

**JOINT STOCK COMPANY MOGO**  
(UNIFIED REGISTRATION NUMBER LV50103541751)

**CONSOLIDATED ANNUAL REPORT**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

INCLUDING CONSOLIDATED FINANCIAL STATEMENTS PREPARED IN ACCORDANCE  
WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS AS ADOPTED BY THE EU

TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

Riga, 2020

## CONTENTS

General Information	3
Management Report	4
Statement of Management Responsibility	6
Consolidated Financial Statements	
Consolidated Statement of Profit and Loss and Other Comprehensive Income	7
Consolidated Statement of Financial Position	8
Consolidated Statement of Changes in Equity	10
Consolidated Statement of Cash Flows	11
Notes to the Consolidated Financial Statements	12
Independent Auditor's Report	55

## General information

Name of the Parent Company	mogo
Legal status of the Parent Company	JSC
Unified registration number, place and date of registration	50103541751, Latvia, 03.05.2012
Registered office	Skanstes street 50, Riga, Latvia
Shareholders	31.12.2019.
	Mogo Baltics and Caucasus JSC *
	98%
	Tobago capital LTD
	2%
	TOTAL
	100%
	*Mogo Finance S.A. (Luxembourg) till 27.03.2019.
	98%
Ultimate parent company	Mogo Finance S.A. (Luxembourg)
Board Members	Krišjānis Znotiņš - Member of the Board from 14.03.2019
	Juris Pārups - Chairman of the Board from 25.09.2018 till 13.08.2019
Council Members	Modestas Sudnius, from 25.05.2018
	Dārta Keršule, from 05.09.2018
	Kārlis Bērziņš, from 25.05.2018
Subsidiaries	Loango JSC, Latvia (100%) till 11.07.2019.
	Renti JSC, Latvia (100%)
Financial year	January - December
Previous financial year	January - December
Auditors	KPMG Baltics AS
	Commercial license No. 55
	Vesetas iela 7, Riga, Latvia, LV-1013
	Certified auditor in charge
	Armine Movsisjana
	Certificate No. 178

## Management report

30 April 2020

### General information

JSC mogo (hereinafter – the Parent Company) and its subsidiaries (together - The Group) is a leading company in Latvia in used car financing/rent in terms of number of items. The Group provides quick and convenient car financing and rent services through partners network, Company's branded website, mobile homepage and onsite at customer service centers. More and more customers are choosing subsidiary's Renti JSC offered long term rent, as it allows opportunity to return car in 6 months time. Long term rent sales volumes outscored Parent company's sales in the reporting period.

During the year Parent Company has focused on being service and development center for its subsidiary JSC Renti and associated company JSC Primero finance. Using Group's resources and long lasting experience in leasing field, Group's market positions can be strengthened through diversifying product offering to customers. Services include full cycle service from sales and customer service to debt collection activities.

The Company continues to develop new products and sales channels. Parent Company's product mix was strengthened with web friendly products (possibility to apply and receive funds remotely) such as consumer credit and added new products such as refinancing and auto credit. These products' issuance levels have been growing through the year reaching close to 80% of new sales.

New web sales channel autotev.lv was developed as car sales portal connected with Group's offered financing solutions. The portal is used by Group's partners to promote their car sales to end customers. Development of car portal has been successful step in strengthening relationships with partner car sellers, constantly exceeding 1000 cars advertisements.

During September through November 2019 the Parent Company have sold parts of its performing net leasing portfolio to Primero Finance JSC in amount of 3 550 thousand EUR.

During 2019 the Group maintained its leader position in the leasing and leaseback market for used cars. Vehicles rent services continued to expand throughout the year.

The Group complies with local laws relating to environmental protection.

### Mission, vision and values

#### Mission

Mission of the Group is to offer accessible and affordable leasing and loan services to clients who need quick and simple way of obtaining financing.

#### Vision

Vision of the Group is to become the market leading leaseback and finance lease solutions organization, highly rated for customer friendliness and accessibility.

#### Values

- Quick assistance without unnecessary formalities - the Group will provide the required funding within a couple of hours.
- Open communication and flexibility – the core value of the Group is an open communication and flexible approach to each and every customer, which results in a mutually beneficial outcome in every situation.
- Long term relationship – the Group values and creates mutually beneficial long-term relationship with all its customers, it welcomes feedback and suggestions for improvement.

### Operations and Financial Results

Total revenues of the Group including net interest on financial products and income from long term rent services have increased to 13.7 million (7% increase compared to 12.8 million in 2018). Interest and similar income of the Group reached 15.1 million euro (20% decrease compared to 2018), whereas income from car rent increased to 4.0 million (from 0.1 million in 2018). Net profit of the Group amounted to 4.9 million euro compared to 2.8 million in 2018, demonstrating growth of 74%.

Total assets as of 31.12.2019 amounted to 62.9 million (19% change from 31.12.2018). At the end of 2019 gross value of the lease portfolio reached 22.8 million euro (42% decrease compared to 31.12.2018), whereas car fleet increased to 13.5 million euro (from 1.4 million in 2018).

Significant financial results improvement was achieved through successful update of customer underwriting policy, which helped to decrease impairment for doubtful debtors by close to 40% comparing to 2018. Regional management human resources and administrative costs were transferred to related entity in 2018, which positively affected salaries and administrative costs in 2019. The Group also implemented cost optimization initiatives, including review of customer service centers network review.

Strong new sales results were maintained by growing long term rent demand (7.4 times monthly income from rent growth from January to December 2019) and development of Parent Company's diversified web based products.

Parent Company's historical gross unperforming portfolio in amount of 1 726 thousand EUR, including unsecured parts and complicated cases were sold through the tender thus cleaning balance sheet and having neutral P&L effect.

The management is of the opinion that 2019 results support Group's chosen direction for better understanding of customers needs, customer profile development and respective offer preparation. In addition cost optimization activities allow streamlining business processes and offer better service to customers.

The year 2019 was successful regarding the cooperation with car dealerships. The network of active car dealerships has contributed to the growth of the long term rent and loan products volume. For the establishment of more integrated cooperation with the partners in the field of vehicle trade, the Group offers various partnership solutions and an individual approach to effective handling of client applications, as well as provides various marketing materials and conducts joint marketing campaigns.

In 2019, the Group continued its operations in order to accomplish its mission – to offer accessible leasing services in a quick and simple way. The Company continued to invest significant resources in the development of information system solutions in order to improve its operational activities by automating the current processes in the nearest future, at the same time increasing customer satisfaction with the provided service. Main target in automation field includes instant decision for customers. It is expected that implementation will be finished in mid 2020.

The Parent company has implemented necessary changes in sales channels management and pricing policy to be compliant with legislative changes effective July 1 2019, limiting marketing possibilities for financing companies and interest rate limitations.



#### Management report (continued)

The Group proceeded with various digital and offline marketing campaigns in order to promote the brand visibility and strengthen the Group brand awareness and recognition. Special focus in digital marketing was on newly launched car portal autotev.lv and newly developed Renti brand for long term rent services.

#### Other information

The risk management activities within the Group are carried out in respect of financial risks, operational risks and legal risks. Financial risk comprises market risk (including currency risk, interest rate risk and other price risks), credit risk and liquidity risk. The primary objectives of the financial risk management function are to establish risk limits followed by ensuring that the exposure to risks remains within these limits. The operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures in order to minimize operational and legal risks.

#### Financial risks

The main financial risks arising from the Group's financial instruments are liquidity risk, and credit risk.

#### Operational risks

The Group's operational risks are managed by successful risk underwriting procedures in the loan issuance process as well as efficient debt collection procedures.

#### Legal risks

Legal risk mainly arises due to regulatory changes and is managed successfully with the support of the in-house legal department and external legal advisors who closely follow the latest developments in the regulatory and legal environment. In this sense, the fact that the Group is a member of the Alternative Financial Services Association of Latvia is also helpful.

#### Foreign currency risk

The Group's financial assets and liabilities are not exposed to foreign currency risk. All transactions are performed in the euro.

#### Interest rate risk

#### Liquidity risk

The Group manages its liquidity risk by arranging an adequate amount of committed credit facilities with related parties and by issuing bonds. Also the Group controls its liquidity by managing the amount of funding it attracts through peer-to-peer platforms, which provides management greater flexibility to manage the level of borrowings and available cash balances.

#### Credit risks

The Group is exposed to credit risk through its finance lease receivables and loans and advances to customers, as well as cash and cash equivalents.

The key areas of credit risk policy cover lease granting process (including solvency check of the lessee), monitoring methods, as well as decision making principles.

The Group operates by applying a clear set of finance lease granting criteria. These criteria include assessing the credit history of customer, means of lease repayment and understanding the lease object. The Group takes into consideration both quantitative and qualitative factors when assessing the creditworthiness of the customer. Based on this analysis, the Group sets the credit limit for each customer. The Group complies with applicable regulation for consumer lending and consumer rights protection.

When the lease agreement has been signed, the Group monitors the lease object and customer's solvency. The Group has developed lease monitoring process so that it helps quickly spotting any possible non-compliance with the provisions of the agreement. The receivable balances are monitored on an ongoing basis to ensure that the Group's exposure to bad debts is minimized, and, where appropriate, provisions are being made.

The Group does not have a significant credit risk exposure to any single counterparty, but has risk to group of counterparties having similar characteristics.  
See Notes 20 and 21 for more information.

#### Assessment of COVID-19 impact

The Latvian government declared a state of emergency on 12 March 2020, after the World Health Organization declared the coronavirus outbreak a pandemic.

For the safety of Group's employees and customers, the Group has temporarily closed customer service points and provides services remotely, except the branch located at the premises of JSC "Ceļu satiksmes drošības direkcija" in Riga, where services are available upon prior appointment. The sale of cars is ensured at the points of sale and in cooperation with partners.

The Group keeps close contact with our customers and works with them to ensure the contractual commitments are still being successfully maintained. The Group aims to offer its clients high quality and flexible solutions in current situation. The Group also controls its liquidity by managing the amount of funding it attracts through peer-to-peer platform.

The Group has taken all mandatory and recommended safety measures and ensured that its staff can work from home remotely.

See Note 43 for additional information.

The Group statement regarding the corporate governance in 2019 is prepared according with the requirements of the Financial Instruments Market Law part 3 of article 56.2 and is available to the public electronically on the Nasdaq Baltic webpage [www.nasdaqbaltic.com](http://www.nasdaqbaltic.com).

The share capital of the Parent company is EUR 5 000 000 and consists of 5 000 000 shares. The par value of each share is EUR 1. All the shares are fully paid.

There were no changes in amount of shares in reporting year.

#### Market risks

#### Currency risks


The currency risk is defined as the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Group is exposed to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows.

#### Interest rate risks

The Group is not exposed to interest rate risk because all of its liabilities are interest bearing borrowings with a fixed interest rate.

More information is disclosed in Note 40.

Signed on behalf of the Group on 30 April 2020 by:

  
Krišjānis Znotiņš  
Member of the Board

#### Statement of Management Responsibility

30 April 2020

The Group management is responsible for preparation of the financial statements.

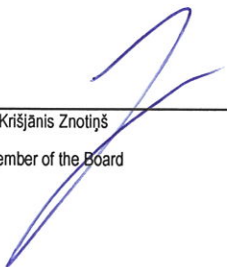
Management of the Group declares that in accordance with the information in their possession, financial statements have been prepared in accordance with accounting transaction documentation and with the International Financial Reporting Standards as adopted by EU and give a true and fair view of the Company's assets, liabilities, financial position as at 31 December 2019, results of operations and cash flows for the year ended 31 December 2019.

Management of the Group confirms that an appropriate and consistent accounting policies and management estimates are used. Management of the Group confirms that the financial statements are prepared using prudence principle as well as the going concern assumption. Management of the Group confirms its responsibility for maintaining proper accounting records, as well as monitoring, control and safeguarding of the Group's assets.

The Group's management is responsible for detection and prevention of the error, inaccuracy and / or fraud. The Group's management is responsible for the Group's activities to be carried out in compliance with the legislation of the Republic of Latvia.

The management report includes a fair view of the development of the Group's business and results of operation.

Signed on behalf of the Group on 30 April 2020 by:



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Krišjānis Znotiņš  
Member of the Board

## Consolidated Financial Statements

## Consolidated Statement of Profit and Loss and Other Comprehensive Income

		2019 EUR	2018 EUR
Interest revenue	4	15 110 003	18 795 287
Interest expense	5	(5 548 148)	(6 128 990)
<b>Net interest income</b>		<b>9 561 855</b>	<b>12 666 297</b>
Income from car rent	6	3 992 485	110 375
Fee and commission related to finance lease activities and rent contracts	7	955 494	1 039 962
Impairment expense	8	(3 213 871)	(5 251 123)
Net gain/(loss) from de-recognition of financial assets measured at amortized cost	9	(316 575)	(53 919)
Expenses related to peer-to-peer platforms services	10	(190 620)	(299 104)
Revenue from car sales	11	1 909 836	470 695
Cost of sales of cars	11	(2 638 044)	(470 695)
Selling expense	12	(367 796)	(652 430)
Administrative expense	13	(5 049 077)	(4 751 758)
Other operating income	14	669 354	206 570
Other operating expense	15	(392 990)	(181 072)
Net foreign exchange result		(176)	(3 740)
<b>Profit before tax</b>		<b>4 919 875</b>	<b>2 830 058</b>
<b>Net profit for the period</b>		<b>4 919 875</b>	<b>2 830 058</b>
Other comprehensive income for the year		-	-
<b>Comprehensive income for the year</b>		<b>4 919 875</b>	<b>2 830 058</b>

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

Signed on behalf of the Group on 30 April 2020 by:

Krišjānis Znotiņš  
Member of the Board

Jolanta Ziedone  
Chief accountant

## Consolidated Statement of Financial Position

ASSETS		31.12.2019.	31.12.2018.
		EUR	EUR
<b>NON-CURRENT ASSETS</b>			
<b>Intangible assets</b>			
Licenses	17	-	3 096
Other intangible assets	17	28 013	21 042
<b>Total intangible assets</b>		<b>28 013</b>	<b>24 138</b>
<b>Tangible assets</b>			
Rental fleet	18	13 492 049	1 443 818
Right-of-use assets	18, 19	1 407 394	89 832
Property and equipment	18	132 322	72 249
Advance payments for assets	18	37 584	70 082
Leasehold improvements	18	6 605	10 376
<b>Total tangible assets</b>		<b>15 075 954</b>	<b>1 686 357</b>
<b>Non-current financial assets and lease receivables</b>			
Finance lease receivables	20	13 361 713	24 925 333
Loans and advances to customers	21	1 824 652	1 311 573
Loans to related parties	36	24 298 800	11 041 800
Other investments	37	26	26
<b>Total non-current financial assets and lease receivables</b>		<b>39 485 191</b>	<b>37 278 732</b>
<b>TOTAL NON-CURRENT ASSETS</b>		<b>54 589 158</b>	<b>38 989 227</b>
<b>CURRENT ASSETS</b>			
<b>Inventories</b>			
Finished goods and goods for resale	22	-	11 414
<b>Total Inventories</b>		<b>-</b>	<b>11 414</b>
<b>Receivables and other current assets</b>			
Finance lease receivables	20	5 704 587	8 562 209
Loans and advances to customers	21	850 415	1 376 781
Trade receivables	25	656 029	2 422 196
Prepaid expense	24	111 595	222 906
Other receivables	26	142 853	156 796
Accrued revenue	27	224 250	21 156
Cash and cash equivalents	28	376 567	743 195
<b>Total receivables and other current assets</b>		<b>8 066 296</b>	<b>13 505 239</b>
Assets held for sale	23	195 978	133 140
<b>Total assets held for sale</b>		<b>195 978</b>	<b>133 140</b>
<b>TOTAL CURRENT ASSETS</b>		<b>8 262 274</b>	<b>13 649 793</b>
<b>TOTAL ASSETS</b>		<b>62 851 432</b>	<b>52 639 020</b>

\* Information regarding the reclassifications made in the financial statements is disclosed in Note 2.

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

Signed on behalf of the Group on 30 April 2020 by:

Krišjānis Znotiņš  
Member of the Board

Jolanta Ziedone  
Chief accountant




Consolidated Statement of Financial Position

EQUITY AND LIABILITIES		31.12.2019.	31.12.2018.
		EUR	EUR
<b>EQUITY</b>			
Share capital	29	5 000 000	5 000 000
Foreign currency translation reserve		1	1
Other reserves	39	(4 769 833)	(1 066 590)
Retained earnings			
brought forward		2 881 439	51 381
for the period		4 919 875	2 830 058
<b>TOTAL EQUITY</b>		<b>8 031 482</b>	<b>6 814 850</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Liabilities for issued debt securities	31	30 059 243	18 658 246
Funding attracted through peer-to-peer platforms	31	9 363 368	9 160 189
Lease liabilities for right-of-use assets	19, 31	1 177 739	23 791
Loans from related parties	31	290 306	-
Loan from banks	31	2 106 840	-
<b>Total non-current liabilities</b>		<b>42 997 496</b>	<b>27 842 226</b>
Provisions for financial guarantees	39	4 315 492	948 263
Other provisions	30	492 671	449 027
<b>Total provisions for liabilities and charges and financial guarantees</b>		<b>4 808 163</b>	<b>1 397 290</b>
<b>Current liabilities</b>			
Liabilities for issued debt securities	31	-	11 250 000
Funding attracted through peer-to-peer platforms	31	5 179 343	4 386 961
Loans from related parties	31	7 403	-
Lease liabilities for right-of-use assets	19, 31	205 426	66 776
Prepayments and other payments received from customers	32	54 865	68 959
Payables to related companies	36	154 621	48 180
Trade payables		83 725	98 958
Corporate income tax payable	16	140	91 489
Taxes payable	33	93 175	46 211
Other liabilities	34	890 005	212 354
Accrued liabilities	35	345 588	314 766
<b>Total current liabilities</b>		<b>7 014 291</b>	<b>16 584 654</b>
<b>TOTAL LIABILITIES</b>		<b>54 819 950</b>	<b>45 824 170</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>62 851 432</b>	<b>52 639 020</b>

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

Signed on behalf of the Group on 30 April 2020 by:

  
Krišjānis Znotiņš  
Member of the Board


  
Jolanta Ziedone  
Chief accountant


## Consolidated Statement of Changes in Equity

	Share capital EUR	Currency revaluation reserve EUR	Other Reserves EUR	Retained earnings EUR	Total EUR
<b>Balance at 01.01.2018.</b>	<b>5 000 000</b>	<b>1</b>	<b>-</b>	<b>4 551 381</b>	<b>9 551 382</b>
Profit for the reporting year	-	-	-	2 830 058	2 830 058
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	-	2 830 058	2 830 058
Issue of financial guarantees (Note 39)	-	-	(878 051)	-	(878 051)
Net result of original guarantee derecognition and recognition of modified guarantee (Note 39)	-	-	(188 539)	-	(188 539)
Dividends distribution (Note 29)	-	-	-	(4 500 000)	(4 500 000)
<b>Balance at 31.12.2018.</b>	<b>5 000 000</b>	<b>1</b>	<b>(1 066 590)</b>	<b>2 881 439</b>	<b>6 814 850</b>
<b>Balance at 01.01.2019.</b>	<b>5 000 000</b>	<b>1</b>	<b>(1 066 590)</b>	<b>2 881 439</b>	<b>6 814 850</b>
Profit for the reporting year	-	-	-	4 919 875	4 919 875
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	-	4 919 875	4 919 875
Issue of financial guarantees (Note 39)	-	-	(98 640)	-	(98 640)
Net result of original guarantee derecognition and recognition of modified guarantee (Note 39)	-	-	(3 604 603)	-	(3 604 603)
<b>Balance at 31.12.2019.</b>	<b>5 000 000</b>	<b>1</b>	<b>(4 769 833)</b>	<b>7 801 314</b>	<b>8 031 482</b>

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

Signed on behalf of the Group on 30 April 2020 by:

  
Krišjānis Znotiņš  
Member of the Board

  
Jolanta Ziedone  
Chief accountant



## Consolidated Statement of Cash Flows

		2019 EUR	2018 EUR
<b>Cash flows to/from operating activities</b>			
Profit before tax from continuing operations		4 919 875	2 830 058
Adjustments for:			
Amortization and depreciation	17, 18	1 555 468	534 841
Interest expense	5	5 420 507	6 128 990
Interest income	4	(15 110 003)	(18 795 287)
Disposals of rental fleets		728 208	-
Disposals of property, equipment and intangible assets		11 234	94
Impairment expense	8	3 213 871	5 251 123
Financial guarantees	39	(336 014)	(118 326)
Bonds acquisition expenses decrease		330 355	-
<b>Operating profit before working capital changes</b>		<b>733 501</b>	<b>(4 168 507)</b>
Decrease/ (increase) in inventories		11 414	328 077
Increase in finance lease receivables, loans and advances to customers, trade and other receivables		14 453 699	(9 177 557)
Increase in advances received and trade payables and guarantees		1 057 685	19 996
<b>Cash generated to/from operations</b>		<b>16 256 299</b>	<b>(12 997 991)</b>
Interest received		15 507 664	18 732 123
Interest paid		(5 216 056)	(5 410 769)
Corporate income tax paid		(91 349)	(329 383)
<b>Net cash flows to/from operating activities</b>		<b>26 456 558</b>	<b>(6 020)</b>
<b>Cash flows to/from investing activities</b>			
Purchase of property and equipment and other intangible assets	17, 18	(1 431 531)	(943 382)
Purchase of rental fleets	18	(16 514 983)	(1 449 682)
Proceeds from sales of rental fleet		1 909 836	-
Loan repayments received from related parties		17 374 110	27 673 065
Loans to related parties		(30 631 110)	(25 312 000)
<b>Net cash flows to/from investing activities</b>		<b>(29 293 678)</b>	<b>(31 999)</b>
<b>Cash flows to/from financing activities</b>			
Proceeds from borrowings	31	48 190 385	68 351 405
Repayments for borrowings	31	(45 527 108)	(68 005 154)
Repayment of liabilities for right-of-use assets	31	(192 785)	(236 908)
<b>Net cash flows to/from financing activities</b>		<b>2 470 492</b>	<b>109 343</b>
Change in cash		<b>(366 628)</b>	<b>71 324</b>
Cash at the beginning of the year		743 195	671 871
<b>Cash at the end of the year</b>	<b>28</b>	<b>376 567</b>	<b>743 195</b>

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

Signed on behalf of the Group on 30 April 2020 by:

Krišjānis Znotiņš  
Member of the Board

Jolanta Ziedone  
Chief accountant

## Notes to the Consolidated Financial Statements

### 1. Corporate information

mogo JSC (the "Parent company") and its subsidiaries (together "the Group") are located in Latvia. The Parent company was incorporated on May 3, 2012 as a joint stock company for an unlimited duration, subject to general company law.

