                          | 11,075,761                           | 6                          | 8,904,177                            |
| Cahul                      | 4                          | 9,900,260                            | 4                          | 12,093,476                           |
| Orhei                      | 3                          | 14,909,571                           | 4                          | 9,910,480                            |
| Causeni                    | 5                          | 5,151,448                            | 5                          | 4,556,830                            |
| Ungheni                    | 5                          | 7,636,155                            | 5                          | 5,969,978                            |
| Total                      | 54                         | x                                    | 60                         | x                                    |

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25. Risk management (continued)

| Indicator name                                          | 2024              | 2023              |
|---------------------------------------------------------|-------------------|-------------------|
| <b>Operating Expense Ratio</b>                          | <b>7.4%</b>       | <b>7.0%</b>       |
| Operating Expense                                       | 40,206,730        | 41,662,554        |
| Average gross loan portfolio                            | 546,246,238       | 599,240,994       |
| <b>Cost to Income Ratio</b>                             | <b>26.7%</b>      | <b>25.9%</b>      |
| Operating Expense                                       | 40,206,730        | 41,662,554        |
| Financial revenue                                       | 150,498,654       | 160,745,766       |
| <b>Cost per active client</b>                           | <b>19,424</b>     | <b>19,839</b>     |
| Operating Expense                                       | 40,206,730        | 41,662,554        |
| Average number of active clients                        | 2,070             | 2,100             |
| <b>Average loan portfolio per Loan Officer</b>          | <b>12,703,401</b> | <b>12,749,808</b> |
| Average gross loan portfolio                            | 546,246,238       | 599,240,994       |
| Number of Loan Officers                                 | 43                | 47                |
| <b>Average disbursements per Loan Officer</b>           | <b>9,968,069</b>  | <b>10,672,230</b> |
| Disbursements                                           | 318,978,220       | 362,855,837       |
| Number of Loan Officers                                 | 43                | 47                |
| <b>Borrowers per Loan Officer</b>                       | <b>42</b>         | <b>56</b>         |
| Number of active borrowers                              | 1,806             | 2,070             |
| Number of Loan Officer (except for maternity leaves)    | 43                | 47                |
| Maternity leave                                         | 11                | 13                |
| <b>Active clients per staff member</b>                  | <b>28</b>         | <b>32</b>         |
| Number of active borrowers                              | 1,806             | 2,070             |
| Total number of personnel (except for maternity leaves) | 65                | 65                |

**Fair value of financial assets and liabilities**

Fair value measurements are analyzed by level in the fair value hierarchy as described below. Management applies judgement in categorizing financial instruments using the fair value hierarchy. If a fair value measurement uses non-observable inputs that require significant adjustment, that measurement is a Level 3 measurement. The significance of a valuation input is assessed against the fair value measurement in its entirety.

Fair value measurements are analysed by level in the fair value hierarchy as follows:

- (i) level one is measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities,
- (ii) level two measurements are valuation techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and
- (iii) level three measurements are valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs). Transfers between levels of the fair value hierarchy are deemed to have occurred at the end of the reporting period.

**25. Risk management (continued)**

**Financial instruments not measured at fair value**

*a) Cash and cash equivalents*

The fair value of cash and cash equivalents approximates their carrying amount.

*b) Loans and advances to customers, net*

Loans are reduced by impairment for loan losses. The estimated fair value of loans and advances represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

*c) Interest-bearing borrowings*

The table below summarizes the gross book value and carrying amount values of those financial assets and liabilities not presented on the Company's statement of financial position at their fair value as at 31 December 2024 and 31 December 2023.