The ultimate parent company of mogo JSC is Mogo Finance S.A. (Luxembourg). The ultimate beneficiary owner of mogo JSC is Aigars Kesenfelds (41,07%). The share of the rest shareholders does not exceed 25%.

The consolidated financial statements of the Group include:

Subsidiary name	Registration date	Registration number	Country of incorporation	Principal activities	% equity interest	
					2019	2018
Renti JSC	10.10.2018	LV40203174147	Latvia	Rent services	100%	100%
Loango JSC*	06.06.2018	LV40203148375	Latvia	Financing	0%	100%

\*mogo JSC 100% subsidiary till 11 July 2019. For more information see Note 15.

The core business activity of the Group comprises of providing finance lease services, leaseback services and loans and advances to customers as well as rent services of vehicles.

On 17 March 2014 mogo JSC registered with the Latvian Central Depository a bond facility through which it can raise up to EUR 20 million. The mogo JSC has raised a total of EUR 20 000 000 as at 31 December 2019 (20 000 000 EUR at 31 December 2018). This bond issue is unsecured. The notes are issued at par, have a maturity of seven years and carry a fixed coupon of 10% per annum, paid monthly in arrears. The note type on 11 November 2014 was changed to "publicly issued notes" and were listed on the regulated market of NASDAQ OMX Baltic.

On 1 December 2017 mogo JSC registered with the Latvian Central Depository a bond facility through which it can raise up to EUR 10 million. The mogo JSC has raised a total of EUR 10 000 000 as at 31 December 2019 (EUR 10 000 000 as at 31 December 2018). This bond issue is unsecured. The notes are issued at par, have a maturity of three years four months and carry a fixed coupon of 10% per annum, paid monthly in arrears. Bonds are listed on the alternative market Firth North of NASDAQ OMX Baltic and are "private issued notes".

Consolidated annual report of 2019 has been approved by decision of the board on 30 April 2020.

Shareholders have the financial statements approval rights after their approval by the Board of Directors.

### 2. Summary of significant accounting policies

#### a) Basis of preparation

These consolidated annual financial statements as of and for the year ended 31 December 2019 are prepared in accordance with International Financial Reporting Standards as adopted in the European Union.

The Group's consolidated annual financial statements and its financial result are affected by accounting policies, assumptions, estimates and management judgement (Note 3), which necessarily have to be made in the course of preparation of the annual consolidated financial statements. The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the current and next financial period. All estimates and assumptions required in conformity with IFRS are best estimates undertaken in accordance with the applicable standard. Estimates and judgements are evaluated on a continuous basis, and are based on past experience and other factors, including expectations with regard to future events. Accounting policies and management's judgements for certain items are especially critical for the Group's results and financial situation due to their materiality. Future events occur which cause the assumptions used in arriving at the estimates to change. The effect of any changes in estimates will be recorded in the consolidated financial statements, when determinable. See Note 3.

The consolidated financial statements are prepared on a historical cost basis except for the recognition of financial instruments measured at fair value, and for inventory which is accounted at the lower of cost and net realizable value.

Intercompany transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated. When necessary amounts reported by subsidiaries have been adjusted to conform to the Group's accounting policies.

The Group's presentation and functional currency is euro (EUR). The financial statements cover the period from 01 January 2019 till 31 December 2019. Accounting policies and methods are consistent with those applied in the previous years, except as described below.

Such income is recognized under 'Fee and commission income and expense' (Note 7) in accordance with IFRS 15.

#### Going concern

These consolidated financial statements are prepared on the going concern basis. Going concern assumptions in the context of subsequent events are disclosed under 'Going concern (non-adjusting subsequent events)' (Note 3) and 'Events after reporting period' (Note 43).

#### b) Reclassifications in comparative indicators

Reclassification made in financial statements:

	Annual report 2018 31.12.2018. before reclassification	Reclassifications	Annual report 2019 31.12.2018. after reclassification
<b>Statement of financial position - Assets</b>			
Rental fleet	1 442 911	907	1 443 818
Prepaid expense	223 813	(907)	222 906
Other receivables	183 075	(26 279)	156 796
Trade receivables	2 416 557	5 639	2 422 196
Accrued revenue	516	20 640	21 156
<b>TOTAL:</b>		-	

Reclassification in opening balances was made due to changes in accounting of the Global Positioning System (GPS) costs and accrued revenue from rental fleet. Other than presented above, classification between 2019 and 2018 is consistent. Reclassification is considered not material and no presentation of the restated balances in the Statement of Financial Position is required.

The accounting policies adopted are consistent with those of the previous financial year except for the following amended IFRSs which have been adopted by the Group as of 1 January 2019 (please note that IFRS 16 was early adopted in 2018):



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

### c) Changes in accounting policy disclosures and presentation (continued)

#### **IFRS 16: Leases**

In January 2016, the IASB published the accounting standard IFRS 16 "Leases", which was implemented into European law on November 9, 2017. The standard replaces the existing guidance on leases, including IAS 17 "Leases", IFRIC 4 "Determining whether an Arrangement contains a Lease", SIC-15 "Operating Leases – Incentives" and SIC-27 "Assessing the substance of transactions in the legal form of leases".

IFRS 16 provides that in general, all leases and the associated contractual rights and duties must be reflected in the lessee's balance sheet, unless the term does not exceed 12 months or it constitutes a low-value asset. This classification required under IAS 17 into operating or finance leases therefore does not apply to the lessee. As for leases, the lessee recognizes a liability for lease obligations incurred in the future. Correspondingly, a right to use the leased asset is capitalized, which in principle is equivalent to the present value of the future lease payments plus directly attributable costs and is amortized over the useful life.

#### Elected transition approach

IFRS 16 is required to be applied for the first time for financial years commencing on or after January 1, 2019. The Group has exercised the option of early adoption of the standard and has applied IFRS 16 for the first time as of January 1, 2018, using the modified retrospective approach. First-time application within The Group to date has affected leases that previously had been classified as operating leases.

The Group has elected to apply modified retrospective approach. Under this approach it applies IFRS 16 to its leases retrospectively with the cumulative effect of initially applying IFRS 16 recognized at the date of initial application (1 January 2018). Group applies its elected transition approach consistently to all leases in which it is a lessee. The financial information for the financial year 2017 were not restated.

As an accounting policy choice the Group elects to apply the standard to contracts that were previously identified as leases applying IAS 17 and IFRIC 4. The Group has therefore not applied the standard to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4. As a result, Group applies the requirements of the standard to identify a lease only to contracts entered into after the date of initial application.

For leases previously classified as operating leases by applying IAS 17, the Group:

1. recognizes a lease liability at the date of initial application for leases previously classified as an operating lease applying IAS 17. The Group measures that lease liability at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the date of initial application;
2. recognizes a right-of-use asset at the date of initial application for leases previously classified as an operating lease applying IAS 17. On a lease-by-lease basis the Group measures that right-of-use asset at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the statement of financial position immediately before the date of initial application; and
3. the Group applies the practical expedient permitted by IFRS 16 and relies on its assessment of whether leases are onerous applying IAS 37 immediately before the date of initial application as an alternative to performing an impairment review. The Group thus adjusts the right-of-use asset at the date of initial application by the amount of any provision for onerous leases recognized in the statement of financial position immediately before the date of initial application.

#### Elected practical expedients on transition where the Group is a lessee

Where the Group is a lessee the following practical expedients are applied on transition on a lease-by-lease basis. The Group:

1. applies a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment);
2. does not make any adjustments on transition for leases for which the underlying asset is of low value (has a value, when new of 5 000 EUR or less). The Group accounts for those leases applying IFRS 16 from the date of initial application.
3. excludes initial direct costs of leases previously classified as operating leases from the measurement of the right-of-use asset at the date of initial application.
4. uses hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease. Consistently with IAS 8, usage of hindsight is applied only to matters of judgement and estimates and, therefore, is not applied to matters of fact such as changes to an index or rate.

IFRS 16 does not specify how a lessee would separate and allocate lease and non-lease components of a contract upon transition when the modified retrospective approach is adopted. Accordingly, the Group elects to use the practical expedient to account for each lease component and any associated non-lease components as a single lease component consistently with Group's policy.

#### Group as a lessor

With the exception of subleases, a lessor is not required to make any adjustments on transition for leases in which it is a lessor and accounts for those leases applying IFRS 16 from the date of initial application.

#### Other considerations

As a lessee the Group is not engaged in sale and leaseback transactions as well as it is not an intermediate lessor in sublease transactions. Furthermore, as a lessee it has no leases previously classified as finance leases. Accordingly, those transition provisions does not have an impact on the Group upon transition to IFRS 16.

#### **IFRS 9: Prepayment features with negative compensation (Amendment)**

The Amendment is effective for annual reporting periods beginning on or after 1 January 2019. The Amendment allows financial assets with prepayment features that permit or require a party to a contract either to pay or receive reasonable compensation for the early termination of the contract (so that, from the perspective of the holder of the asset there may be 'negative compensation'), to be measured at amortized cost or at fair value through other comprehensive income. The Group's management assessed that there was no effect on the Group accounting policies due to this amendment.

#### **IAS 28: Long-term Interests in Associates and Joint Ventures (Amendment)**

The Amendments are effective for annual reporting periods beginning on or after 1 January 2019. The Amendments relate to whether the measurement, in particular impairment requirements, of long term interests in associates and joint ventures that, in substance, form part of the 'net investment' in the associate or joint venture should be governed by IFRS 9, IAS 28 or a combination of both. The Amendments clarify that an entity applies IFRS 9 Financial Instruments, before it applies IAS 28, to such long-term interests for which the equity method is not applied. In applying IFRS 9, the entity does not take account of any adjustments to the carrying amount of long-term interests that arise from applying IAS 28. These Amendments have not yet been endorsed by the EU. The Group's management assessed that there was no effect on the Group's accounting policies due to this amendment.

#### **IFRIC INTERPETATION 23: Uncertainty over Income Tax Treatments**

The Interpretation is effective for annual periods beginning on or after 1 January 2019. The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12. The Interpretation provides guidance on considering uncertain tax treatments separately or together, examination by tax authorities, the appropriate method to reflect uncertainty and accounting for changes in facts and circumstances. The Group's management assessed that there was no effect on the Group's accounting policies due to the interpretation.

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

### c) Changes in accounting policy disclosures and presentation (continued)

#### IAS 19: Plan Amendment, Curtailment or Settlement (Amendments)

The Amendments are effective for annual periods beginning on or after 1 January 2019. The Amendments require entities to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after a plan amendment, curtailment or settlement has occurred. The Amendments also clarify how the accounting for a plan amendment, curtailment or settlement affects applying the asset ceiling requirements. The Group's management assessed that there was no effect on the Group's accounting policies due to this amendment.

The IASB has issued the Annual Improvements to IFRSs 2015 – 2017 Cycle, which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 January 2019. The Group's management assessed that there was no effect on the Group's accounting policies due to these improvements.

- IFRS 3 Business Combinations and IFRS 11 Joint Arrangements: The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.

- IAS 12 Income Taxes: The amendments clarify that the income tax consequences of payments on financial instruments classified as equity should be recognized according to where the past transactions or events that generated distributable profits has been recognized.

- IAS 23 Borrowing Costs: The amendments clarify paragraph 14 of the standard that, when a qualifying asset is ready for its intended use or sale, and some of the specific borrowing related to that qualifying asset remains outstanding at that point, that borrowing is to be included in the funds that an entity borrows generally.

#### d) Standards issued but not yet effective and not early adopted

The following new Standards, amendments to Standards and Interpretations are not yet mandatorily effective for annual periods beginning on or after 1 January 2019, and have not been applied in preparing these consolidated financial statements. The Group plans to adopt these pronouncements when they become effective.

Standard/Interpretation	Nature of impending change in accounting policy	Possible impact on financial statements
Amendments to IAS 1 <i>Presentation of Financial Statements</i> and IAS 8 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i> (Effective for annual periods beginning on or after 1 January 2020) These amendments are not yet endorsed by the EU.	The amendments clarify and align the definition of 'material' and provide guidance to help improve consistency in the application of that concept whenever it is used in IFRS statements when initially applied.	The Group does not expect the Amendments to have a material impact on its financial statements when initially applied.
Amendments to IFRS 10 and IAS 28 <i>Sale or contribution of assets between an investor and its associate or joint venture</i>	The Amendments clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business, such that: • a full gain or loss is recognized when a transaction between an investor and its associate or joint venture involves the transfer of an asset or assets which constitute a business (whether it is housed in a subsidiary or not), while • a partial gain or loss is recognized when a transaction between an investor and its associate or joint venture involves assets that do not constitute a business, even if these assets are housed in a subsidiary.	The Group does not expect the Amendments to have a material impact on its financial statements when initially applied.
IFRS 17 <i>Insurance Contracts</i> (Effective for annual periods beginning on or after 1 January 2023; to be applied prospectively. Early application is permitted.) This pronouncement is not yet endorsed by the EU.	IFRS 17 replaces IFRS 4, which was brought in as an interim Standard in 2004. IFRS 4 has given companies dispensation to carry on accounting for insurance contracts using national accounting standards, resulting in a multitude of different approaches. IFRS 17 solves the comparison problems created by IFRS 4 by requiring all insurance contracts to be accounted for in a consistent manner, benefiting both investors and insurance companies. Insurance obligations will be accounted for using current values, instead of historical cost.	The Group expects that the amendments, when initially applied, will not have a material impact on the presentation of the financial statements of the entity because the Group does not operate in the insurance industry.
Amendments to IFRS 3 <i>Business Combinations</i> (Effective for annual periods beginning on or after 1 January 2020) These amendments are not yet endorsed by the EU.	The amendments narrowed and clarified the definition of a business. They also permit a simplified assessment of whether an acquired set of activities and assets is a group of assets rather than a business.	The Group does not expect the Amendments to have a material impact on its financial statements when initially applied.
Amendments to IFRS 9 <i>Financial Instruments</i> , IAS 39 <i>Financial Instruments and IFRS 7 <i>Financial Instruments: Disclosures</i></i> (Effective for annual periods beginning on or after 1 January 2020)	The amendments are mandatory and apply to all hedging relationships directly affected by uncertainties related to the IBOR reform. The amendments provide temporary relief from applying specific hedge accounting requirements to the hedging relationships with the effect that IBOR reform should not generally cause hedge accounting to terminate. The key reliefs provided by the amendments relate to: • 'Highly probable' requirement. • Risk components • Prospective assessments • Retrospective effectiveness test (for IAS 39) • Recycling of the cash flow hedging reserve. The amendments also require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties.	The Group does not expect the amendments to have a material impact on its financial statements when initially applied.



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

### e) Significant accounting policies

#### **Basis of Consolidation**

The consolidated financial statements comprise the financial statements of the Parent company (mogo JSC) and its subsidiaries as at 31 December 2019. The financial statements of the subsidiary Renti is prepared for reporting period starting 10 October 2018 and until 31 December 2019 due to the commencement of commercial activities, using consistent accounting policies.

Control is achieved when the Parent Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

The financial statements of the Parent Company and its subsidiaries are consolidated in the Group's consolidated financial statements by adding together like items of assets and liabilities as well as income and expense. All intercompany transactions, balances and unrealized gains and losses on transactions between members of the Group are eliminated in full on consolidation. The equity and net income attributable to non-controlling interests are shown separately in the statement of financial position and the statement of profit and loss and other comprehensive income.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. The acquisition of an additional ownership interest in a subsidiary without a change of control is accounted for as an equity transaction in accordance with IFRS 10. Any excess or deficit of consideration paid over the carrying amount of the non-controlling interests is recognized in equity of the parent in transactions where the non-controlling interests are acquired or sold without loss of control. The Group recognizes this effect in retained earnings. If the subsidiary to which these non-controlling interests relate contain accumulated components recognized in other comprehensive income/ (loss), those are reallocated within equity of the Parent.

If the Group loses control over a subsidiary, it:

- Derecognizes the related assets (including goodwill) and liabilities of the subsidiary;
- Derecognizes the carrying amount of any non-controlling interests;
- Derecognizes the cumulative translation differences recorded in equity;
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment retained;
- Recognizes any surplus or deficit in the statement of comprehensive income;
- Reclassifies the Group's share of components previously recognized in other comprehensive income to statement of comprehensive income or retained earnings, as appropriate.

#### **Business combinations**

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquire. For each business combination, the Group elects whether it measures the non-controlling interest in the acquire either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in other operating expense in the statement of comprehensive income.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquire.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquire is remeasured to fair value at the acquisition date through statement of comprehensive income.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports in its financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, the Group will retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognized as of that date. During the measurement period, the Group will also recognize additional assets or liabilities if new information is obtained about facts and circumstances that existed as of the acquisition date and, if known, would have resulted in the recognition of those assets and liabilities as of that date. The measurement period ends as soon as the Group receives the information it was seeking about facts and circumstances that existed as of the acquisition date or learns that more information is not obtainable. However, the measurement period shall not exceed one year from the acquisition date.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability will be recognized in accordance with IFRS 9 in statement of comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope and IFRS 9, it is measured at fair value in statement of comprehensive income.

#### **Internally generated intangible assets**

Internally generated intangible assets primarily include the development costs of Group's information management systems. These costs are capitalized only if they satisfy the criteria as defined by IAS38 and described below.

Internal and external development costs on management information systems arising from the development phase are capitalized. Significant maintenance and improvement costs are added to the initial cost of assets if they specifically meet the capitalization criteria.

Internally generated intangible assets cost value is increased by Group's information technology costs - salaries and social security contribution capitalization. Asset useful life is reassessed by management at each year end and amortization periods adapted accordingly.

Internally generated intangible assets are amortized over their useful lives 5 years. The main internally generated intangible assets are software program ERP; Rubie, Mintos BI.

According to IAS 38, development costs shall be capitalized if, and only if, the Group can meet all of the following criteria:

- the project is clearly identified and the related costs are itemized and reliably monitored;
- the technical and industrial feasibility of completing the project is demonstrated;
- there is a clear intention to complete the project and to use or sell the intangible asset arising from it;
- the Group has the ability to use or sell the intangible asset arising from the project;
- the Group can demonstrate how the intangible asset will generate probable future economic benefits;
- the Group has adequate technical, financial and other resources to complete the project and to use or sell the intangible asset.

When these conditions are not satisfied, development costs generated by the Group are recognized as an expense when incurred.

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is completed and the asset is available for use.

Additional information is included in Notes 3 and 17.

**2. Summary of significant accounting policies (continued)****e) Significant accounting policies (continued)****Licenses and other intangible assets**

Intangible non-current assets are initially stated at cost and amortized over their estimated useful lives on a straight-line basis. The carrying values of intangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. Losses from impairment are recognized where the carrying value of intangible non-current assets exceeds their recoverable amount.

Other intangible assets mainly consists of acquired computer software products.

Amortization is calculated on a straight-line basis over the estimated useful life of the asset as follows:

Concessions, patents, licenses and similar rights	- over 1 year;
Other intangible assets - acquired IT Systems	- over 2, 3 and 5 years.

**Property and equipment**

Equipment is stated at cost less accumulated depreciation and any impairment in value. Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

Computers	- over 3 years;
Furniture	- over 5 years;
Vehicles	- over 7 years;
Leasehold improvements	- according to lease term;
Other equipment	- over 2 years.

Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. The carrying values of equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount. The recoverable amount of equipment is the higher of an asset's net selling price and its value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in the statement of comprehensive income in the impairment expense caption.

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

**Rental fleet**

Rental fleet includes assets leased by the Group (as lessor) under operating leases. Group accounts for the underlying assets in accordance with IAS 16. Depreciation policy for the underlying assets subject to operating leases is consistent with the Group's depreciation policy for similar assets (vehicles) and amounts to 7 years.

Group adds initial direct costs, including The Global Positioning System (GPS) costs and dealership commissions, incurred in obtaining the operating lease to the carrying amount of the underlying asset and recognizes those costs as an expense over the lease term on the same basis as the lease income.

Group applies the general principles described under 'Significant accounting judgments, estimates and assumptions' (Note 3) to determine whether an underlying asset subject to an operating lease may have residual value unrecoverable and impairment loss may need to be recognized.

**Financial assets****Financial instruments – initial recognition****Date of recognition**

Loans and advances to customers are recognized when funds are transferred to the customers' accounts. Other assets are recognized on the date when Group enters into the contract giving rise to the financial instruments.

**Initial measurement of financial instruments**

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

**Classification of financial assets**

From 1 January 2018, the Group only measures Loans and advances to customers, Loans to related parties, Receivables from related parties, cash equivalents and Other loans and receivables at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

**Business model assessment**

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective - the risks that affect the performance of the business model (and the financial assets held within that business model) and the way those risks are managed. The expected frequency, value and timing of sales are also important aspects of the Group's assessment. The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realized in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward. The assessed business model is with the intention to hold financial assets in order to collect contractual cash flows.

**SPPI test**

As a second step of its classification process the Group assesses the contractual terms of the financial assets to identify whether they meet the SPPI test. 'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortization of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. The Group has performed the SPPI assessment and assessed its financial assets to be compliant with SPPI criteria.



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

### e) Significant accounting policies (continued)

#### *Embedded derivatives*

An embedded derivative is a component of a hybrid instrument that also includes a non-derivative host contract with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative. An embedded derivative causes some or all of the cash flows that otherwise would be required by the contract to be modified according to a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided that, in the case of a non-financial variable, it is not specific to a party to the contract. A derivative that is attached to a financial instrument, but is contractually transferable independently of that instrument, or has a different counterparty from that instrument, is not an embedded derivative, but a separate financial instrument.

From 1 January 2018, with the introduction of IFRS 9, the Group accounts in this way for derivatives embedded in financial liabilities and non-financial host contracts. Financial assets are classified based on the business model and SPPI assessments as outlined above.

#### *Reclassification of financial instruments*

From 1 January 2018, the Group does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Group acquires, disposes of, or terminates a business line.

Financial liabilities are never reclassified. The Group did not reclassify any of its financial assets or liabilities in 2019 or 2018.

#### *Derecognition of financial assets and finance lease receivables*

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

##### *Derecognition due to substantial modification of terms and conditions*

The Group derecognizes loan to a customer or finance lease receivable when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan or lease, with the difference recognized as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognized loans are classified as Stage 1 for ECL measurement purposes, unless the new financial asset is deemed to be purchased or originated credit impaired (POCI).

When assessing whether or not to derecognize a financial asset, the Group evaluates whether the cash flows of the modified asset are substantially different and the Group considers the following qualitative factors:

- Change in currency of the loan
- Change in counterparty
- If the modification is such that the instrument would no longer meet the SPPI criterion
- Whether legal obligations have been extinguished.

Furthermore, for loans to customers and financial lease receivables the Group specifically considers the purpose of the modification for increase in lease term. It is evaluated whether modification was entered into for commercial reasons upon customer initiative or for credit restructuring reasons. Management has performed analysis of the changes being made due to business reasons and evaluated that changes due to business reasons result in substantial modification of terms and conditions. This is in line with the objective of this modification that is to originate a new asset with substantially different terms. If the DPD (days past due) of the counterparty immediately prior the modification is less than 5 DPDs and the characteristics of financial asset are substantially modified (e.g. on average financial asset term increases for several years substantially changing the term structure of the asset), the respective modification is considered to occur for a commercial reasons and results in derecognition of the initial lease/loan receivable.

Other modifications to the agreement terms are treated as modifications that do not result in derecognition (see section on Modifications below).

Other modifications resulting in derecognition include increase in the lease amount and increase in lease term, which are agreed upon with customers for a specific commercial reasons (i.e., customers and the Group are both interested in substantially modifying the scope of the lease/loan transaction). Whenever such an agreement to modify is reached the old agreement and respective receivable is derecognized. Other modifications to the agreement terms are treated as modifications that do not result in derecognition (see section on Modifications below).

##### *Derecognition other than for substantial modification*

A financial asset or finance lease receivable (or, where applicable, a part of a financial asset or finance lease receivable or part of a group of similar financial assets or finance lease receivables) is derecognized when the rights to receive cash flows from the financial asset or finance lease receivable have expired. The Group also derecognizes the financial asset or finance lease receivable if it has both transferred the financial asset or finance lease receivable and the transfer qualifies for derecognition.

The Group has transferred the financial asset or finance lease receivable if the Group has transferred its contractual rights to receive cash flows from the financial asset or finance lease receivable.

The Group has transferred the asset if, and only if, either:

- The Group has transferred its contractual rights to receive cash flows from the asset or
- It retains the rights to the cash flows, but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement.

Pass-through arrangements are transactions when Group retains the contractual rights to receive the cash flows of a financial asset (the 'original asset'), but assumes a contractual obligation to pay those cash flows to one or more entities (the 'eventual recipients'), when all of the following three conditions are met:

- Group has no obligation to pay amounts to the eventual recipients unless it has collected equivalent amounts from the original asset, excluding short-term advances by the entity with the right of full recovery of the amount lent plus accrued interest at market rates;
- Group cannot sell or pledge the original asset other than as security to the eventual recipients for the obligation to pay them cash flows;
- Group has to remit any cash flows it collects on behalf of the eventual recipients without material delay. In addition, the Group is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents during the short settlement period from the collection date to the date of required remittance to the eventual recipients, and interest earned on such investments is passed to the eventual recipients.

A transfer only qualifies for derecognition if either:

- The Group has transferred substantially all the risks and rewards of the asset, or
- The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

#### *Modifications*

The Group sometimes makes modifications to the original terms of loans/lease as a response to the borrower's financial difficulties, rather than taking possession or to otherwise enforce collection of collateral. The Group considers a lease/loan restructured when such modifications are provided as a result of the borrower's present or expected financial difficulties and the Group would not have agreed to them if the borrower had been financially healthy. Indicators of financial difficulties include default or having at least 5 DPDs prior to the modifications. Such modifications may involve renewing (in the case of renewal of a terminated agreement) or extending (in case of customer having at least 5 DPD) the payment arrangements. Other modifications treated as non-substantial include modification of agreement conditions such as term or principal decrease or changes in payment dates, which are typically implemented due to customers' initiative.

If the modification does not result in cash flows that are substantially different, as set out above, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Group records a modification gain or loss in interest revenue/expenses calculated using the effective interest method (Note 4, 5) in the consolidated statements of comprehensive income, to the extent that an impairment loss has not already been recorded (Note 8). Further information on modified financial assets and finance lease receivables is disclosed in the following section on impairment.



**2. Summary of significant accounting policies (continued)****e) Significant accounting policies (continued)***Treatment of non-substantial modifications*

If expectations of fixed rate financial assets' cash flows are revised for reasons other than credit risk, then changes to future contractual cash flows are discounted at the original EIR with a consequential adjustment to the carrying amount. The difference from the previous carrying amount is booked as a positive or negative adjustment to the carrying amount of the financial asset on the consolidated statement of financial position with a corresponding increase or decrease in Interest revenue/expense calculated using the effective interest method.

The carrying amount of the financial asset or financial liability is adjusted if the Group revises its estimates of payments or receipts. If modification of a financial asset or liability measured at amortized cost does not result in the derecognition a modification gain/loss is calculated. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded as interest income or expense.

Changes in the contractual cash flows of the asset are recognized in statement of comprehensive income and any costs or fees incurred adjust the carrying amount of the modified financial asset and are amortized over the remaining term of the modified instrument. Therefore, the original EIR determined at initial recognition is revised on modification to reflect any costs or fees incurred.

**Overview of the expected credit loss principles**

The adoption of IFRS 9 has fundamentally changed the Group's finance lease receivables and loans and advances to customers loss impairment calculation method by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. From 1 January 2018, the Group has been recording the allowance for expected credit losses for all loans and other debt financial assets not held at FVPL and finance lease receivables, in this section all referred to as 'financial instruments'.

If there has been no significant increase in credit risk since origination, the ECL allowance is based on the 12 months' expected credit loss (12mECL) as outlined in below. If there has been significant increase in credit risk since initial recognition, the ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL). The Group's policies for determining if there has been a significant increase in credit risk are set out in below.

The 12mECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Both LTECLs and 12mECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

The Group has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. This is further explained in section on Significant increase in credit risk (Note 3).

*Impairment of finance lease receivables and loans and advances to customers**Defining credit rating*

Group's core business assets – finance lease receivables and loans and advances to customers – are of retail nature, therefore are grouped per countries and products (finance lease receivables and loans and advances to customers) for a collective ECL calculation that is predominantly based on DPD. The Group analyzes its portfolio of finance lease receivables and loans and advances to customers by segregating receivables in categories according to each receivables days past due metrics and presence of underlying collateral.

The Group continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12mECL or LTECL, the Group assesses whether there has been a significant increase in credit risk since initial recognition. When estimating ECLs on a collective basis for a group of similar assets, the Group applies the same principles for assessing whether there has been a significant increase in credit risk since initial recognition across the portfolios within the country based on product type – lease or loan product.

The Group segregates finance lease receivables and loans and advances to customers in the following categories:

*Finance lease receivables (lease):*

- 1) Not past due
- 2) Days past due up to 30 days
- 3) Days past due 31 up to 60 days
- 4) Days past due over 60 days
- 5) unsecured (general definition: days past due over 90 or collateral is not available, i.e. lost or sold).

*Loans and advances to customers (loan):*

- 1) Not past due
- 2) Days past due up to 30 days
- 3) Days past due 31 up to 75 days
- 4) Days past due over 75 days

Based on the above process, the Group groups its leases and loans into Stage 1, Stage 2, and Stage 3, as described below:

- Stage 1: When loans/leases are first recognized, the Group recognizes an allowance based on 12mECLs. The Group considers leases that are current or with DPD up to 30 as Stage 1. A healing period of 1 month is applied before an exposure previously classified as Stage 2 can be transferred to Stage 1 and such an exposure must meet the general Stage 1 DPD criteria above. Exposures are classified out of Stage 1 if they no longer meet the criteria above.

- Stage 2: When a loan/lease has shown a significant increase in credit risk since origination, the Group records an allowance for the LTECLs. The Group generally considers leases that have a status of 31-60 DPD to be Stage 2 loans. A loan is considered Stage 2 if DPD is in range of 30 to 75 days. Exposures remain in Stage 2 for a healing period of 1 month, even if they otherwise would meet Stage 1 criteria above during this period.

- Stage 3: Leases and loans considered credit-impaired and at default. The Group records an allowance for the LTECLs.

The Group considers a finance lease agreement defaulted and therefore Stage 3 in all cases when the borrower becomes 60 DPD on its contractual payments or the lease agreement is terminated.

The Group considers a loan agreement defaulted and therefore Stage 3 in all cases when the borrower becomes 75 days past due on its contractual payments.

Exposures remain in Stage 3 for a healing period of 2 months, even if they otherwise would meet Stage 2 criteria above during this period.

Due to the nature of credit exposures of the Group qualitative assessment of whether a customer is in default is not performed and primary reliance is placed on the above criteria.

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

### e) Significant accounting policies (continued)

#### Overview of the expected credit loss principles (continued)

##### The calculation of ECLs

The Group calculates ECLs based on probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive.

Key elements of the model are, as follows:

- PD The Probability of Default is an estimate of the likelihood of default over a 12 month or lifetime horizon (time horizon depends on ECL type - i.e. 12mECL or LTECL). The Default distribution vector (DDV) is the estimate of the time to default, more specifically it provides distribution of PD over the course of a 12 month or lifetime horizon.
- EAD The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments, whether scheduled by contract or otherwise.
- LGD The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the cash flows due at the moment of default and those that the lender would expect to receive, including from the realization of any collateral and deducting expenses related to cash collections or collateral realization processes. It is usually expressed as a percentage of the defaulted balance.
- Lifetime period is estimated as average remaining contractual term of respective portfolio.

The Group employs multiplication model across all Stages for the ECL calculation:

$$ECL = EAD \cdot PD \cdot LGD \cdot [DDV]$$

Given that DDV is a multidimensional vector (12 or 13 dimensions) it is aggregated into one value before multiplication - [DDV]. DDV aggregated value is obtained as follows:

- each value of the DDV is multiplied with discount factor;
- discount factor is calculated in a regular way (e.g. NPV formula), where discount is calculated on EIR of the portfolio and number of periods corresponds to the dimension of the respective DDV value;
- [DDV] is the sum of all respective multiplications of DDV values with respective discount factors.

Depending on Stage following specifics are applied to the general ECL model:

- Stage 1: The 12mECL is calculated. The Group calculates the 12mECL allowance using 12 months PDs and DDV over the 12-month horizon. These 12-month default probabilities are applied to an estimated EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR using DDV, in this way incorporating time to default into model.
- Stage 2: When a loan has shown a significant increase in credit risk since origination, the Group records an allowance for the LTECLs. The mechanics are like those explained above, but PDs and DDV are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR using DDV.
- Stage 3: For loans considered credit-impaired, the Group recognizes the LTECLs for these loans. The method is similar to that for Stage 2 assets, with the PD set at 100%.

##### ECL on restructured and modified loans

Modifications performed to customers that serve to renegotiate terms of an agreement that was previously in default result in continued Stage 3 treatment during the one month healing period, exposure enters Stage 2 directly. In case of modification for credit reasons prior to default (generally term extension), exposure is moved to Stage 2 for a healing period of 2 months.

Once the terms have been renegotiated, any impairment is measured using the original EIR as calculated before the modification of terms. Such items will be classified as Stage 2 assets for a healing period of 2 months.

##### Write off of unrecoverable debts

The Group considers any kind of receivable completely unrecoverable and writes off the receivable from balance sheet entirely if all legal actions have been performed to recover the receivable and the Group has no reasonable expectations of recovering a financial asset.

#### Impairment of financial assets other than loans and advances

Financial assets where the Group calculates ECL on an individual basis or collective basis are:

- Other receivables from customers/contract assets
- Trade receivables
- Loans to related parties
- Cash and cash equivalents
- Financial guarantees

##### Impairment of other receivables from customers/contract assets (Trade receivables)

During the course of business, the Group may have other type of claims against its leasing customers. In such cases the ECL methodology of the related lease receivable is mirrored and the ECL mirrors the impairment of the lease receivable. For other receivables and contract assets that are not related to lease portfolio receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The ECL recorded is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. For claims against its leasing customers the Group mirrors the staging applied to the underlying lease exposure.

##### Impairment for loans to related parties

Receivables from related parties inherently are subject to the Group's credit risk. Therefore, a benchmarked PD and LGD rate - based on Standard & Poor's corporate statistics studies has been applied in determining the ECLs. For related party exposures for the Stage 2 and lifetime ECL calculation is applied based on 30 day back stop and 90 day back stop is applied to Stage 3 determination.

##### Impairment of cash and cash equivalents

For cash and cash equivalents default is considered as soon as balances are not cleared beyond conventional banking settlement timeline, i.e., a few days. Therefore, transition is straight from Stage 1 to Stage 3 given the low number of days that it would take the exposure to reach Stage 3 classification, meaning default. For cash and cash equivalents no Stage 2 is applied given that any past due days would result in default.

##### Financial guarantees

Guarantees that are not integral to a loan contractual terms are accounted as separate units of accounts subject to ECL. For this purpose, the Group estimates ECLs based on the value of the expected payments to reimburse the holder for a credit loss that it would incur. ECLs are calculated on an individual basis.

The ECL allowance is based on the credit losses expected to arise over the life of the guarantee, unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12months ECL. Group's policy and judgements for determining if there has been a significant increase in credit risk are set out in Note 3.



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

### e) Significant accounting policies (continued)

#### **Impairment of financial assets other than loans and advances (continued)**

##### *Initial recognition and measurement*

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings or payables as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Group's financial liabilities include trade and other payables, loans and borrowings.

##### *Subsequent measurement*

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

##### *- Financial liabilities at fair value through the statement of comprehensive income*

Financial liabilities at fair value through the statement of comprehensive income include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through the statement of comprehensive income.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in the statement of comprehensive income.

Financial liabilities designated upon initial recognition at fair value through the statement of comprehensive income are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Group has not designated any financial liability as at fair value through statement of comprehensive income.

##### *- Loans and borrowings*

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in the statement of comprehensive income when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of comprehensive income.

This category generally applies to interest-bearing loans and borrowings.

##### *Modification of financial liabilities*

For financial liabilities, the Group considers a modification substantial based on qualitative factors and if it results in a difference between the adjusted discounted present value and the original carrying amount of the financial liability of, or greater than, ten percent. If the modification is substantial, then a derecognition gain or loss is recorded on derecognition. If the modification does not result in cash flows that are substantially different the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Group records a modification gain or loss.

##### *Treatment of non-substantial modifications*

If expectations of fixed rate financial liabilities' cash flows are revised, then changes to future contractual cash flows are discounted at the original EIR with a consequential adjustment to the carrying amount. The difference from the previous carrying amount is booked as a positive or negative adjustment to the carrying amount of the financial liability on the consolidated statement of financial position with a corresponding increase or decrease in Interest revenue/expense calculated using the effective interest method.

The carrying amount of the financial liability is adjusted if the Group revises its estimates of payments or receipts. If modification of a financial liability measured at amortized cost does not result in the derecognition a modification gain/loss is calculated. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded as interest income or expense (Note 4, 5).

Changes in the contractual cash flows of the asset are recognized in statement of comprehensive income and any costs or fees incurred adjust the carrying amount of the modified financial asset or liability and are amortized over the remaining term of the modified instrument. Therefore, the original EIR determined at initial recognition is revised on modification to reflect any costs or fees incurred.

##### *Derecognition*

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of comprehensive income.

The Group considers a modification substantial based on qualitative factors and if it results in a difference between the adjusted discounted present value and the original carrying amount of the financial liability of, or greater than, ten percent.

##### *Loans and borrowings*

All loans, borrowings and funding attracted through peer-to-peer platforms are initially recognized at cost, being the fair value of the consideration received net of issue costs associated with the borrowing.

After initial recognition, loans, borrowings and funding attracted through peer-to-peer platforms are subsequently measured at amortized cost using the effective interest rate method.

Amortized cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

Gains and losses are recognized in the statement of comprehensive income as interest income/ expense when the liabilities are derecognized through the amortization process.

##### *Offsetting of financial instruments*

Financial assets and financial liabilities are offset and the net amount is reported in the financial statements of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

##### *Provisions for financial guarantees and accounting through Other reserves*

Where a contract meets the definition of a financial guarantee contract the Group, as an issuer, applies specific accounting and measurement requirements of IFRS 9. These IFRS 9 measurement requirements are applied for all guarantee contracts, including guarantees issued between entities under common control, as well as guarantees issued by a subsidiary on behalf of a parent. If a Group entity gives a guarantee on behalf of an entity under common control, a respective provision is recognized in the financial statements. Where transaction is driven by the Group's shareholders in their capacity as owners, Group treats such transactions as an increase in Provisions for financial guarantees and an equal and opposite decrease in equity (as a distribution of equity). Distributions of equity under financial guarantees are recognized in Other reserves.

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

### e) Significant accounting policies (continued)

#### *Provisions for financial guarantees and accounting through Other reserves (continued)*

Financial guarantees are initially recognized in at fair value. Subsequently, unless the financial guarantee contract is designated at inception as at fair value through comprehensive income, Group's liability under each guarantee is measured at the higher of the amount initially recognized less cumulative amortization recognized in the statement of comprehensive income, and ECL provision determined in accordance with IFRS 9 (as set out in Note 3). Amortization is recognized in the statement of comprehensive income under Other operating income on a straight line basis over the term of the guarantee.

Financial guarantees are derecognized if the terms of the guarantee are substantially changed. Changes in guarantee limit are treated as a derecognition. In such cases the original guarantee is derecognized and a new guarantee is recognized at fair value. Change in the fair value is recognized as a decrease or increase in Provisions for financial guarantees and an equal and opposite decrease or increase to Other reserves. Other reserves are transferred to retained earnings upon extinguishment of liabilities under the financial guarantee.