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25. Risk management (continued)

|                             | 31 Dec. 2024     |             |            |             | 31 Dec. 2023   |                  |             |            |             |                |
|-----------------------------|------------------|-------------|------------|-------------|----------------|------------------|-------------|------------|-------------|----------------|
|                             | Gross book value | Level 1     | Level 2    | Level 3     | Carrying value | Gross book value | Level 1     | Level 2    | Level 3     | Carrying value |
| Financial assets            |                  |             |            |             | Total          |                  |             |            |             | Total          |
| Cash                        | 4,192,894        | 4,192,894   | -          | -           | 4,192,894      | 14,298,838       | 14,298,838  | -          | -           | 14,298,838     |
| Financial assets at cost    | 4,943,945        | -           | -          | 4,943,945   | 4,943,945      | 13,718,609       | -           | -          | 13,718,609  | 13,718,609     |
| Loans granted to customers: |                  |             |            |             | -              |                  |             |            |             |                |
| – Individuals               | 81,839,131       | 78,769,980  | 706,408    | 898,857     | 80,375,245     | 86,189,457       | 82,760,143  | 1,153,220  | 19,599      | 83,932,962     |
| – Micro & Small business    | 194,253,756      | 160,986,881 | 16,434,040 | 4,230,438   | 181,651,360    | 237,195,631      | 202,795,621 | 17,389,230 | 2,854,503   | 223,039,353    |
| – Medium business           | 163,170,867      | 130,365,892 | 16,335,042 | 6,084,338   | 152,785,272    | 184,743,615      | 148,614,732 | 18,056,040 | 5,367,067   | 172,037,838    |
| – Large business            | 95,001,777       | 68,917,709  | 12,251,302 | 6,766,014   | 87,935,025     | 94,342,728       | 67,627,643  | 9,010,311  | 8,529,209   | 85,167,163     |
| Total loans                 | 534,265,531      | 439,040,462 | 45,726,793 | 17,979,647  | 502,746,902    | 602,471,432      | 501,798,139 | 45,608,800 | 16,770,377  | 564,177,316    |
| Total assets                | 543,402,370      | 443,233,356 | 45,726,793 | 22,923,592  | 511,883,741    | 630,488,878      | 516,096,977 | 45,608,800 | 30,488,986  | 592,194,763    |
| Financial liabilities       |                  |             |            |             |                |                  |             |            |             |                |
| Borrowings                  | 354,737,509      | 0           | 0          | 354,737,509 | 354,737,509    | 456,093,815      | -           | -          | 456,093,815 | 456,093,815    |
| Lease liability             | 3,741,431        | 0           | 0          | 3,741,430   | 3,741,430      | 5,305,620        | -           | -          | 5,305,620   | 5,305,620      |
| Advances from customers     | 3,779,889        |             |            | 3,779,889   | 3,779,889      | 5,709,127        | -           | -          | 5,709,127   | 5,709,127      |
| Trade and other liabilities | 3,148,757        | 0           | 0          | 3,148,757   | 3,148,757      | 3,923,341        | -           | -          | 3,923,341   | 3,923,341      |
| Total Liabilities           | 365,407,585      | -           | -          | 365,407,585 | 365,407,585    | 471,031,903      | -           | -          | 471,031,903 | 471,031,903    |

## 25. Risk management (continued)

### f. Risk of compliance

Compliance risk is the risk of financial loss, including fines and other sanctions, arising from non-compliance with state laws and regulations. The risk is limited to a significant extent, due to the supervision applied by the compliance system, as well as the monitoring of Company's controls.

The National bank of Moldova conducted a comprehensive on-site inspection of our Company from March 26, 2024, to June 12, 2024. The audited period covered the company's activities from September 1, 2022, to February 29, 2024.

As a result of the inspection, the NBM identified certain deficiencies, including:

1. Failure to report six loans to the credit history bureaus;
2. The branch manager was appointed by the Organization's Administrator instead of the General Meeting of the Associate;
3. The organization does not have an censor;
4. Violations of the "Regulation on Responsible Lending Requirements for Non-Banking Credit Organizations" in 41 credit contracts (6.79% of the credit contracts issued to consumers during the audited period);
5. The organization did not classify 145 credit contracts secured by "Suretyship" in the "Unsecured Loans" category, in accordance with the "Regulation on the Classification of Assets by Non-Banking Credit Organizations";
6. The organization did not include in the "Regulation on Service Provision" provisions regarding the disclosure of the total cost components of the service, the calculation method of penalties, the interest rate, and/or the leasing rate;
7. Failure to obtain credit reports for credited consumers from one of the credit history bureaus;
8. Other internal deficiencies.