#### *Finance lease – Group as lessor*

Accounting principles under IFRS 16 from a lessor perspective remains substantially unchanged from IAS 17. Therefore the Group does not have any impact on accounting from early adoption of IFRS 16.

Whilst financial lease receivables that represent financial instruments and to which IAS 17 or IFRS 16 applies are within the scope of IAS 32 and IFRS 7, they are only within the scope of IFRS 9 to the extent that they are (1) subject to the derecognition provisions, (2) 'expected credit loss' requirements and (3) the relevant provisions that apply to derivatives embedded within leases.

Group is engaged in financial lease transactions by selling vehicles to its customers through financial lease contracts. Group also engages in financing of vehicles already owned by the customers. Under such leaseback transactions the Group purchases the underlying asset and the leases it back to the same customer. Vehicle serves as a collateral to secure all leases. In order to assess whether such leaseback transactions are to be classified as finance leases, the Group applies the same indicators of a lease classification, as for finance leases.

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. The inception of the lease is the earlier of the date of the lease agreement and the date of commitment by the parties to the principal provisions of the lease. As of this date:

- a lease is classified as a finance lease; and
- the amounts to be recognized at the commencement of the lease term are determined.

The commencement of the lease is the date from which the lessee is entitled to exercise its right to use the leased asset. It is the date of initial recognition of the lease (i.e. the recognition of the assets, liabilities, income or expenses resulting from the lease, as appropriate).

A lease is classified as a finance lease at the inception of the lease if it transfers substantially all the risks and rewards incidental to ownership. The inception of the lease is the earlier of the date of the lease agreement and the date of commitment by the parties to the principal provisions of the lease. As of this date:

- the lease transfers ownership of the asset to the lessee by the end of the lease term;
- the lessee has the option to purchase the asset at a price which is expected to be sufficiently lower than fair value at the date the option becomes exercisable that, at the inception of the lease, it is reasonably certain that the option will be exercised;
- the lease term is for the major part of the economic life of the asset, even if title is not transferred;
- at the inception of the lease, the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset;
- the lease assets are of a specialized nature such that only the lessee can use them without major modifications being made.

Further indicators that individually or in combination would also lead to a lease being classified as a finance lease are:

- the lessee can cancel the lease, the lessor's losses associated with the cancellation are borne by the lessee;
- gains or losses from the fluctuation in the fair value of the residual accrue to the lessee;
- the lessee has the ability to continue the lease for a secondary period at a rent that is substantially lower than market rent.

#### *Initial measurement*

At lease commencement, the Group accounts for a finance lease, as follows:

- derecognizes the carrying amount of the underlying asset;
- recognizes the net investment in the lease; and
- recognizes, in profit or loss, any selling profit or selling loss.

Upon commencement of finance lease, the Group records the net investment in leases, which consists of the sum of the minimum lease term payments, and gross investment in lease less the unearned finance lease income. The difference between the gross investment and its present value is recorded as unearned finance lease income. Initial direct costs, such as client commissions and commissions paid by the Group to car dealers, are included in the initial measurement of the lease receivables. The calculations are done using effective interest method.

Prepayments and other payments received from customers are recorded in statement of financial position upon receipt and settled against respective client's finance lease receivables agreement at the moment of issuing next monthly invoice according to the agreement schedule.

If a sale and leaseback transaction results in a finance lease, any excess of sales proceeds over the carrying amount is deferred and amortized over the lease term.

Prepayments received from customers are presented in financial statements separately as part of liabilities due to uncertainty of how they will be utilized.

Prepayments received from customers are recorded in statement of financial position upon receipt and settled against respective client's finance lease receivables.

#### *Subsequent measurement*

Finance lease income consists of the amortization of unearned finance lease income. Finance lease income is recognized based on a pattern reflecting a constant periodic rate of return on the net investment according to effective interest rate in respect of the finance lease. Group applies the lease payments relating to the period against the gross investment in the lease to reduce both the principal and the unearned finance income.

The Group recognizes income from variable payments that are not included in the net investment in the lease (e.g. performance based variable payments, such as penalties or debt collection income) separately in the period in which the income is earned.

Such income is recognized under 'Fee and commission income and expense' (Note 7).

After lease commencement, the net investment in a lease is not remeasured unless the lease is modified and the modified lease is not accounted for as a separate contract or the lease term is revised when there is a change in the non-cancellable period of the lease.

Group applies derecognition and impairment requirements in IFRS 9 to the net investment in the lease.



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

### e) Significant accounting policies (continued)

#### Operating lease – Group as lessor

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of comprehensive income. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

#### Operating lease – Group as lessee

##### Lease liability

##### Initial recognition

At the commencement date of the lease the Group measures the lease liability at the present value of the lease payments that are not paid at that date in accordance with lease term. Lease payments included in the measurement of the lease liability comprise:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising an option to terminate the lease.

The Group has elected for all classes of underlying assets not to separate non-lease components from lease components in lease payments. Instead Group accounts for each lease component and any associated non-lease components as a single lease component. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the incremental borrowing rate.

Lease term is the non-cancellable period for which the Group has the right to use an underlying asset, together with both:

- (a) Periods covered by an option to extend the lease if the Group is reasonably certain to exercise that option; and
- (b) Periods covered by an option to terminate the lease if the Group is reasonably certain not to exercise that option.

At the commencement date, the Group assesses whether it is reasonably certain to exercise an option to extend the lease or to purchase the underlying asset, or not to exercise an option to terminate the lease.

##### Subsequent measurement

After the commencement date, the Group measures the lease liability by:

- increasing the carrying amount to reflect interest on the lease liability;
- reducing the carrying amount to reflect the lease payments made; and
- remeasuring the carrying amount to reflect any reassessment or lease modifications specified, or to reflect revised in-substance fixed lease payments.

#### Right-of-use assets

##### Initial recognition

At the commencement date of the lease, the Group recognizes right-of-use asset at cost. The cost of a right-of-use asset comprises:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are to produce inventories.

##### Subsequent measurement

Group measures the right-of-use asset at cost, less any accumulated depreciation and accumulated impairment losses; and adjusted for the remeasurement of the lease liability. Depreciation of the right-of-use asset is recognized on a straight-line basis in profit or loss. If the lease transfers ownership of the underlying asset to the Group by the end of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise a purchase option, the Group depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset in accordance with Group's policy of similar owned assets. Otherwise, the right-of-use asset is depreciated from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

#### Group involvement with the underlying asset before the commencement date

If a Group incurs costs relating to the construction or design of an underlying asset, the lessee accounts for those costs applying other IFRS, such as IAS 16. Costs relating to the construction or design of an underlying asset do not include payments made by the lessee for the right to use the underlying asset.

Group applies IAS 36 to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

#### Initial recognition exemptions applied

As a recognition exemption the Group elects not to apply the recognition requirements of right-of-use asset and lease liability to:

- (a) Short term leases – for all classes of underlying assets; and
- (b) Leases of low-value assets – on a lease-by-lease basis.

For leases qualifying as short-term leases and/or leases of low-value assets, the Group does not recognize a lease liability or right-of-use asset. The Group recognizes the lease payments associated with those leases as an expense on either a straight-line basis over the lease term.

##### (a) Short term leases

A short-term lease is a lease that, at the commencement date, has a lease term of 3 months or less. A lease that contains a purchase option is not a short-term lease. This lease exemption is applied for all classes of underlying assets.

##### (b) Leases of low-value assets

The Group defines a low-value asset as one that:

- 1) has a value, when new of 5 000 EUR or less. Group assesses the value of an underlying asset based on the value of the asset when it is new, regardless of the age of the asset being leased.
- 2) the Group can benefit from use of the assets on its own, or together with, other resources that are readily available to the Group; and
- 3) the underlying asset is not dependent on, or highly interrelated with, other assets.



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

### e) Significant accounting policies (continued)

#### **Inventories**

Inventories are valued at the lower of cost and net realizable value.

Net realizable value represents the estimated selling price for inventories in the ordinary course of business less estimated costs necessary to make the sale.

Inventories contain only vehicles which are purchased for the sole purpose of selling them to customers.

Value of inventories is measured on a stock item by item basis. Write-off of each individual stock item is performed on sale of respective individual stock item.

#### **Cash and cash equivalents**

Cash comprises cash at bank and on hand with an original maturity of less than three months.

#### **Financial liabilities**

##### *Initial recognition and measurement*

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings.

##### *Subsequent measurement*

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

##### *- Financial liabilities at fair value through profit or loss*

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IAS 39 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

##### *- Loans and borrowings*

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of profit or loss.

This category generally applies to interest-bearing loans and borrowings.

##### *Derecognition*

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of profit or loss.

#### **Assets held for sale**

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use.

Assets held for sale includes vehicles which are obtained by enforcement of repossession in case clients default on existing lease agreements. Such repossessed collaterals are classified as held for sale and measured at the lower of their carrying amount and fair value less costs to sell (FVLCTS). Costs to sell are the incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Assets classified as held for sale are presented separately as current items in the statement of financial position.

#### **Vacation pay reserve**

Vacation pay reserve is calculated based on Latvian legislation requirements.

#### **Other investments**

##### **Equity investments at FVTOCI**

Equity investments at FVTOCI

Upon initial recognition, the Company can choose to irrevocably classify its equity investments that are not held for trading as equity instruments designated at fair value through OCI (FVOCI). The Company evaluates and applies this classification for each instrument separately. These instruments are initially measured at fair value plus transaction costs, directly attributable to their acquisition. After the initial recognition, these instruments are measured at fair value. Dividends are recorded in comprehensive statement of income. Other net gains and losses are accumulated in OCI and are never applied or reclassified to profit or loss statement.

Equity investments in non-listed companies are classified and measured as Equity instruments designated at fair value through OCI as described above. The Company elected to classify irrevocably its non-listed equity investments under this category as it intends to hold these investments for the foreseeable future.

#### **Transactions with peer-to-peer platforms**

##### *Background*

The Parent and a subsidiary, as loan originators, have signed cooperation agreements with operator of a peer-to-peer (P2P) investment internet-based platform. Cooperation agreements and the related assignment agreements are in force until parties agree to terminate. Purpose of the cooperation agreement for the Group is to attract funding through the P2P platform.

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

### e) Significant accounting policies (continued)

#### Transactions with peer-to-peer platforms (continued)

P2P platform makes possible for individual and corporate investors to obtain a fully proportionate interest cash flows and the principal cash flows from debt instruments (finance lease receivables or loans and advances to customers) issued by the Group in exchange for an upfront payment. These rights are established through assignment agreements between investors and P2P platform, who is acting as an agent on behalf of the Group. Assignment agreements are of two types:

- 1) Agreements with recourse rights which require the Group to guarantee full repayment of invested funds by the investor in case of default of Group's customer (buy back guarantee);
- 2) Agreements without recourse rights which do not require the Group to guarantee repayment of invested funds by the investor in case of default of the customer (no buy back guarantee).

The Group retains the legal title to its debt instruments (including payment collection), but transfers a part of equitable title and interest to investors through P2P platform.

#### Receivables and payables from/to P2P platform

P2P platform is acting as an agent in transferring cash flows between the Group and investors. Receivable for attracted funding from investors through P2P platform corresponds to the due payments from P2P platform.

Receivable is arising from assignments made through P2P platform where the related investment is not yet transferred to the Group (Note 26).

P2P platform commissions and service fees incurred by the Group are fees charged by P2P platform for servicing the funding attracted through peer-to-peer platform and are disclosed in Note 10.

#### Funding attracted through peer-to-peer platform

Liabilities arising from assignments with or without recourse rights are initially recognized at cost, being the fair value of the consideration received from investors net of issue costs associated with the loan.

Liabilities to investors are recognized in statement of financial position caption Funding attracted through peer-to-peer platform (Note 31) and are treated as loans received.

After initial recognition Funding attracted through peer-to-peer platform is subsequently measured at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any issue costs, and any discount or premium on settlement. Gains and losses are recognized in the statement of comprehensive income as interest income/ expense when the liabilities are derecognized.

Group has to repay to the investor the proportionate share of the attracted funding for each debt instrument according to the conditions of the respective individual agreement with Group's client, which can be up to 72 months.

#### Assignments with recourse rights (buy back guarantee)

Assignments with recourse rights provide for direct recourse to the Group, thus do not meet the requirements to be classified as pass-through arrangement based on IFRS 9.

Therefore, the Group's respective debt instruments do not qualify to be considered for partial derecognition and interest expense paid to investors is shown in gross amount under Interest revenue calculated using effective interest method (Note 4).

#### Assignments without recourse rights (no buy back guarantee)

Assignments without recourse rights are arrangements that transfer to investors substantially all the risks and rewards of ownership equal to a fully proportionate share of the cash flows to be received from Group's debt instruments. Therefore such arrangements are classified as pass-through arrangements in accordance with IFRS 9.

As such, a fully proportionate share, equal to investor's claim in relation to the related debt instrument, is derecognized.

The derecognized part is accounted as an off-balance sheet item (Note 31) and interest income is recognized to the extent of being the residual interest. Residual income is the difference between the interest earned on the respective debt instrument by the Group and the respective share of interest earned by the investor.

## Reserves

#### Foreign currency translation reserve

The Group has currency revaluation reserve amount 1 EUR, due to switch from Latvian Lats to EUR currency.

## Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of provisions to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Statement of profit or loss net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a borrowing cost.

## Accruals and deferrals

Accruals and deferrals are recorded to recognize revenues and costs as they are earned or incurred.

## Contingencies

Contingent liabilities are not recognized in the financial statements. 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 disclosed when an inflow of economic benefits is probable.

## Share-based payments

#### Equity-settled transactions

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model. That cost is recognized in employee benefits expense, together with a corresponding increase in equity (other capital reserves), over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period). The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the statement of profit or loss for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

No expense is recognized for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. Where awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.



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

### e) Significant accounting policies (continued)

#### Share-based payments (continued)

When the terms of an equity-settled award are modified, the minimum expense recognized is the grant date fair value of the unmodified award, provided the original terms of the award are met. An additional expense, measured as at the date of modification, is recognized for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee. Where an award is cancelled by the entity or by the counterparty, any remaining element of the fair value of the award is expensed immediately through profit or loss.

#### Income and expenses

Expenses are recognized as incurred. Expenses are recognized net of the amount of value added tax. In certain situations value added tax incurred on a services received or calculated in accordance with legislation requirements is not recoverable in full from the taxation authority. In such cases value added tax is recognized as part of the related expense item as applicable. The same principles is applied if value added tax is not recoverable on acquisition an asset.

#### The effective interest rate method

Under IFRS 9 for all financial instruments measured at amortized cost interest income or expense is recorded at the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses.

When a financial asset becomes credit-impaired and is regarded as 'Stage 3', the Group calculates interest income by applying the EIR to the net amortized cost of the financial asset. If the financial asset cures and is no longer credit-impaired, the Group reverts to calculating interest income on a gross basis..

#### Income from cession of bad debt

Gain or loss from sale of doubtful financial lease receivables and loans and advances to customers is presented on net basis under " Net loss from de-recognition of financial assets measured at amortized cost". Gains or losses arising on cession deals are recognized in the statement of comprehensive income at transaction date as the difference between the proceeds received and the carrying amount of derecognized lease receivables assigned through cession agreements

#### Expenses related to attracting funding

Expenses related to attracting funding consists of administration fee for using peer-to-peer platform. Expenses are charged monthly and recognized in the Group's statement of comprehensive income when they occur.

#### Revenue and expenses from contracts with customers

Revenue from contracts with customers in scope for IFRS 15 encompasses sold goods or services provided as output of the Group's ordinary activities. The Group uses the following criteria to identify contracts with customers:

- the parties to the contract have approved the contract (in writing, orally or in accordance with other customary business practices) and are committed to perform their respective obligations;
- can be identified each party's rights regarding the goods or services to be transferred;
- can be identified the payment terms for the goods or services to be transferred;
- the contract has commercial substance (i.e. the risk, timing or amount of the entity's future cash flows is expected to change as a result of the contract);
- it is probable that the Group will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer.

Performance obligations are promises in the contracts (either explicitly stated or implied) with Group's customers to transfer to the customers distinct goods or services. Promised goods or services represent separate performance obligations if the goods or services are distinct. A promised good or service is considered distinct if the customer can benefit from the good or service on its own or with other readily available resources (i.e. distinct individually) and the good or service is separately identifiable from other promises in the contract (distinct within the context of the contract). Both of these criteria must be met to conclude that the good or service is distinct.

The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated. In determining the transaction price for the sale of equipment, the Group considers the effects of variable consideration, the existence of significant financing components, noncash consideration, and consideration payable to the customer (if any).

The Group recognizes revenue when (or as) it satisfies a performance obligation to transfer a promised good or service to a customer. Revenue is recognized when customer obtains control of the respective good or service. Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

Revenue from satisfied performance obligations is recognized over time, if one of the following criteria is met:

- customer simultaneously receives and consumes the benefits;
- customer controls the asset as it is created or enhanced;
- the Group's performance creates an asset and has a right to payment for performance completed.

Payment terms for goods or services transferred to customers according to contract terms are within 45 to 60 days from the provision of services or sale of goods. The transaction price is generally determined by the contractually agreed conditions. Invoices typically are issued after the goods have been sold or service provided.

In the year 2018 and 2019 the Group did not enter into contracts with variable considerations, rights of return, financing components, non cash considerations or consideration payable to customer.

The Group has generally concluded that it is the principal in its revenue arrangements, except for the debt collection activities and agency services below, because it typically controls the goods or services before transferring them to the customer.

When another party is involved in providing goods or services to Group's customers, the Group considers that it is a principal, if it obtains control of any one of the following:

- a) a good or another asset from the other party that it then transfers to the customer.
- b) a right to a service to be performed by the other party, which gives the entity the ability to direct that party to provide the service to the customer on the entity's behalf.
- c) a good or service from the other party that it then combines with other goods or services in providing the specified good or service to the customer.

Management judgment on transactions where the Group acts as agent is disclosed in Note 3.

#### Fee and commission income and expenses (Note 7)

##### Income from debt collection activities and earned penalties (point in time)

Income from debt collection activities and penalties is recognized in Group's statement of comprehensive income at the moment when the likelihood of consideration being settled for such services is high, therefore income is recognized only when actual payment for provided services is actually received.

Income from penalties arise in case customers breach the contractual terms of financial lease receivables and loans and advances to customers agreements, such as exceeding the payment date. In those situations Group is entitled to charge the customers in accordance with the agreement terms. The Group recognizes income from penalties at the moment of cash receipt as likelihood and timing of settlement is uncertain. In case customers does not settle the penalty amount, the Group is entitled to enforce repossession of the collateral.

**2. Summary of significant accounting policies (continued)****e) Significant accounting policies (continued)****Fee and commission income and expenses (Note 7) (continued)***Income from debt collection activities and earned penalties (point in time) (continued)*

Debt collection activities revenue typically arises when customers delay the payments due. As a lessor, the Group has protective rights in the lease agreements with customers that require the customers to safeguard and maintain the condition of the vehicle, as it serves as a collateral to the lease. Group's revenue encompasses a compensation of internal and external costs incurred by the Group in relation to debt management, legal fees as well as repossession of vehicle in case of lease agreement termination and are recharged to the customers in accordance with the agreement terms. The performance obligation is satisfied when respective service has been provided.

**Revenue from car sales (Note 11)***Sale of motor vehicles (point in time)*

The Group earns part of its revenues from the sales of used vehicles that were either bought from third parties or repossessed from its non-performing leasing customers. The Group is calculating minimum sales price based on initial cost or value after repossession plus additional cost incurred (e.g. repairs) and a margin added in order to make profit from the deal. The performance obligation is satisfied when car is registered on client's name.

**Other operating income (Note 14)***Revenue from agency services (point in time)*

Agency services consist of different services, such as settlement of costs on behalf of 3rd parties and recharging those costs to customers. The Group is acting as an agent in provision of these services to the customers. Such services are provided with the intention to realize the economies of scale of purchasing power for a service that is both used by the Group and the 3rd party. The performance obligation is satisfied when respective service has been provided.

**Contract balances***Contract assets*

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration.

At 31 December the Group did not have any contract assets in its consolidated statement of financial position.

*Trade receivables*

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

These receivables are disclosed in balance sheet caption 'Trade receivables' (Note 25).

Trade receivables are non-interest bearing and are generally on terms of 30 to 120 days.

*Contract liabilities*

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Group performs under the contract.

At 31 December the Group had no contract liabilities in its consolidated statement of financial position.

**Income taxes**

Legal entities have not been required to pay income tax on earned profits starting from 1 January 2018 in accordance with amendments made to the Corporate Income Tax Law of the Republic of Latvia. Corporate income tax is paid on distributed profits and deemed profit distributions. Consequently, current tax assets and liabilities are measured at the tax rate applicable to undistributed profits. Starting from 1 January 2018, both distributed profits and deemed profit distributions have been subject to the tax rate of 20 per cent of their gross amount, or 20/80 of net expense. Corporate income tax on dividends is recognized in the consolidated statement of profit or loss as expense in the reporting period when respective dividends are declared, while, as regards other deemed profit items, at the time when expense is incurred in the reporting year.

The consolidated financial statements include the current income tax of subsidiaries located in Latvia. The income tax rate in Latvia is 20%. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income, in which case it is recognized in equity or other comprehensive income.

No provision is recognized for income tax payable on a dividend distribution before dividends are declared but information on the contingent liability is disclosed in the notes to the consolidated financial statements.

As income tax has to be paid on distributed profits and deemed profit distributions, no temporary differences are arising between the tax bases of assets and liabilities and their carrying values for accounting purposes. Therefore deferred tax assets and liabilities are not recognized.

**Related parties**

The parties are considered related when one party has a possibility to control the other one or has significant influence over the other party in making financial and operating decisions. Related parties of the Group are shareholders who could control or who have significant influence over the group in accepting operating business decisions, key management personnel of the Group including members of Supervisory body – Audit committee and close family members of any above-mentioned persons, as well as entities over which those persons have a control or significant influence, including subsidiaries and associates.

**Dividend distribution**

Dividend distribution to the shareholders of the Group is recognised as a liability and distribution of retained earnings in the financial statements in the period in which the dividends are approved by the shareholders. (Note 29)

**Subsequent events**

Post-period-end events that provide additional information about the Group's position at the statement of financial position date (adjusting events) are reflected in the financial statements. Post-period-end events that are not adjusting events are disclosed in the notes when material.

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

The preparation of the financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses, and disclosure of contingencies. The significant areas of estimation used in the preparation of the financial statements relate to capitalization of development costs, depreciation and amortization, fair value measurement of repossessed collaterals, and impairment evaluation. Although these estimates are based on the management's best knowledge of current events and actions, the actual results may ultimately differ from those estimates.

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognized in the financial statements:



### 3. Significant accounting judgments, estimates and assumptions (continued)

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognized in the financial statements:

#### **Covid-19 impact assessment**

In the light of events related to Covid-19, the Group's management has assessed the impact of the coronavirus outbreak on the Company's ability to continue as a going concern. The Group has performed the stress test – a quantitative analysis with a set of harsh scenarios of Group's operations assuming partly disrupted core processes or 'full lockdown' for several months due to Covid-19. The key assumptions of the stress test include limited or entirely paused issuance of new loans and car sales and severe cost reduction related with the issuance of new loans and administration costs.

For further information and resulting management judgements please refer to Note 43.

Please also note that while non-adjusting in nature as at 31 December 2019, the economic impact of Covid-19 outbreak may have a significant negative impact on the estimates of recoverable values of financial and non-financial assets further discussed in this note. The magnitude of such impact cannot be presently estimated in a reliable manner.

#### **Principal versus agent assessment**

In provision of agency services (Note 14) the Group has assessed that it does not obtain control of these services before they are transferred to customers, as these services or goods are acquired on their behalf. Therefore, it is considered agent in these transactions.

The Group is also acting as an agent in purchasing specific goods and services from 3rd parties on behalf of customers - mainly legal, recruitment and similar services, as it does not obtain control of the service, does not incur inventory risk nor has discretion in determining the sales price.

#### **Valuation of rental fleet**

The Group assesses at each reporting date whether there is an indication that the expected residual value of the rental fleet asset at the end of the current rental period may not be recoverable. The residual value is an estimate of the amount that could be received from disposal of the vehicle at the reporting date if the asset were already of the age and in the condition that it will be in when Group expects to dispose of it (i.e. after expiration of the ultimate lease period, if any). Therefore, if any indication exists, in order to determine the recoverable amount for rental fleet assets, the management uses valuation models based on two methods primarily depending from the status of the lease agreement:

- 1) value in use (VIU) - for assets with active lease agreements; and
- 2) fair value less costs of disposal (FVLCD) - for assets with inactive lease agreements.

VIU is the present value of the future cash flows expected to be derived from an asset or cash generating unit, both from its continuing use and ultimate disposal. In assessing VIU, the estimated future cash flows are discounted to their present value using an interest rate implicit in the lease agreement - the discount rate at which the sum of the present value of the lease payments and the unguaranteed residual value equals the sum of the fair value of the underlying asset. In measuring VIU the Group bases its cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset covering in total 7-year period.

For assets with an inactive lease agreement the Group applies probability-weighted scenario in determining the possible future use of vehicles - secondary rent or disposal. The outcome of the probability-weighted scenario has been determined based on the Group's/Company's historical data. According to management assessment, the carrying amount of secondary rent assets is expected to be recovered principally through a continuing use of it rather than sale transactions, therefore VIU method has been applied.

For assets with an inactive agreement, for which the carrying amount is expected to be recovered principally through disposal, the Group determines the residual value based on FVLCD method. Assumptions applied for determination of the FVLCD of assets are based on making a reliable estimate of the price at which a transaction to sell the asset would take place between market participants at the measurement date under current market conditions and on available data from historical sales transactions. The market price is being adjusted for car repair costs, which are estimated based on historical data for an average vehicle repair expenses occurred in 2019. In addition, management considers whether events after the reporting year indicate a decline in the sales prices of such assets. Costs of disposal are incremental costs directly attributable to the disposal of an asset or cash generating unit, excluding finance costs and income tax expense.

For assets an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of comprehensive income unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

As at 31 December 2019 the Company recognised impairment of rental fleet. Please refer to Note 18.

#### **Impairment of financial assets**

The measurement of impairment losses under IFRS 9 across all categories of financial assets in scope requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances. The Group's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include Probability of Default and Loss Given Default, judgment is applied also when determining significant increase in credit risk.

#### **The Probability of Default (PD)**

The Probability of Default is an estimate of the likelihood of default over a given time horizon.

In order to estimate PDs the Group utilizes Markov chains methodology. This methodology employs statistical analysis of historical transitions between delinquency buckets to estimate the probability that loan will eventually end up in default state which is set as absorbing state. Calculations are applied at product level (leasing vs loans products). Exposures are grouped into buckets of days past due (DPD) loans/leases.

The Group used one-month transition window and its respective nth power to estimate PD over n-months horizon in 2018. The approach was changed in 2019. Transition window was changed to 12 months (continuous horizon), and estimation over lifetime was defined as nth power of 12 months matrix. The approach significantly improved consistency of PD calculations, i.e. accounted for 12 months seasonality effect and smoothened volatile impact of the regular changes in the business processes. Change of the transition window implied also introduction of DDV in the model, which was not used previously.

As a result of the change one-off decrease in impairment amounted to 105 thousand EUR.

Calculations are applied at product level (leasing vs loans products). Exposures are grouped into buckets of days past due (DPD) loans/leases.

### 3. Significant accounting judgments, estimates and assumptions (continued)

#### Impairment of financial assets (continued)

##### Forward-looking information (applicable in 2018)

In order to ensure that forward looking information is properly incorporated into impairment model, Group explored a broad range of forward looking information as economic inputs, such as:

- GDP growth;
- Unemployment rates;
- Consumer price indices;
- House price indices;
- Household debt;
- Inflation rates, etc.

GDP growth, Unemployment rate and Inflation in combination with additional internal variables were found to have the strongest statistical link to default levels. Obtained model was applied to PD to reflect the possible impact of the future changes in the macro economical environment. According to the model result future changes in the macro environment can positively affect default rates, ~5.6%.

##### Forward-looking information (applicable from 1 January 2019)

In 2019 the Group used accumulated experience and improved the model by including corrective variables into the model (variables, which eliminate impact, which is not explained by macro variables, but rather by changes in business processes), as well as by reconsidering modelling approach itself.

##### Input variables:

- Inflation;
- GDP growth;
- Unemployment;
- Flag of significant underwriting changes in the observation window (corrective);
- Flag of significant regulatory environment changes in the observation window (corrective);
- PD in previous periods (corrective).

##### Model coefficients:

- Intercept;
- Inflation;
- GDP growth;
- Unemployment;
- Flag of significant underwriting changes in the observation window (corrective);
- PD in previous periods (corrective).

##### Modelled variable:

- Current bucket PD.

##### Modelling technique

Hierarchical Bayes model was used.

##### Weighted approach

Applying forecasted values of macro variables as per macro outlook the Group obtained expected PD scenario. Using optimistic and pessimistic values of macro variables (assumptions on pessimistic/optimistic values depend on the sign with which variables enter the model, e.g. GDP change has positive sign in the model for matured countries, thus bigger value increases PD, this implies that pessimistic assumption on the value is bigger than optimistic (however bigger GDP growth indicates better macro situation)) in the macro model, 2 additional outputs: optimistic and pessimistic were produced. Weighted scenario was obtained using vector of weights = (20% - optimistic, 20% - pessimistic, 60% - expected).

Weighted scenario is used to reflect forward looking information (macro information) impact on impairment.

The table below illustrates weighted scenario macro PDs as at 31 December 2019.

Country	PD	PD macro model
LV	7.99%	7.60%

The table below shows optimistic and pessimistic macro variables assumptions for matured countries as at 31 December 2019.

Country	Macro development	GDP growth, YoY	Unemployment rate	Inflation, YoY
LV	optimistic	1%	8%	4%
LV	pessimistic	5%	3.5%	1%

As any statistical model Hierarchical Bayes model builds relationship between input variables and modelled variable based on statistical correlation. This means that not always optimism or pessimism of input variables (namely macro variables) will concur with modelled variable pessimistic or optimistic value. E.g. increase in GDP growth is obviously sign of positive macro development, however higher GDP growth increases the PD rate in matured countries models, as both variables are negatively correlated in the modelling sample.

Overall the model demonstrated good stability. The model is also sensitive to severe changes in input variables and will react adequately on catastrophic scenarios.

Impact of forward-looking information incorporation led to the decrease of impairment in amount of EUR 31 thousand at the end of 31.12.2019.

##### The Default distribution vector (DDV)

The default distribution vector provides distribution of PD over the course of a 12 month or lifetime horizon. It is calculated from historical data samples of all defaulted loans.



### 3. Significant accounting judgments, estimates and assumptions (continued)

#### **Impairment of financial assets (continued)**

##### *Loss Given Default*

Group closely follows recoveries from defaulted finance lease receivables and revises LGD rates every month for portfolios based on actual recoveries received.

- The sample used for LGD calculation consists of all the finance lease receivables that have been defaulted historically. If termination of the contract happens before default state is reached, then loan is considered defaulted (early default) and it is considered in LGD sample. Subsequent recoveries on such loans are monitored on a monthly basis. Recoveries from regular collections process, car sales, cessions and legal process are followed.

- Renewed leases (restored payments capacity after termination) also affect the LGD rate by incorporating recovered cash after renewal of the agreement and comparing it to the exposure at default of the agreements subsequently renewed, implying the cure rate. Cure rate from renewals is calculated over a three-year period. For the 31 December 2019 impairment purposes recovery rate for renewed cases of 96.25% was applied. - Above described LGD rate is used for all portfolio groups except for unsecured portfolio. For unsecured portfolio LGD is estimated using triangular recovery matrix on all unsecured cases. Received recovery is discounted with effective interest rate depending on the number of months between the date account got unsecured status and the date when recovery was received. Given that majority of the car sales happen before unsecured status LGD for unsecured portfolio is significantly higher than for other buckets, as of 31 December 2019 80% was applied.

In case payments for renewed loans are made according to schedules at least for 36 months after the renewal date, the Group assumes that 100% recovery will be achieved.

##### *Exposure at default (EAD) modelling*

Exposure at default is modelled by adjusting the unpaid balance of lease and loan receivables as at the reporting date by expected future repayments during the next 12 months. As of 31 December 2019 it is applied for Stage 1 exposures only. This is performed based on contractual repayment schedules, adjusted for historical prepayment rate observed. Historical prepayment patterns are assumed to be a reliable estimate for future prepayment activity.

##### *Impairment for loans to and receivables from related parties*

Receivables from related parties inherently are subject to the Group's credit risk. Therefore, a benchmarked PD and LGD rate - based on Standard & Poor's corporate statistics studies has been applied in determining the ECLs.

Significant increase in credit risk for related party transactions is determined based on information available in the Group about the financial performance of the related parties. Financial position of related parties as at impairment assessment date is compared to that when the exposure was originated. Further 30 days past due back stop indicator is utilized to transfer exposures to Stage 2.

##### **Capitalization of development costs**

For capitalization of expenses in process of developing Group's enterprise resource planning (ERP) system and other IT systems management uses certain assumptions. Capitalization of salary expenses of IT personnel is based on employee time sheets and personnel involved in development dedicate up to 80% of their time on developing new functionality. Therefore up to 80% of salary expenses of involved personnel are capitalized under Other intangible assets while remaining 20% are recognized as salary expenses in Statement of comprehensive income.

Expenses from amortization of capitalized development costs are included in statement of comprehensive income caption "Administrative expense".

##### **Determination of the FVLCTS of assets held for sale**

Determination of the FVLCTS for repossessed vehicles is performed on an individual basis at the moment of the repossession.

Management estimate is based on available data from historical sales transactions for such assets in previous reporting periods. Group also considers factors such as historical actual average loss (if any) from the previous years. Management considers whether also events after the reporting year indicate a decline in the sales prices of such assets.

##### **Separation of embedded derivatives from the host contract**

Group has certain call and put option agreements that can accelerate repayment of the issued bonds. These options arise out of bond (host contract) prospectus and individual agreements with certain bondholders and meet the definition of an embedded derivative in accordance with IFRS 9.

Call option included in the bond prospectus gives Group the right, but not the obligation to carry out early redemption, either in full or partially, of the issued bonds with a 1% premium. Call and put options included in the agreements signed with certain bondholders give the Group and bondholder the respective right of buying back or selling the bonds at exercise price equal to the amortized cost of the respective bond notes.

Group's management has evaluated that the embedded derivatives are not contractually separable, not contractually transferrable independently and has the same counterparty. Each option's exercise price is approximately equal on each exercise date to the amortized cost of bond, therefore these embedded derivatives are not separated from the host contract.

##### **Fair value of employee share options**

Group's employees have entered a share option agreements with Mogo Finance S.A. or it's shareholders and subsidiaries. Under the agreements respective employees obtain rights to acquire Mogo Finance S.A. or certain subsidiaries' shares under several graded vesting scenarios.

Group's management has estimated that fair value of the options would not be materially different than zero. If it were, the Group would have to record expenses related to this transaction and recognize a respective component of equity.

In estimating fair value for the share option the most appropriate valuation model would depend on the terms and conditions of the grant.

Management has considered that the financial position of the Subsidiaries that have issued share options (in particular for General Employee Share Option Plan described in Note 13 the particular features mentioned in the option agreements, such as buy-back options, non-competition clauses embedded in the agreements, restrictions of sales of shares, as well as delivered policy of the Mogo Finance S.A. effectively indicate that fair value of the employee options would not be material.

##### **Financial guarantees**

###### *Fair value (FV) determination and initial recognition*

The Group has elected to determine the FV of guarantee using the credit spread method. FV of guarantee is calculated as multiple of EAD, PD and LGD. EAD is the contractual commitment or guaranteed amount per guarantee agreement (Note 39).

Guarantee is issued to secure the bond issuance of the ultimate parent of the Group, Mogo Finance S.A. The Group would incur loss in case Mogo Finance S.A. defaults on obligations towards its bondholders. Accordingly, PD of Mogo Finance S.A. is determined using benchmarking of a comparable similar credit risk entity with reference to the market transactions and default rates obtained from credit rating agencies.

### 3. Significant accounting judgments, estimates and assumptions (continued)

#### **Financial guarantees (continued)**

##### *ECL determination for subsequent measurement*

For the purposes of FV estimation the Group is using benchmarking of a similar credit risk entity such as the ultimate parent of the Group. Since initial recognition the Group has assessed that that ultimate parent's credit risk has not increased and guarantee liability is therefore considered as Stage 1 exposure.

##### *FV of other investments*

As disclosed in Note 37, the Group holds equity investments, which are designated by the Group as FVOCI.

Group's management has assessed that the FV of these investments is insignificant. Estimate is based on the budgets of the investees, which are in start-up stage. It is further considered that the very small shareholding held further implies that the FV is insignificant.

#### **Lease term determination under IFRS 16 (Group as a lessee)**

IFRS 16 requires that in determining the lease term and assessing the length of the non-cancellable period of a lease, an entity shall apply the definition of a contract in accordance with IFRS 15 and determine the period for which the contract is enforceable. In assessment of lease term determination the Group considers the enforceable rights and obligations of both parties. If both the lessee and the lessor can terminate the contract without more than an insignificant penalty at any time at or after the end of the non-cancellable term, then there are no enforceable rights and obligations beyond the non-cancellable term. For lease agreements without a fixed term and agreements that are "rolled over" on monthly basis until either party gives notice the Group considers that it does have enforceable rights and obligations under such agreements, therefore a reasonable estimate of the lease term assessment is made.

In considering the Group's options to extend or not to terminate the lease the Group evaluates what are the rights of the Group and the lessor under such options. The Group considers whether options included in the lease agreements (1) give an unilateral right for one party (i.e. Group) and (2) creates an obligation to comply for the other party (i.e. lessor). If neither party in the contract has an obligation then Group assessment is that no options are to be considered in the context of lease term assessment. In such situations the lease term would not exceed the non-cancellable contractual term. In determining the lease term the Group has assessed the penalties under the lease agreements as well as economic incentives to prolong the lease agreements such as the underlying asset being strategic.

#### **Lease liability incremental borrowing rate determination under IFRS 16 (Group as a lessee)**

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

The Group has used market rates as its incremental borrowing rate. The Group considers market rates used as an appropriate measure for incremental borrowing rates as they correctly reflect the ability to finance a specific asset purchase.

It is further considered that the way how local lenders would approach asset financing at each subsidiary level. As per Group's assessment each of the Group's subsidiaries would qualify as a good quality borrower in the local markets in the context of overall Group results.

#### **Lease classification for rental fleet (Group as a lessor)**

The Group has entered into vehicle leases on its rental fleet (Note 18).

These lease agreements have a non-cancellable term of 6 months and an optional term of up to 72 months. After the non-cancellable term of 6 months the lessee can return the leased asset to the Group and losses associated with the cancellation are borne by the Group. The leased asset is not transferred to lessee at the end of lease term. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the leased assets and the present value of the minimum lease payments not amounting to substantially all of the fair value of the leased asset, that it retains all the significant risks and rewards of ownership of these assets and accounts for the contracts as operating leases.

#### **Inventories net realizable value and allowances**

Management evaluates the net realizable value of inventories (Note 22) based upon the expected sales prices and selling costs per various product groups and assesses the physical condition of inventories during the annual stock count. If the net realizable value of inventories is lower than the cost of inventories, an allowance is recorded. At the end of each reporting year the inventories are reviewed for any indications of damages or slow-moving inventories. In cases when damaged or slow-moving inventories are identified allowances are recognized. During the reporting year stock-counts of the inventories are performed with the purpose to identify damaged inventories. Allowances for an impairment loss are recognized for those inventories.

The net realizable value of the car is represented by the latest expected sales price, which is reviewed on a regular basis (at least once a month) and depend on demand for this product and the number of days it has been for sale. In case of damaged inventories, expected sales price is updated and represent the net realizable value in "as-is" state.

#### **Segment reporting**

Reportable segments are operating segments or their aggregation which meet certain criteria. No less frequently than once a year, the Group assess and identify all potential business segments and determine whether these segments should be accounted for separately. The Group reports the segment if it contributes 10% or more of the entity's total sales (combining internal and inter-segment sales), earns 10% or more of the combined reported profit of all operating segments that did not report a loss (or 10% or more of the combined reported loss of all operating segments that reported a loss), or has 10% or more of the combined assets of all operating segments.

See note 42.

### 4. Interest revenue

	2019	2018
	EUR	EUR
Interest income from finance lease receivables	11 573 249	14 945 056
Interest income from intercompany loans according effective interest rate method	2 127 395	2 447 623
Interest income from loans and advances to customers according effective interest rate method	1 409 359	1 402 608
<b>TOTAL:</b>	<b>15 110 003</b>	<b>18 795 287</b>

Interest income contains earned interest on portfolio derecognized from Group's assets (see Note 20).



**4. Interest revenue (continued)**

Gross and net earned interest are as follows:

	2019 EUR	2018 EUR
Gross interest income	15 121 160	18 844 805
Interest derecognized due to derecognition of portfolio from Group's assets*	(11 157)	(49 518)
<b>TOTAL NET INTEREST:</b>	<b>15 110 003</b>	<b>18 795 287</b>

\*Interest derecognized due to derecognition of portfolio from Group's assets relates to P2P interest for loans without buy back guarantee.

Part of interest revenue is derecognized as the Group has assigned to P2P investors part of its finance lease receivables and loans and advances to customers. In case the assignment is done without a buy back obligation the related interest revenue earned on such agreements is derecognized from Group's interest revenue in amount equal to investor's claim towards the interest earned.