The Company has addressed most of the deficiencies identified by the National bank of Moldova before the issuance of the Executive Committee Decision of the NBM No. 317 dated December 12, 2024.

The Executive Committee of the National Bank of Moldova issued a Decision to fine the Company for an amount of 1,564,578.47 (one million five hundred sixty-four thousand five hundred seventy-eight, 47) lei.

### g. Litigation risk

The risk of litigation is the risk of financial loss, disruption of Company's activity, or any other situation arising out of the possibility of non-execution or breach of legal contracts and consequently of legal proceedings. The risk is minimized through the contracts used by Company.

### h. Reputational risk

The risk of loss of reputation that may result from negative advertising related to Company's operations (whether true or false) may result in a reduction in customer, revenue, and lawsuits against Company. The company applies procedures to minimize this risk.

### i. Risk of capital management

Company's objectives in managing capital are to protect Company's ability to continue, based on the business continuity principle, in order to provide quality services for public profitability and to ensure that it is up to the founders and to maintain an optimal structure of capital to reduce the cost of capital. Company monitors the capital on the basis of the leverage ratio. This ratio is calculated as a net debt divided by total capital. Net debt is calculated as the total of loans. Total capital is calculated as "capital" as shown in the statement of financial position plus net debt.

Bellow table provides Profitability Ratio, ability to manage capital.

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j. Risk of capital management (continued)

| Indicator name                                                                                                                   | 2024          | 2023          |
|----------------------------------------------------------------------------------------------------------------------------------|---------------|---------------|
| <b>Cost of Funds Ratio</b>                                                                                                       | <b>14.3%</b>  | <b>14.6%</b>  |
| Financial expenses on Funding Liabilities + hedging exp.                                                                         | 55,697,875    | 65,848,792    |
| (Avg. deposits + avg. borrowings + Avg. Payable Notes)                                                                           | 390,536,379   | 449,997,818   |
| <b>Debt to Equity</b>                                                                                                            | <b>2.4</b>    | <b>3.2</b>    |
| Liabilities                                                                                                                      | 376,785,981   | 478,692,449   |
| Equity                                                                                                                           | 156,585,065   | 149,620,984   |
| <b>Debt to Equity (incl. TIER II)</b>                                                                                            | <b>1.9</b>    | <b>2.6</b>    |
| Liabilities                                                                                                                      | 376,785,981   | 478,692,449   |
| Equity + Sub debt                                                                                                                | 193,866,125   | 186,902,044   |
| <b>Operational Self Sufficiency</b>                                                                                              | <b>110.5%</b> | <b>118.7%</b> |
| Financial revenue                                                                                                                | 150,498,654   | 160,745,766   |
| Financial expense + Impairment Losses on Loans + operating expense                                                               | 136,168,641   | 135,377,344   |
| <b>Return on Assets</b>                                                                                                          | <b>1.2%</b>   | <b>2.8%</b>   |
| Net income after taxes                                                                                                           | 6,964,081     | 17,768,570    |
| Average assets                                                                                                                   | 580,842,240   | 637,660,814   |
| <b>Return on Equity</b>                                                                                                          | <b>4.5%</b>   | <b>12.6%</b>  |
| Net income after taxes                                                                                                           | 6,964,081     | 17,768,570    |
| Average equity                                                                                                                   | 153,103,025   | 140,736,699   |
| <b>Solvency</b>                                                                                                                  | <b>29.4%</b>  | <b>23.8%</b>  |
| Total Equity                                                                                                                     | 156,585,065   | 149,620,984   |
| Total Assets                                                                                                                     | 533,371,046   | 628,313,433   |
| <b>Solvency (incl. TIER II)</b>                                                                                                  | <b>36.3%</b>  | <b>29.7%</b>  |
| Total Equity + Sub-debt                                                                                                          | 193,866,125   | 186,902,044   |
| Total Assets                                                                                                                     | 533,371,046   | 628,313,433   |
| <b>Un-Hedged Open Currency Position</b>                                                                                          | <b>35.5%</b>  | <b>1.3%</b>   |
| Assets Denominated or foreign currency - Liabilities Denominated or foreign currency (Unhedged)                                  | 55,569,500    | 1,886,881     |
| Total Equity                                                                                                                     | 156,585,065   | 149,620,984   |
| <b>Yield on Gross Loan Portfolio</b>                                                                                             | <b>25.3%</b>  | <b>25.8%</b>  |
| Cash received from interest, fees, and commissions on loan portfolio                                                             | 138,090,154   | 154,590,905   |
| Average gross loan portfolio                                                                                                     | 546,246,238   | 599,240,994   |
| <b>Portfolio to Assets</b>                                                                                                       | <b>96.1%</b>  | <b>95.9%</b>  |
| Gross loan portfolio                                                                                                             | 512,761,798   | 602,471,432   |
| Assets                                                                                                                           | 533,371,046   | 628,313,433   |
| <b>Liquidity Ratio</b>                                                                                                           | <b>1.5%</b>   | <b>4.9%</b>   |
| Cash and Short-Term Investments                                                                                                  | 4,192,894     | 14,298,838    |
| (Total Short-Term borrowings plus Interest Payable on Funding Liabilities and Accounts Payable and Other Short-term Liabilities) | 281,646,073   | 294,014,330   |