**5. Interest expense**

	2019 EUR	2018 EUR
<i>Interest expenses on financial liabilities measured at amortized cost:</i>		
Interest expense on issued bonds	3 149 903	3 289 842
Interest expense on issued bonds related parties	366 508	219 043
Interest expenses for loans from P2P platform investors	1 897 157	2 617 130
Interest expenses for lease liabilities	18 508	2 975
Interest expenses for loans from banks*	96 990	-
Other interest expenses for loans	19 082	-
<b>TOTAL:</b>	<b>5 548 148</b>	<b>6 128 990</b>

\* On 8 July 2019 mogo JSC has concluded a Credit line agreement with JSC Citadele banka  
See Note 31 for additional information.

**6. Income from car rent**

	2019 EUR	2018 EUR
Profit earned from selling inventories through finance lease	-	64 365
Revenue from operating lease*	3 992 485	46 010
<b>TOTAL:</b>	<b>3 992 485</b>	<b>110 375</b>

\*Lease income on operating leases is fixed and does not contain to variable lease payments.

**7. Fee and commission related to finance lease activities and rent contracts**

	2019 EUR	2018 EUR
<i>Revenue from contracts with customers recognised point in time:</i>		
Gross income from debt collection activities	726 286	772 507
Gross expenses from debt collection activities	(367 993)	(293 974)
Net debt collection income:	358 293	478 533
Income from penalties received	543 028	561 429
Commissions income	18 082	-
Commissions and fees income from rent contracts*	36 091	-
<b>TOTAL:</b>	<b>955 494</b>	<b>1 039 962</b>

\* Fee and commission income from rent contracts is recognised according to IFRS 16 Leases.

**8. Impairment expense**

	2019 EUR	2018 EUR
Impairment expenses from lease and loans		
Change in impairment	(973 077)	3 056 192
Elimination of impairment allowance due to cession of receivables	3 532 122	2 194 931
<b>TOTAL expenses from lease and loans:</b>	<b>2 559 045</b>	<b>5 251 123</b>

For more information see Notes 20 and 21.

	EUR	EUR
Impairment expenses from rent contracts		
Change in impairment allowance	549 171	-
Impairment loss from bad debt	94 950	-
Written off debts	10 705	-
<b>TOTAL expenses from rent contracts:</b>	<b>654 826</b>	<b>-</b>
<b>TOTAL impairment expenses:</b>	<b>3 213 871</b>	<b>5 251 123</b>



9. Net gain/(loss) from de-recognition of financial assets measured at amortized cost

	2019 EUR	2018 EUR
<b>Financial lease</b>		
Income arising from cession of financial lease receivables to non related parties	58 155	645 917
Loss arising from cession of financial lease receivables to non related parties	(294 534)	(709 114)
<b>TOTAL:</b>	<b>(236 379)</b>	<b>(63 197)</b>
<b>Loans and advances to customers</b>		
Income arising from cession of loans and advances to customers receivables to non related parties	8 605	426 659
Loss arising from cession of loans and advances to customers receivables to non related parties	(148 045)	(417 381)
<b>TOTAL:</b>	<b>(139 440)</b>	<b>9 278</b>
<b>Receivables from rent contracts</b>		
Income arising from cession of customers receivables to non related parties	81 364	-
Loss arising from cession of customers receivables to non related parties	(22 120)	-
<b>TOTAL:</b>	<b>59 244</b>	<b>-</b>
<b>Net Loss arising from cession of financial lease and loans, advances to customers receivables and rent contracts</b>	<b>TOTAL: (316 575)</b>	<b>(53 919)</b>

During 2018 and 2019 the Group performed cessions to non related parties.

In 2018 the Group started to perform also cessions for loans and advances to customers receivables.

When financial lease receivables portfolio is sold in cession the Group reverses the respective part of impairment allowance of the ceded assets (Note 20).

When loans and advances to customers receivables portfolio is sold in cession the Group reverses the respective part of impairment allowance of the ceded assets (Note 21).

The Group then separately recognizes net losses arising from derecognition of the ceded portfolio, which is reduced by the respective cession income.

10. Expenses related to peer-to-peer platforms services

	2019 EUR	2018 EUR
Service fee for using P2P platform	190 620	299 104
<b>TOTAL:</b>	<b>190 620</b>	<b>299 104</b>

11. Revenue from car sales

	2019 EUR	2018 EUR
<b>Revenue from contracts with customers recognized point in time:</b>		
Income from sale of vehicles	1 909 836	470 695
<b>TOTAL:</b>	<b>1 909 836</b>	<b>470 695</b>
<b>Expenses from contracts with customers recognized point in time:</b>		
Expenses from sale of vehicles	(2 638 044)	(470 695)
<b>TOTAL:</b>	<b>(2 638 044)</b>	<b>(470 695)</b>
<b>Total Net revenue/(loss) from contracts with customers recognized point in time:</b>	<b>(728 208)</b>	<b>-</b>

12. Selling expense

	2019 EUR	2018 EUR
TV and radio marketing expenses	105 754	290 821
Marketing services	170 768	204 482
Marketing fees	15 668	74 194
Online advertising	64 728	62 854
<b>Total marketing expenses</b>	<b>356 918</b>	<b>632 351</b>
Other selling expenses	10 878	20 079
<b>TOTAL:</b>	<b>367 796</b>	<b>652 430</b>

**13. Administrative expense**

	2019 EUR	2018 EUR
Employees' salaries	1 676 472	2 323 807
Amortization and depreciation	1 555 468	534 841
Management fee**	926 956	372 266
Professional services*	166 496	267 173
Credit database expenses	134 238	192 640
Donations	94 000	182 000
IT services	51 681	181 967
Office and branches' maintenance expenses	101 644	164 342
Recruitment fees	6 687	150 486
Business trips	2 369	49 435
Communication expenses	39 902	40 905
Other personnel expenses	24 321	37 882
Low value equipment expenses	7 708	25 355
Bank commissions	26 836	16 599
Transportation expenses	4 967	6 909
Other administration expenses	229 332	205 151
<b>TOTAL:</b>	<b>5 049 077</b>	<b>4 751 758</b>

\*Audit fees for Group's entities' 2019 financial statements audit amounts to 55 500 EUR, the Parent Company - 20 000 EUR (2018: EUR 122 200; the Parent Company - 79 200 EUR).

\*\*Starting from 1st July 2018 and until September 2019 The Group also received management services from related companies JSC Mogo Baltics and Caucasus and JSC Mogo Central Asia. Subsequently, from October 2019, services are received from mogo JSC group. The nature of provided services relates to IT systems support and development, financial, marketing, research and business development strategic services.

**Key management personnel compensation**

	2019 EUR	2018 EUR
<b>Board and Council Members</b>		
Remuneration	113 992	124 221
Social security contribution expenses	27 460	29 925
<b>TOTAL:</b>	<b>141 452</b>	<b>154 146</b>

There are no outstanding balances as of 31 December 2019 with members of the Group's Management Board members (none at 31 December 2018). There are no emoluments granted to the members of the Board and commitments in respect of retirement pensions for former members of the Board.

**Share-based payments**

The Group's employees have entered a share option agreements with Mogo Finance S.A. or Parent Company's shareholders. Under the agreements respective employees obtain rights to acquire Mogo Finance's or certain subsidiaries' shares under several graded vesting scenarios. Vesting of the share options is dependent on the profitability of the Mogo Finance S.A. or the respective subsidiary. Employees must remain in service for a period of one year from the date of grant.

The exercise price of the share options under typical circumstances is equal to the nominal price of the underlying shares. The contractual maximum term of the share options till 2025 and there are no cash settlement alternatives for the employees. The Parent Company does not have a past practice of cash settlement for these awards.

The following table illustrates the number and weighted average exercise prices of share options.

	2019		2018	
	Number	Weighted average exercise	Number	Weighted average exercise
Outstanding at 1 January	-	-	2	0.01
Granted during the year	-	-	-	-
Ended employment during the year	-	-	(2)	0.01
Outstanding at 31 December	-	-	-	-
Exercisable at the end of the period	-	-	-	-

The two employees with granted share options have terminated employment relationship with mogo JSC as part of reorganization.

**14. Other operating income**

	2019 EUR	2018 EUR
Income recognised from amortization of financial guarantee (Note 39)	336 014	118 327
Reversal of accrued penalty	169 939	-
Other operating income	163 401	88 243
<b>TOTAL:</b>	<b>669 354</b>	<b>206 570</b>



14. Other operating income (continued)

Revenue from contracts with customers recognized point in time where the Group acted as an agent *	2019 EUR	2018 EUR
Gross income from transactions with related parties	210 581	773 969
Gross expenses transactions with related parties	(210 581)	(773 969)
Gross income from transactions with non related parties	53 117	131 627
Gross expenses from transactions with non related parties	(53 117)	(131 627)
<b>TOTAL:</b>	<b>-</b>	<b>-</b>

\* - Revenue associated with these transactions is presented as revenue in net amount in these consolidated financial statements.

15. Other operating expense

	2019 EUR	2018 EUR
Penalty fees	1 923	166 178
Loss from subsidiaries sales*	2 612	-
Rental fleet maintenance costs**	241 191	-
Other operating expenses	147 264	14 894
<b>TOTAL:</b>	<b>392 990</b>	<b>181 072</b>

\*On July 11, 2019, mogo JSC sold its shares in JSC Loango to JSC Mogo Baltics and Caucasus, which will introduce JSC Loango shares to develop new business lines by offering consumers credit services to another customer segment.

\*\*Expenses are related to the maintenance of the Group company Renti vehicles, including minor repairs, state registration of cars expenses as well as insurance costs.

16. Corporate income tax payable

	31.12.2019. EUR	31.12.2018. EUR
Corporate income tax liabilities	(140)	(91 489)
<b>TOTAL:</b>	<b>(140)</b>	<b>(91 489)</b>

Income tax is payable only if the dividend is paid out of the profit for the year, it is not applicable to the retained earnings of previous years.

In 2019 and 2018 the Group subsidiaries were loss making and therefore no deferred tax was recognized.

17. Intangible assets

	Licenses	Other intangible assets*	Total intangible assets
<b>Cost</b>	<b>51 938</b>	<b>1 861 714</b>	<b>1 913 652</b>
Accumulated amortization	(40 071)	(700 590)	(740 661)
<b>As at 1 January 2018</b>	<b>11 867</b>	<b>1 161 124</b>	<b>1 172 991</b>
<b>2018</b>			
Additions	51 011	376 329	427 340
Disposals (cost)	(52 359)	(2 135 291)	(2 187 650)
Amortization charge	(18 292)	(267 052)	(285 344)
Disposals (amortization)	4 937	891 864	896 801
Reclassification	5 932	(5 932)	-
<b>Cost</b>	<b>50 590</b>	<b>102 752</b>	<b>153 342</b>
Accumulated amortization	(53 426)	(75 778)	(129 204)
<b>As at 31 December 2018</b>	<b>3 096</b>	<b>21 042</b>	<b>24 138</b>
<b>2019</b>			
Additions	-	20 797	20 797
Amortization charge	(3 096)	(13 826)	(16 922)
<b>Cost</b>	<b>56 522</b>	<b>117 617</b>	<b>174 139</b>
Accumulated amortization	(56 522)	(89 604)	(146 126)
<b>As at 31 December 2019</b>	<b>-</b>	<b>28 013</b>	<b>28 013</b>

\* Other intangible assets mainly consisted of Group's developed IT systems. IT systems were disposed during the reporting year by selling to HUB companies (related parties). Amortization costs are included in Note 13 - 'Administrative expense'.

**18. Rental fleet, property and equipment and right-of-use assets**

	Rental fleet	Property and equipment	Advance payments for assets	Leasehold improvements	Right-of-use premises	Right-of-use motor vehicles	Total Right-of-use assets	TOTAL
Cost	-	415 219	19 517	13 558	-	-	-	448 294
Accumulated depreciation	-	(302 582)	-	(956)	-	-	-	(303 538)
<b>As at 1 January 2018</b>	-	<b>112 637</b>	<b>19 517</b>	<b>12 602</b>	-	-	-	<b>144 756</b>
<b>2018</b>								
IFRS 16 adoption impact	-	-	-	-	135 259	13 664	148 923	148 923
Additions	1 450 589	160 352	84 299	10 693	111 776	-	111 776	1 817 709
Transferred	-	33 734	(33 734)	-	-	-	-	-
Disposals (cost)	-	(283 084)	-	(13 558)	-	-	-	(296 642)
Depreciation charge	(6 836)	(70 028)	-	(1 766)	(165 899)	(4 968)	(170 867)	(249 497)
Disposals (depreciation)	65	118 638	-	2 405	-	-	-	121 108
Cost	1 450 589	326 221	70 082	10 693	247 035	13 664	260 699	2 118 284
Accumulated depreciation	(6 771)	(253 972)	-	(317)	(165 899)	(4 968)	(170 867)	(431 927)
<b>As at 31 December 2018</b>	<b>1 443 818</b>	<b>72 249</b>	<b>70 082</b>	<b>10 376</b>	<b>81 136</b>	<b>8 696</b>	<b>89 832</b>	<b>1 686 357</b>
<b>2019</b>								
Additions	16 421 681	113 266	104 809	40 701	1 245 261	-	1 245 261	17 925 718
Transferred	-	-	(137 307)	(33 008)	170 315	-	170 315	-
Disposals (cost)	(2 830 855)	(18 430)	-	-	(110 946)	-	(110 946)	(2 960 231)
Depreciation charge	(1 289 034)	(41 959)	-	(11 464)	(191 121)	(4 968)	(196 089)	(1 538 546)
Disposals (depreciation)	174 794	7 196	-	-	209 021	-	209 021	391 011
Impairment	(428 355)	-	-	-	-	-	-	(428 355)
Cost	15 041 415	421 057	37 584	18 386	1 551 665	13 664	1 565 329	17 083 771
Accumulated depreciation	(1 549 366)	(288 735)	-	(11 781)	(147 999)	(9 936)	(157 935)	(2 007 817)
<b>As at 31 December 2019</b>	<b>13 492 049</b>	<b>132 322</b>	<b>37 584</b>	<b>6 605</b>	<b>1 403 666</b>	<b>3 728</b>	<b>1 407 394</b>	<b>15 075 954</b>

The cost relating to variable lease payments that do not depend on an index or a rate amounted to EUR nil for the year ended December 31, 2019. There were no leases with residual value guarantees or leases not yet commenced to which the Group is committed.

*Reassessment of the residual value of non-financial assets (rental fleet)*

As at 31 December 2019 management has performed assessment of residual values for rental fleet and as a result impairment allowance in amount EUR 428 thousand was recognized. Sensitivity analysis was performed to assess changes to key assumptions that could influence whether the carrying value of the rental fleet assets exceeded their recoverable amounts. If interest rates implicit in the lease agreements would have increased by 0.2% per month (2.4% per annum), all other assumptions remaining the same including the rental income, recoverable amount of assets would equal to EUR 13 412 thousand and additional impairment of EUR 80 thousand would need to be recognized. For detailed description of impairment testing refer to 'Impairment of non-financial assets (rental fleet)' (Note 3).

**19. Right-of-use assets and lease liabilities**

The Group early adopted IFRS 16 with an initial application date of 1 January 2018. The entity applied the modified retrospective transition method. The amounts disclosed in the extracts are expressed in euros. The entity provided quantitative disclosures in its consolidated financial statements in a tabular format based on the nature of the disclosure item (i.e., asset, equity and liability and income statement).

Right-of-use assets and other liabilities for rights to use assets are shown as follows in the consolidated statement of financial position and statement of comprehensive income:

	31.12.2019. EUR	31.12.2018. EUR
<b>ASSETS</b>		
<b>Non-current assets</b>		
Right-of-use assets - premises	1 403 666	81 136
Right-of-use assets - motor vehicles	3 728	8 696
<b>TOTAL:</b>	<b>1 407 394</b>	<b>89 832</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Non-current liabilities</b>		
Lease liabilities for right-of-use assets	1 177 739	23 791
<b>Current liabilities</b>		
Lease liabilities for right-of-use assets	205 426	66 776
<b>TOTAL:</b>	<b>1 383 165</b>	<b>90 567</b>



**19. Right-of-use assets and lease liabilities (continued)**

	2019 EUR	2018 EUR
<b>Leases in the statement of comprehensive income</b>		
<i>Administrative expense</i>		
Expenses relating to leases of low-value assets and short-term leases	(78 923)	(66 062)
Depreciation of right-of-use premises	(191 120)	(165 899)
Depreciation of right-of-use vehicles	(4 969)	(4 969)
<i>Net finance costs</i>		
Interest expense for right to use premises	(18 335)	(2 674)
Interest expense for right to use vehicles	(173)	(302)
<b>Total cash outflow from leases</b>	<b>(293 520)</b>	<b>(239 906)</b>

The weighted average borrowing rate for lease liabilities in 2019 was 2.66%. The weighted average borrowing rate of the initially recognized lease liability, initially recognized from 1 January 2018, was 2.64% per annum.

The cost relating to variable lease payments that do not depend on an index or a rate amounted to EUR nil for the year ended December 31, 2019. There were no leases with residual value guarantees or leases not yet commenced to which the Group is committed.

**20. Finance Lease Receivables**

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's internal credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances.

	2019				2018
<i>Finance lease receivables</i>	Stage 1	Stage 2	Stage 3	TOTAL	TOTAL
Not past due	14 333 020	428 259	357 894	15 119 173	27 909 917
1-30	3 380 130	995 677	160 669	4 536 476	6 870 383
31-60	-	537 899	196 082	733 981	466 637
>60	-	-	2 421 034	2 421 034	4 148 523
<b>TOTAL, GROSS:</b>	<b>17 713 150</b>	<b>1 961 835</b>	<b>3 135 679</b>	<b>22 810 664</b>	<b>39 395 460</b>

The analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to finance lease receivables are, as follows:

	2019			
<i>Finance lease receivables</i>	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January	31 992 008	2 964 221	4 439 231	39 395 460
Transfer to Stage 1	927 340	(759 342)	(167 998)	-
Transfer to Stage 2	(1 603 034)	1 698 897	(95 863)	-
Transfer to Stage 3	(1 497 810)	(586 525)	2 084 335	-
New financial assets acquired	467 878	28 541	15 633	512 052
Receivables settled	(7 413 239)	(268 332)	(76 958)	(7 758 529)
Receivables written off	(1 694 670)	(838 740)	(2 431 238)	(4 964 648)
Receivables partially settled	(3 465 323)	(276 885)	(631 463)	(4 373 671)
<b>Balance at 31 December</b>	<b>17 713 150</b>	<b>1 961 835</b>	<b>3 135 679</b>	<b>22 810 664</b>

	2018			
<i>Finance lease receivables</i>	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January	29 474 900	3 192 231	674 009	33 341 140
Transfer to Stage 1	957 477	(868 991)	(88 486)	-
Transfer to Stage 2	(1 534 963)	1 577 245	(42 282)	-
Transfer to Stage 3	(2 057 163)	(1 115 544)	3 172 707	-
New financial assets acquired	13 834 746	977 378	1 484 768	16 296 892
Receivables settled	(4 847 052)	(188 074)	(16 722)	(5 051 848)
Receivables written off	(853 935)	(569 647)	(269 455)	(1 693 037)
Receivables partially settled	(2 982 002)	(40 377)	(475 308)	(3 497 687)
<b>Balance at 31 December</b>	<b>31 992 008</b>	<b>2 964 221</b>	<b>4 439 231</b>	<b>39 395 460</b>

Transfers between stages capture the annual movement in financial assets that are in a different stage at the closing balance sheet from that at the opening balance sheet. The transfers between each stage are based on opening balances.

Receivables partially settled on stage transfer is reported within the stage that the assets are transferred into. This represents the period to date finance lease receivables movement transferred into a particular stage.

	2019			
<i>Impairment allowance</i>	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January	1 314 301	340 689	2 903 044	4 558 034
Transfer to Stage 1	135 013	(80 797)	(54 216)	-
Transfer to Stage 2	(83 797)	114 734	(30 937)	-
Transfer to Stage 3	(71 984)	(68 648)	140 632	-
Impairment for new financial assets acquired	10 436	5 954	9 178	25 568
Reversed impairment for settled receivables	(283 609)	(28 747)	(44 685)	(357 041)
Reversed impairment for written off receivables	(87 444)	(102 635)	(1 626 407)	(1 816 486)
Net remeasurement of loss allowance	(440 430)	215 072	980 242	754 884
<b>Balance at 31 December</b>	<b>492 486</b>	<b>395 622</b>	<b>2 276 851</b>	<b>3 164 959</b>

## 20. Finance Lease Receivables (continued)

	2018			
	Stage 1	Stage 2	Stage 3	Total
<b>Impairment allowance</b>				
Balance at 1 January	942 056	346 112	183 697	1 471 865
Transfer to Stage 1	107 205	(83 089)	(24 116)	-
Transfer to Stage 2	(66 787)	78 311	(11 524)	-
Transfer to Stage 3	(84 040)	(127 682)	211 722	-
Impairment for new financial assets acquired	550 275	113 871	954 570	1 618 716
Reversed impairment for settled receivables	(143 455)	(17 013)	(4 557)	(165 025)
Reversed impairment for written off receivables	(37 612)	(72 158)	(74 375)	(184 145)
Net remeasurement of loss allowance	46 659	102 337	1 667 627	1 816 623
Balance at 31 December	1 314 301	340 689	2 903 044	4 558 034

Transfers between stages capture the annual loss allowance movement of financial assets that are in a different stage at the closing balance sheet from that at the opening balance sheet. The transfers between each stage are based on ECL at the start of the period.