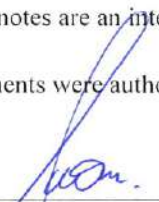
## 26. EVENTS SUBSEQUENT TO THE REPORTING PERIOD

- For 2025, authorities project a 3% GDP growth, but ongoing political and economic challenges could influence Moldova's recovery trajectory. On the demand side, consumption will be the main driver of domestic demand, while investments are expected to gain momentum as ties with the EU deepen and regional and domestic investment sentiment improves. On the supply side, the services sector is anticipated to be the main driver of growth, with the IT sector leading the way, alongside a gradual recovery in the financial sector. The agricultural sector's contribution to growth is anticipated to remain limited in the medium term due to productivity challenges and the adverse effects of climate change. The industrial sector is expected to recover gradually, with output reaching pre-war levels in 2025, supported by improvements in external demand and regional investment sentiment.
- Average inflation is projected to remain within the target range in the medium term. However, inflation remains sensitive to various supply-side factors, particularly geopolitical uncertainties, energy prices, and climatic conditions. Inflation may reach 10% in 2025 because of rising energy prices.
- The European Growth Plan, worth €1.9 billion, will support Moldova's economy over the next three years, helping accelerate growth and increase citizens' incomes.
- As described in Note 25 f) concerning the National Bank's inspection, The Company did not voluntarily pay the fine within the allowed time. Since the Decision on the application of the fine was an enforceable document, the National Bank of Moldova forwarded the Decision accompanied by the collection order to the payment service provider where the account of the non-bank credit organization is opened for the indisputable collection of the fine. Ultimately, the fine amount was collected in full from the Company's bank account in January 2025. At the same time, the Company appealed the Decision to the Executive Committee of the National Bank of Moldova by submitting a preliminary application. The preliminary application was rejected by the Executive Committee of the National Bank of Moldova and maintaining the initial Decision. Subsequently, the Company submitted a request for a summons to the Chisinau Court of Appeal. The Court of Appeal set the date of the Court hearing for May 26, 2025.
- The Board of Directors approved on February 27, 2025 the founding of an IT company as a subsidiary. The reason for having an IT company is to develop IT solutions for the business and have control over the process of IT development. Thus, the company intends to establish a daughter company that will become a member of IT Park. But that Board decision is subject to shareholder approval.

Until the approval date of the financial statements, there were not significant changes in internal control that might affect the financial statements for the year ended 31 December 2024.

The accompanying notes are an integral part of these financial statements.

The financial statements were authorized for issue on March 24, 2025, by:

  
Chief Executive Officer, Turcanu Sergiu  
  
Chief Financial Officer, Chitoroaga Natalia  