The net remeasurement of loss allowance on stage transfer is reported within the stage that the assets are transferred into. This represents the period to date loss allowance movement transferred into a particular stage.

The analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to finance lease receivables are, as follows:

	Minimum lease payments		Minimum lease payments	
	EUR	%	EUR	%
<b>Finance lease receivables</b>	31.12.2019	31.12.2019	31.12.2018	31.12.2018
Stage 1	17 713 150	77%	31 992 008	81%
Stage 2	1 961 835	9%	2 964 221	8%
Stage 3	3 135 679	14%	4 439 231	11%
<b>TOTAL, GROSS:</b>	<b>22 810 664</b>	<b>100%</b>	<b>39 395 460</b>	<b>100%</b>

	Minimum lease payments	Change during the period		Minimum lease payments
	EUR	EUR	%	EUR
<b>Finance lease receivables</b>	31.12.2019			31.12.2018
Stage 1	17 713 150	(14 278 858)	-45%	31 992 008
Stage 2	1 961 835	(1 002 386)	-34%	2 964 221
Stage 3	3 135 679	(1 303 552)	-29%	4 439 231
<b>TOTAL, GROSS:</b>	<b>22 810 664</b>	<b>(16 584 796)</b>	<b>-42%</b>	<b>39 395 460</b>

	Impairment allowance		Impairment allowance	
	EUR	%	EUR	%
<b>Impairment allowance on finance lease receivables</b>	31.12.2019	31.12.2019	31.12.2018	31.12.2018
Stage 1	492 486	15%	1 314 301	29%
Stage 2	395 622	13%	340 689	7%
Stage 3	2 276 851	72%	2 903 044	64%
<b>TOTAL, ALLOWANCE:</b>	<b>3 164 959</b>	<b>100%</b>	<b>4 558 034</b>	<b>100%</b>

	Impairment allowance	Change during the period		Impairment allowance
	EUR	EUR	%	EUR
<b>Impairment allowance on finance lease receivables</b>	31.12.2019			31.12.2018
Stage 1	492 486	(821 815)	-63%	1 314 301
Stage 2	395 622	54 933	16.1%	340 689
Stage 3	2 276 851	(626 193)	-22%	2 903 044
<b>TOTAL, ALLOWANCE:</b>	<b>3 164 959</b>	<b>(1 393 075)</b>	<b>-31%</b>	<b>4 558 034</b>

	Minimum lease payments	Present value of minimum lease payments	Minimum lease payments	Present value of minimum lease payments
	EUR	EUR	EUR	EUR
<b>Finance lease receivables</b>	31.12.2019.	31.12.2019.	31.12.2018.	31.12.2018.
Up to one year	14 624 739	8 278 204	23 955 702	12 086 053
Years 2 through 5 combined	23 065 484	14 177 664	46 053 358	24 585 661
More than 5 years	418 653	354 796	3 194 150	2 723 746
<b>TOTAL, GROSS:</b>	<b>38 108 876</b>	<b>22 810 664</b>	<b>73 203 210</b>	<b>39 395 460</b>

	Unearned finance income	
	31.12.2019.	31.12.2018.
	EUR	EUR
Up to one year	6 346 535	11 869 649
Years 2 through 5 combined	8 887 820	21 467 697
More than 5 years	63 858	470 404
<b>TOTAL, GROSS:</b>	<b>15 298 213</b>	<b>33 807 750</b>



20. Finance Lease Receivables (continued)

	31.12.2019.	31.12.2018.		
<i>Finance lease receivables</i>	EUR	EUR		
Non-current finance lease receivables	14 505 816	27 197 773		
Current finance lease receivables	7 718 606	11 384 396		
Accrued interest	586 242	813 291		
	<b>TOTAL, GROSS:</b>			
	<b>22 810 664</b>	<b>39 395 460</b>		
	31.12.2019.	31.12.2018.		
<i>Movement in impairment allowance</i>	EUR	EUR		
Impairment allowance as at 01 January	4 558 034	1 471 865		
Impairment loss recognized during the year	1 609 149	4 536 372		
Elimination of impairment allowance due to cession of receivables	(3 002 224)	(1 450 203)		
Impairment allowance as at 31 December	<b>3 164 959</b>	<b>4 558 034</b>		
	Non-Current	Current	Non-Current	Current
	31.12.2019.	31.12.2019.	31.12.2018.	31.12.2018.
<i>Finance lease receivables, net</i>	EUR	EUR	EUR	EUR
Finance lease receivables	14 505 816	7 718 606	27 197 773	11 384 396
Accrued interest	-	586 242	-	813 291
Fees paid and received upon lease disbursement	(378 175)	(201 230)	(951 576)	(398 308)
Impairment allowance	(765 928)	(2 399 031)	(1 320 864)	(3 237 170)
	<b>13 361 713</b>	<b>5 704 587</b>	<b>24 925 333</b>	<b>8 562 209</b>

As of 31 December 2019 part of the gross finance lease portfolio in the amount of EUR 2 424 278 was pledged in favor of the Citadele bank as collateral for the credit line (31 December 2018: nil)

Transactions with peer-to-peer platforms

From year 2016 Group started placing lease agreement receivables on peer-to-peer lending platform based in Latvia. In 2018 Group started also placing loans and advances to customers receivables on peer-to-peer lending platform. Agreements are offered with buy back guarantee, which means that all risks of such agreements remain with the Group and in case of client default the Group has the liability to repay the whole remaining principal and accrued interest to P2P investor. By using the same platform Group also offer loans without buy back guarantee, which means that all risks related to client default were transferred to P2P investor. Portions of agreements purchased by investors therefore are considered as financial assets eligible for derecognition from Group statement of financial position.

Total gross portfolio and associated liabilities for the portfolio derecognized from Group financial assets were:

	31.12.2019. EUR	31.12.2018. EUR
<b>Non-current</b>		
Finance lease receivable	29 656	111 600
Associated liabilities	(29 656)	(111 600)
<b>NET POSITION:</b>	<b>-</b>	<b>-</b>
<b>Current</b>		
Finance lease receivable	16 979	50 050
Associated liabilities	(16 979)	(50 050)
<b>NET POSITION:</b>	<b>-</b>	<b>-</b>
Total gross portfolio derecognized from Group's financial assets	46 635	161 650
Total associated liabilities	(46 635)	(161 650)
<b>TOTAL NET POSITION:</b>	<b>-</b>	<b>-</b>

As at end of reporting year 0.2% of all gross portfolio was purchased by P2P investors without buyback guarantee (0.4% in 2018).

21. Loans and advances to customers

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's internal credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances.

	2019				2018
	Stage 1	Stage 2	Stage 3	TOTAL	TOTAL
<b>Loans and advances to customers</b>					
Not past due	2 612 206	14 334	222	2 626 762	2 222 484
1-30	300 262	45 775	163	346 200	483 494
31-75	-	67 659	643	68 302	111 234
>75	-	-	129 486	129 486	69 536
<b>TOTAL, GROSS:</b>	<b>2 912 468</b>	<b>127 768</b>	<b>130 514</b>	<b>3 170 750</b>	<b>2 886 748</b>

## 21. Loans and advances to customers (continued)

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to loans and advances to customers are, as follows:

Loans and advances to customers	2019			Total
	Stage 1	Stage 2	Stage 3	
Balance at 1 January	2 658 635	158 577	69 536	2 886 748
Transfer to Stage 1	14 112	(14 112)	-	-
Transfer to Stage 2	(61 361)	61 361	-	-
Transfer to Stage 3	(37 972)	(2 810)	40 782	-
New financial assets acquired	2 138 697	75 752	50 041	2 264 490
Receivables settled	(822 034)	(24 186)	(3 919)	(850 139)
Receivables written off	(743 765)	(114 945)	(55 755)	(914 465)
Receivables partially settled	(233 844)	(11 869)	29 829	(215 884)
Balance at 31 December	2 912 468	127 768	130 514	3 170 750

Loans and advances to customers	2018			Total
	Stage 1	Stage 2	Stage 3	
Balance at 1 January	1 190 673	22 595	2 477	1 215 745
Transfer to Stage 1	801	(801)	-	-
Transfer to Stage 2	(35 633)	37 012	(1 379)	-
Transfer to Stage 3	(24 185)	(467)	24 652	-
New financial assets acquired	2 210 703	124 231	44 762	2 379 696
Receivables settled	(289 090)	(1 372)	(165)	(290 627)
Receivables written off	(254 528)	(19 955)	(932)	(275 415)
Receivables partially settled	(140 106)	(2 666)	121	(142 651)
Balance at 31 December	2 658 635	158 577	69 536	2 886 748

Transfers between stages capture the annual movement in financial assets that are in a different stage at the closing balance sheet from that at the opening balance sheet. The transfers between each stage are based on opening balances.

Receivables partially settled on stage transfer is reported within the stage that the assets are transferred into. This represents the period to date finance lease receivables movement transferred into a particular stage.

Impairment allowance	2019			Total
	Stage 1	Stage 2	Stage 3	
Balance at 1 January	111 016	32 534	41 065	184 615
Transfer to Stage 1	1 366	(1 366)	-	-
Transfer to Stage 2	(3 005)	3 005	-	-
Transfer to Stage 3	(1 807)	(485)	2 292	-
Impairment for new financial assets acquired	147 038	38 904	32 444	218 386
Reversed impairment for settled receivables	(30 167)	(2 941)	(2 528)	(35 636)
Reversed impairment for written off receivables	(40 477)	(27 415)	(31 627)	(99 519)
Net remeasurement of loss allowance	29 078	21 960	42 973	94 011
Balance at 31 December	213 042	64 196	84 619	361 857

Impairment allowance	2018			Total
	Stage 1	Stage 2	Stage 3	
Balance at 1 January	74 119	7 290	1 362	82 771
Transfer to Stage 1	267	(267)	-	-
Transfer to Stage 2	(2 308)	3 066	(758)	-
Transfer to Stage 3	(1 517)	(155)	1 672	-
Impairment for new financial assets acquired	88 724	26 441	25 997	141 162
Reversed impairment for settled receivables	(17 110)	(376)	(90)	(17 576)
Reversed impairment for written off receivables	(17 955)	(6 491)	(513)	(24 959)
Net remeasurement of loss allowance	(13 204)	3 026	13 395	3 217
Balance at 31 December	111 016	32 534	41 065	184 615

Transfers between stages capture the annual loss allowance movement of financial assets that are in a different stage at the closing balance sheet from that at the opening balance sheet. The transfers between each stage are based on ECL at the start of the period.

The net remeasurement of loss allowance on stage transfer is reported within the stage that the assets are transferred into. This represents the period to date loss allowance movement transferred into a particular stage.

The analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to loans and advances to customers receivables are, as follows:

Loans and advances to customers	EUR	%	EUR	%
	31.12.2019.	31.12.2019.	31.12.2018.	31.12.2018.
Stage 1	2 912 468	92%	2 658 635	92%
Stage 2	127 768	4%	158 577	5%
Stage 3	130 514	4%	69 536	3%
<b>TOTAL, GROSS:</b>	<b>3 170 750</b>	<b>100%</b>	<b>2 886 748</b>	<b>100%</b>



21. Loans and advances to customers (continued)

	Change during the period			EUR 31.12.2018.
	EUR 31.12.2019.	EUR	%	
<b>Loans and advances to customers</b>				
Stage 1	2 912 468	253 833	10%	2 658 635
Stage 2	127 768	(30 809)	-19%	158 577
Stage 3	130 514	60 978	88%	69 536
<b>TOTAL, GROSS:</b>	<b>3 170 750</b>	<b>284 002</b>	<b>10%</b>	<b>2 886 748</b>

	Impairment allowance		Impairment allowance	
	EUR 31.12.2019.	% 31.12.2019.	EUR 31.12.2018.	% 31.12.2018.
<b>Impairment allowance on loans and advances to customers</b>				
Stage 1	213 042	59%	111 016	60%
Stage 2	64 196	18%	32 534	18%
Stage 3	84 619	23%	41 065	22%
<b>TOTAL, ALLOWANCE:</b>	<b>361 857</b>	<b>100%</b>	<b>184 615</b>	<b>100%</b>

	Impairment allowance		Change during the period		Impairment allowance EUR 31.12.2018.
	EUR 31.12.2019.	% 31.12.2019.	EUR	%	
<b>Impairment allowance on loans and advances to customers</b>					
Stage 1	213 042	59%	102 026	92%	111 016
Stage 2	64 196	18%	31 662	97%	32 534
Stage 3	84 619	23%	43 554	106%	41 065
<b>TOTAL, ALLOWANCE:</b>	<b>361 857</b>	<b>100%</b>	<b>177 242</b>	<b>96%</b>	<b>184 615</b>

	Minimum loan payments EUR 31.12.2019.	Present value of minimum loan payments EUR 31.12.2019.	Minimum loan payments EUR 31.12.2018.	Present value of minimum loan payments EUR 31.12.2018.
<b>Loans and advances to customers</b>				
Up to one year	2 118 063	1 052 613	2 910 779	1 453 057
Years 2 through 5 combined	3 207 582	1 718 906	2 445 917	1 433 691
More than 5 years	519 458	399 231	-	-
<b>TOTAL, GROSS:</b>	<b>5 845 103</b>	<b>3 170 750</b>	<b>5 356 696</b>	<b>2 886 748</b>

	31.12.2019. EUR	31.12.2018. EUR
<b>Unearned finance income</b>		
Up to one year	1 065 450	1 457 722
Years 2 through 5 combined	1 488 676	1 012 226
More than 5 years	120 227	-
<b>TOTAL, GROSS:</b>	<b>2 674 353</b>	<b>2 469 948</b>

	EUR	EUR
<b>Loans and advances to customers</b>		
Non-current loans and advances to customers	2 118 137	1 475 754
Current loans and advances to customers	954 331	1 274 730
Accrued interest	98 282	136 264
<b>TOTAL, GROSS:</b>	<b>3 170 750</b>	<b>2 886 748</b>

	31.12.2019. EUR	31.12.2018. EUR
<b>Movement in impairment allowance</b>		
Impairment allowance as at 01 January	184 615	53 812
Impairment loss recognized during the year	707 141	875 531
Elimination of impairment allowance due to cession of receivables	(529 899)	(744 728)
<b>Impairment allowance as at 31 December</b>	<b>361 857</b>	<b>184 615</b>

	Non-Current 31.12.2019. EUR	Current 31.12.2019. EUR	Non-Current 31.12.2018. EUR	Current 31.12.2018. EUR
<b>Loans and advances to customers, net</b>				
Loans and advances to customers	2 118 137	954 331	1 475 754	1 274 730
Accrued interest	-	98 282	-	136 264
Fees paid upon loan disbursement	163	73	(7 772)	(6 713)
Fees received upon loan disbursement	(92 421)	(41 641)	379	327
Impairment allowance	(201 227)	(160 630)	(156 788)	(27 827)
	<b>1 824 652</b>	<b>850 415</b>	<b>1 311 573</b>	<b>1 376 781</b>

**22. Finished goods and goods for resale**

	31.12.2019. EUR	31.12.2018. EUR
Acquired vehicles for purpose of selling them to customers*	-	11 414
<b>TOTAL:</b>	<b>-</b>	<b>11 414</b>

During the financial year of 2019, the Group decided to separate the economic activities of selling vehicles to another related company, therefore amount of stock balance has significantly decreased compared to previous year.

\*This non-financial asset is not impaired as of 31.12.2019. (31.12.2018.: 0 EUR).

**23. Assets held for sale**

	31.12.2019. EUR	31.12.2018. EUR
<b>Other non-current assets held for sale, net</b>		
Reposessed collateral	195 978	133 140
Including impairment allowance	(106 887)	(226 948)
	<b>195 978</b>	<b>133 140</b>

Reposessed collaterals are vehicles taken over by the Group in case of default by the Group's clients on the related lease agreements. After the default of the client, the Group has the right to repossess the vehicle and sell it to third party. The Group does not have the right to repossess, sell or pledge the vehicle in the absence of default by Group's clients. The Group usually sells the reposessed vehicles within 90 days after repossession.

**24. Prepaid Expense**

	31.12.2019. EUR	31.12.2018. EUR
Prepaid Mintos service fee	77 273	128 064
Other prepaid expenses	34 322	94 842
<b>TOTAL:</b>	<b>111 595</b>	<b>222 906</b>

**25. Trade receivables**

	31.12.2019. EUR	31.12.2018. EUR
Receivables from related parties	73 874	2 202 919
Receivables from non related parties	-	169 268
Receivables from rent services	142 920	5 639
Receivables from sold motor vehicles	-	44 265
Receivables from cession	439 130	-
Receivables from commissions	105	105
<b>TOTAL:</b>	<b>656 029</b>	<b>2 422 196</b>

An analysis of Trade and other receivable aging and the corresponding ECL allowances at the year end are as follows:

2019	current	1-30	31-90	> 90 days	Total
Receivables from related parties	38 205	3 100	4 842	27 727	73 874
Receivables for rent services	15 136	75 939	19 578	32 267	142 920
Receivables from cession	439 130	-	-	-	439 130
Receivables for commissions	-	-	-	105	105
<b>Total trade receivables</b>	<b>492 471</b>	<b>79 039</b>	<b>24 420</b>	<b>60 099</b>	<b>656 029</b>

In line with the expectations and agreement reached with the related parties on the settlement of the debts, material overdue related party receivables at year end were settled shortly after end of reporting period. As at year end ECLs are assessed based on this expected settlement. For receivables of rent in 2019 year ECL recognized EUR 120 816. (2018: EUR 0).

**26. Other receivables**

	31.12.2019. EUR	31.12.2018. EUR
Overpaid VAT (Subsidiaries)	-	53 637
Advances paid for goods and services	35 290	40 023
Security deposit for office lease (more information in Note 19).	24 965	-
Overpaid corporate income tax*	13 260	-
Overpaid personal income tax	3 294	-
Other debtors	66 044	63 136
<b>TOTAL:</b>	<b>142 853</b>	<b>156 796</b>

\*For 2019, the Parent company has overpaid corporate income tax, but the Subsidiary has a tax debt as at 31.12.19. See more Note 16.

Due to less loans put in P2P platform at the end of FY19 and FY18, Group has no receivables from P2P platform at 31.12.2019. and 31.12.2018. Due to more repurchased loans from P2P platform the Group has payables to P2P platform. See Note 31.



## 27. Accrued revenue

	31.12.2019.	31.12.2018.
	EUR	EUR
Accrued revenue for rent services	205 566	20 640
Accrued revenue from related parties	4 810	-
Accrued revenue from other debtors	13 874	516
<b>TOTAL:</b>	<b>224 250</b>	<b>21 156</b>

## 28. Cash and cash equivalents

	31.12.2019.	31.12.2018.
	EUR	EUR
Cash at bank	321 183	651 096
Cash on hand*	55 384	92 099
<b>TOTAL:</b>	<b>376 567</b>	<b>743 195</b>

This financial asset is not impaired as of 31.12.2019. (31.12.2018.: 0 EUR).

\*The cash on hand is held in regional offices and is kept there to ensure daily cash transactions.

The Group has not created ECL allowances for cash and cash equivalents on the basis that placements with banks are of short term nature and the lifetime of these assets under IFRS 9 is so short that the low probability of default would result in immaterial ECL amounts (2018 EUR 0).

## 29. Share capital

The share capital of the Parent company is EUR 5 000 000 and consists of 5 000 000 shares. The par value of each share is EUR 1. All the shares are fully paid.

The Parent company has set off dividends in 2018 year in amount of 4 478 200 EUR. Dividends per share were 0.90 EUR. In 2019, dividends weren't distributed.

The minority shareholders dividends of amount EUR 21 800 remained unpaid at the end of 31 December 2018. In 2019, they were paid.

The Group has currency revaluation reserve amount 1 EUR, due to switch from Latvian Lats to EUR.

The were no movements on the Share capital caption during the year.

	Share capital
Opening balance as at 1 January 2018	5 000 000
Subscriptions	-
Redemptions	-
Closing balance as at 31 December 2018	5 000 000
Opening balance as at 1 January 2019	5 000 000
Subscriptions	-
Redemptions	-
Closing balance as at 31 December 2019	5 000 000

Distributions made and proposed	2019 EUR	2018 EUR
Dividends off set with loan*	-	4 478 200
Proposed, but not paid dividends on ordinary shares	-	21 800
<b>Total proposed dividends:</b>	<b>-</b>	<b>4 500 000</b>

\* During the Shareholders General Meetings held on 02.05.2018. and 20.12.2018, it was decided that there will be dividends distribution to shareholders in total amount EUR 4 500 000. Part of dividends in total amount of EUR 4 478 200 were not paid to shareholders but with set-off agreements from 03.05.2018 and 28.12.2018 set off against Mogo Finance S.A. loan as of the dates of these agreements.

## 30. Other provisions

	2019 EUR	2018 EUR
Provision for possible VAT liabilities*	365 496	279 137
Provision for possible penalties	127 175	169 890
<b>TOTAL:</b>	<b>492 671</b>	<b>449 027</b>

\* Provision for possible taxes and duties are calculated based on rates applied by tax body of Republic of Latvia and discounted with rate of 0.72% for estimated litigation process period of remaining of 5 years. The provisions are made for VAT possible liabilities.

Change in provision for possible VAT liabilities is recognized proportionally in those expense accounts, where the related VAT input is claimed.

### Changes in other provisions

	01.01.2019.	Increase in provisions	Unwinding of discount	31.12.2019.
Provision for possible VAT liabilities in Latvia	279 137	80 535	5 824	365 496
Provision for possible penalties in Latvia	169 890	(46 260)	3 545	127 175
<b>TOTAL:</b>	<b>449 027</b>	<b>34 275</b>	<b>9 369</b>	<b>492 671</b>

All receivables are expected to be paid within the following year, except VAT overpayment where uncertainty of date of settlement is unclear due to ongoing litigation process.

During financial year 2016, parent company adjusted its VAT returns for the periods from 2014 to 2016 and recognized additional input VAT. The same approach is applied also for all period till 31.12.2019. There is possibility of recover input VAT, but not sure, so the Group makes a provision at the amount of the recognized input tax at 31.12.19 EUR 423 270 (at 31.12.2018 EUR 482 287)

This resulted in full settlement of payable VAT and recognition of VAT overpayment. Considering the uncertainty disclosed in company has decided to recognize the impairment provision in full amount for VAT receivable in the statement of financial position and additional provisions in amount of VAT payable settled by VAT return adjustment and related penalties."

**31. Borrowings****Non-current**

	Interest rate per annum (%)	Maturity	31.12.2019. EUR	31.12.2018. EUR
<i>Liabilities for issued debt securities</i>				
Bonds 20 million EUR notes issue <sup>1)</sup>	10-12%	31.03.2021	20 000 000	11 136 218
Bonds 10 million EUR notes issue <sup>2)</sup>	10-12%	31.03.2021	10 000 000	7 613 782
Bond additional interest accrual <sup>5)</sup>			299 203	182 493
Bonds acquisition costs			(239 960)	(274 247)
<b>TOTAL:</b>			<b>30 059 243</b>	<b>18 658 246</b>
<i>Funding attracted through peer-to-peer platforms</i>				
Funding attracted through peer-to-peer platforms <sup>3)</sup>	8% - 14%	31.12.2026.	9 441 150	9 345 369
Liabilities acquisition costs for funding attracted through peer-to-peer platform			(77 782)	(185 180)
<b>TOTAL:</b>			<b>9 363 368</b>	<b>9 160 189</b>
<i>Other borrowings</i>				
Loans from related parties	3%	27.22.2023	290 306	-
Loans from banks <sup>6)</sup>	8%	31.07.2021	2 106 840	-
<b>TOTAL:</b>			<b>2 397 146</b>	<b>-</b>
<i>Lease liabilities for right-of-use assets</i>				
Lease liabilities for right-of-use assets - premises <sup>4)</sup>	2.64%	up to 5 years	1 177 739	19 966
Lease liabilities for right-of-use assets - vehicles <sup>4)</sup>	2.64%	up to 1 year 10 months	-	3 825
<b>TOTAL:</b>			<b>1 177 739</b>	<b>23 791</b>
<b>TOTAL NON CURRENT BORROWINGS:</b>			<b>42 997 496</b>	<b>27 842 226</b>

**Current**

	Interest rate per annum (%)	Maturity	31.12.2019. EUR	31.12.2018. EUR
<i>Loans from related parties</i>				
Loans from banks <sup>1)</sup>	8%	31.07.2021	-	-
<b>TOTAL:</b>			<b>-</b>	<b>-</b>
<i>Liabilities for issued debt securities</i>				
Bonds 20 million EUR notes issue <sup>1)</sup>	10-12%	31.03.2021.	-	8 863 782
Bonds 10 million EUR notes issue <sup>2)</sup>	10-12%	31.03.2021.	-	2 386 218
<b>TOTAL:</b>			<b>-</b>	<b>11 250 000</b>
<i>Funding attracted through peer-to-peer platforms</i>				
Funding attracted through peer-to-peer platforms <sup>3)</sup>	8-14%	31.12.2026.	5 107 459	4 316 448
Accrued interest for funding attracted through peer-to-peer platforms			71 884	70 513
<b>TOTAL:</b>			<b>5 179 343</b>	<b>4 386 961</b>
<i>Loans from related parties</i>				
Accrued interest for loans from related parties	3%	27.22.2023	7 403	-
<b>TOTAL:</b>			<b>7 403</b>	<b>-</b>
<i>Lease liabilities for right-of-use assets - premises<sup>4)</sup></i>				
	2.64%	up to 5 years	201 600	61 791
<i>Lease liabilities for right-of-use assets - vehicles<sup>4)</sup></i>				
	2.64%	up to 1 year 10 months	3 826	4 985
<b>TOTAL:</b>			<b>205 426</b>	<b>66 776</b>
<b>TOTAL CURRENT BORROWINGS:</b>			<b>5 392 172</b>	<b>15 703 737</b>

1) On 17 March 2014 Parent company registered with the Latvian Central Depository a bond facility through which it can raise up to EUR 20 million.

Group has raised a total of EUR 20 000 000 as at 31 December 2019 (20 000 000 EUR at 31 December 2018).

This bond issue is unsecured. The notes are issued at par, have a maturity of seven years and carry a fixed coupon of 10% per annum, paid monthly in arrears. The note type on 11 November 2014 was changed to "publicly issued notes" and were listed on the regulated market of NASDAQ OMX Baltic.

2) On 1 December 2017 Parent company registered with the Latvian Central Depository a bond facility through which it can raise up to EUR 10 million.

Group has raised a total of EUR 10 000 000 as at 31 December 2019 (10 000 000 EUR at 31 December 2018).

This bond issue is unsecured. The notes are issued at par, have a maturity of three years four months and carry a fixed coupon of 10% per annum, paid monthly in arrears. Bonds are listed on the alternative market Firth north of NASDAQ OMX Baltic and are "private issued notes".

In accordance with the initial repayment of both bond facilities starts from 30.06.2019. Accordingly, those liabilities are split between current and non-current as at 31 December 2018. Subsequent to the reporting period the initial repayment terms were amended.

In March 2019 noteholders of mogo JSC bonds have accepted the amendments to the prospectuses of both emissions. The terms of the amendment provide that the principal amount of the notes shall be fully repaid in one instalment on 31 March 2021.

3) Attracted funding from P2P platform is transferred to Group's bank accounts once per week. The Group repurchased more loans back than put in P2P platform in December 2019 than in December 2018.

4) Group has entered into several lease agreements for office premises and branches as well as several vehicle rent agreements. Group has elected to early adapt IFRS16 accounting requirements starting from year 2018 therefore it has recognized lease liabilities for expected lease period. (Note 2 section IFRS 16: Leases).

5) The accrual represents accrued interest, which is to be paid at the maturity of the bonds, therefore the accrued interest is classified as long term.

6) On 2nd August 2019 AS "Citadele banka" granted to mogo JSC the credit line in the amount of EUR 3 million for refinancing of existing indebtedness. Maturity of agreement - July 2021.



### 31. Borrowings (continued)

P2P platform payables/ receivables position at the year end dates were:

	31.12.2019. EUR	31.12.2018. EUR
(Payable)/ Receivable from attracted funding through P2P platform (Note 26,34)	(478 206)	(187 857)
<b>TOTAL:</b>	<b>(478 206)</b>	<b>(187 857)</b>

1) In accordance with the initial repayment of both bond facilities starts from 30.06.2018. Accordingly, those liabilities are split between current and non-current as at 31 December 2019. Subsequent to the reporting period the initial repayment terms were amended.

2) See additional information in this Note under 'Non-current' section.

Total accrued expenses for services for attracted funding through P2P platform as at statement of financial position dates were:

	31.12.2019. EUR	31.12.2018. EUR
Accrued for expenses from attracted funding through peer-to-peer platform (Note 35)	11 257	14 891
<b>TOTAL:</b>	<b>11 257</b>	<b>14 891</b>

#### Changes in liabilities

	31.12.2018	Incoming cash flow	Outgoing cash flow	Other	31.12.2019.
Funding attracted through peer-to-peer platforms	13 661 817	38 247 462	(37 360 670)	-	14 548 609
Lease liabilities for Right-of-use assets	90 567	-	(192 785)	1 485 383	1 383 165
Liabilities for issued debt securities	30 000 000	6 346 083	(6 346 083)	-	30 000 000
Loans from non related parties	-	1 490 000	(1 490 000)	-	-
Loans from related parties	-	-	-	290 306	290 306
Loan from bank	-	2 106 840	-	-	2 106 840
<b>TOTAL BORROWINGS PRINCIPAL:</b>	<b>43 752 384</b>	<b>48 190 385</b>	<b>(45 389 538)</b>	<b>1 775 689</b>	<b>48 328 920</b>
Bonds acquisition costs*	(274 247)	-	(330 355)	364 642	(239 960)
Funding attracted through peer-to-peer platforms acquisition costs	(185 180)	-	-	107 398	(77 782)
<b>TOTAL BORROWINGS ACQUISITION COSTS:</b>	<b>(459 427)</b>	<b>-</b>	<b>(330 355)</b>	<b>472 040</b>	<b>(317 742)</b>

\* Changes in bond purchase costs are related to the approval of changes in the bond repayment schedule as well as nominal purchase and sale of individual bonds in 2019.

Accrued interest for financing received from P2P investors	70 513	-	(1 760 096)	1 761 467	71 884
Bonds interest	-	-	(3 038 810)	3 038 810	-
Additional bond interest accrual	182 493	-	-	116 710	299 203
Accrued interest for loans to related parties	-	-	-	7 403	7 403
<b>TOTAL INTEREST LIABILITIES:</b>	<b>253 006</b>	<b>-</b>	<b>(4 798 906)</b>	<b>4 924 390</b>	<b>378 490</b>
<b>TOTAL BORROWINGS:</b>	<b>43 545 963</b>	<b>48 190 385</b>	<b>(50 518 799)</b>	<b>7 172 119</b>	<b>48 389 668</b>

	01.01.2018.	Incoming cash flow	Outgoing cash flow	Other	31.12.2018.
Funding attracted through peer-to-peer platforms	16 067 118	59 201 405	(61 266 575)	(340 131)	13 661 817
Lease liabilities for Right-of-use assets	148 923	-	(236 908)	178 552	90 567
Bonds nominal value	26 900 000	9 150 000	(6 050 000)	-	30 000 000
Loans from related parties	-	330 000	-	-	330 000
<b>TOTAL BORROWINGS PRINCIPAL:</b>	<b>43 116 041</b>	<b>68 681 405</b>	<b>(67 553 483)</b>	<b>(161 579)</b>	<b>44 082 384</b>
Bonds acquisition costs	(460 967)	-	(221 428)	408 148	(274 247)
Funding attracted through peer-to-peer platforms acquisition costs	-	-	(467 151)	281 971	(185 180)
<b>TOTAL BORROWINGS ACQUISITION COSTS:</b>	<b>(460 967)</b>	<b>-</b>	<b>(688 579)</b>	<b>690 119</b>	<b>(459 427)</b>

Accrued interest for funding attracted through peer-to-peer platforms	87 977	-	(2 369 486)	2 352 022	70 513
Bonds interest	-	-	(3 041 283)	3 041 283	-
Additional bond interest accrual	124 270	-	-	58 223	182 493
Accrued interest for loan from bank	-	-	-	-	-
<b>TOTAL INTEREST LIABILITIES:</b>	<b>212 247</b>	<b>-</b>	<b>(5 410 769)</b>	<b>5 451 528</b>	<b>253 006</b>
<b>TOTAL BORROWINGS:</b>	<b>42 867 321</b>	<b>68 681 405</b>	<b>(73 652 831)</b>	<b>5 980 068</b>	<b>43 875 963</b>

### 32. Prepayments and other payments received from customers

	31.12.2019. EUR	31.12.2018. EUR
Unrecognized payments received*	27 178	41 272
Overpayments from historical customers	27 687	27 687
<b>TOTAL:</b>	<b>54 865</b>	<b>68 959</b>

\* Unrecognized payments are payments received from former clients after contractual terms are ended and payments received which cannot be identified and allocated to a respective finance lease or loan and advance to customer balance.

### 33. Taxes payable

	31.12.2019. EUR	31.12.2018. EUR
Social security contributions	58 105	24 227
Personal income tax	-	21 955
VAT	30 637	-
Other taxes	4 433	29
<b>TOTAL:</b>	<b>93 175</b>	<b>46 211</b>

### 34. Other liabilities

	31.12.2019. EUR	31.12.2018. EUR
Payable for attracted funding through P2P platform*	478 206	187 857
Customer overpayments from rent services	109 256	-
Declared, but not paid dividends	-	21 800
Liabilities against employees for salaries	80 185	2 697
Other liabilities	222 358	-
<b>TOTAL:</b>	<b>890 005</b>	<b>212 354</b>

\* Due to excess of repurchased loans from P2P platform in December 2019 and in December 2018 the Group has payables to P2P platform. See Note 31.

### 35. Accrued liabilities

	31.12.2019. EUR	31.12.2018. EUR
Accrued liabilities for services received	66 814	152 404
Accrued liabilities for management services from related parties	123 715	85 905
Accrued unused vacation	112 779	48 799
Accruals for bonuses	31 023	12 767
Accrued expenses from attracted funding through peer-to-peer platform (Note 31)	11 257	14 891
<b>TOTAL:</b>	<b>345 588</b>	<b>314 766</b>

### 36. Related parties disclosures

Receivables and payables incurred are not secured with any kind of pledge.

Transactions with related parties for years 2019 and 2018 were as follows:

	2019 EUR	2018 EUR
<u>Services provided</u>		
- Agent services (Note 14)*	210 581	773 969
- Mogo Finance S.A.	-	32 748
- JSC Mogo Baltics and Caucasus	45 122	220 286
- HUB***	118 430	183 891
- Other related companies	47 029	337 044
- Other services provided	2 400	4 000
- Other related companies	2 400	4 000
<u>Services received</u>		
- Management services (Note 13)****	926 956	372 266
- JSC Mogo Baltics and Caucasus	706 672	214 024
- HUB***	220 284	158 242
- Other services received*****	131 934	351 645
- HUB **	-	91 121
- JSC Mogo Baltics and Caucasus**	-	52 314
- HUB***	4 796	-
- JSC Mogo Baltics and Caucasus	2 057	-
- Longo Latvia JSC	124 092	70 946
- Longo Latvia JSC**	-	12 163
- Other related companies	989	125 101
<u>Assets</u>	1 613 590	3 314 191
- Purchase of rental fleet from Longo Latvia JSC	1 336 840	-
- Purchase of fixed assets from HUB***	515	-
- Purchase of fixed assets from other related companies	710	-
- Repossessed collaterals sold to Longo Latvia JSC <sup>1)</sup>	275 525	1 422 940
- Vehicles sold to Longo Latvia JSC (Note 11)	-	470 695
- Assets sold to Longo Latvia JSC <sup>2)</sup>	-	10 498
- Assets sold to JSC Mogo Baltics and Caucasus <sup>2)</sup>	-	433 524
- Assets sold to HUBs <sup>2)</sup>	-	970 632
- Assets sold to Other related companies <sup>2)</sup>	-	5 902



**36. Related parties disclosures (continued)**

Transactions with related parties for years 2019 and 2018 were as follows (continued):

	2019	2018
	EUR	EUR
<u>Acquired vehicles for sale through finance leases</u>	<b>202 900</b>	<b>571 324</b>
- Cars from Longo Latvia JSC <sup>3)</sup>	202 900	571 324
<u>Interest costs</u>	<b>373 911</b>	-
- Mogo Finance S.A.	373 911	-
<u>Interest income (Note 4)</u>	<b>2 127 395</b>	<b>2 447 623</b>
- Mogo Finance S.A.	2 127 395	2 444 897
- Other related companies	-	2 726
<u>Cession income (Note 9) <sup>4)</sup></u>	-	<b>68 681</b>
- Risk Management Services OU	-	68 681

\* When another party is involved in providing goods or services to Group's customers, the Group considers that in these transactions it acts as an agent. (Note 2, 3)

\*\* Vacation expenses compensation for employees moved from mogo JSC to HUB's.

\*\*\* HUB - under HUB there are disclosed the Group related parties JSC Mogo Baltics and Caucasus, JSC HUB2, JSC HUB3, JSC Mogo Central Asia.

\*\*\*\* Other services received - include car dealership commissions (that form part of net finance lease receivable). It also includes vacation compensations to employees who moved from mogo JSC to HUB - and no gain or loss occurred on this transaction.

\*\*\*\* Management services - include non deductible VAT

1) The Group has sold repossessed vehicles from customers with terminated agreements to related party Longo Latvia JSC. Sales proceeds reduces the respective customer's debt towards the Group and is recorded as a reduction in financial lease receivable upon sales.

2) The Group has sold internally developed IT systems (Note 17) and equipment (Note 18) at their net book values to related parties. As assets were sold at their carrying amounts to no gain or loss occurred on these transactions.

3) The Group has acquired vehicles from related party Longo Latvia JSC and these vehicles were sold to customers through finance lease (Note 20). No gain or loss occurred on these transactions.

4) Cession income from transaction with related parties is included in the net gain/(loss) from de-recognition of financial assets measured at amortized costs (Note 9).

**Receivables from related companies**

	Interest rate per annum (%)	Maturity	31.12.2019.	31.12.2018.
Non-current			EUR	EUR
Loan receivable from Mogo Finance S.A.*	11.75	April 2023	24 298 800	11 041 800
<b>TOTAL:</b>			<b>24 298 800</b>	<b>11 041 800</b>

\* In 2017 the Group has signed the loan agreement with Mogo Finance S.A. Loan agreement allows both parties to agree on flexible loan payout and loan repayment arrangement with maximum loan amount of 30 million EUR.

An analysis of loan receivables staging and the corresponding ECL allowances at the year end are as follows:

2019	Stage 1	Stage 2	Stage 3	Total
Loan receivable from related companies	24 298 800	-	-	24 298 800

No ECLs are recognized for the loan receivable from related party (2018: EUR 0)

	31.12.2019.	31.12.2018.
Current	EUR	EUR
Receivables from Mogo Finance S.A.	-	32 748
Receivables from related companies	73 874	2 170 171
<b>TOTAL:</b>	<b>73 874</b>	<b>2 202 919</b>
<b>TOTAL RECEIVABLES:</b>	<b>24 372 674</b>	<b>13 244 719</b>

Aging of receivables from related companies is disclosed in Note 25.

**Payables to related companies**

	31.12.2019.	31.12.2018.
	EUR	EUR
Payables to Mogo Finance SA	-	3 442
Payables to Mogo Baltics and Caucasus JSC	126 296	-
Payables to other related companies	28 325	44 738
<b>TOTAL:</b>	<b>154 621</b>	<b>48 180</b>

On November 13, 2018 the Mogo Finance S.A. as Issuer and certain its subsidiaries (including mogo JSC) as Guarantors signed a guarantee agreement dated 9 July 2018 as amended and restated on 13 November 2018 according to which the guarantors unconditionally and irrevocably guaranteed by way of an independent payment obligation to each holder of the Mogo Finance S.A. bonds the due and punctual payment of principal of, and interest on, and any other amounts payable under the Mogo Finance S.A. bonds prospectus (Note 39).

**37. Other investments**

	Shareholding	31.12.2019.	31.12.2018.
		EUR	EUR
Investments in Mogo IFN (Romania)	0.01%	20	20
Investments in LLC Mogo Belarus	0.01%	6	6
<b>TOTAL:</b>		<b>26</b>	<b>26</b>

**38. Commitments and contingencies**

Starting from 9 July 2018 Mogo Finance S.A. and its subsidiaries (including mogo JSC) entered into several pledge agreements with Greenmarck Restructuring Solutions GmbH, establishing pledge over shares of the subsidiaries, pledge over present and future loan receivables of the subsidiaries, pledge over trademarks of the subsidiaries, general business pledge over the subsidiaries, pledge over primary bank accounts if feasible, in order to secure Mogo Finance S.A. obligations towards bondholders deriving from Mogo Finance S.A. bonds. Subsequently additional pledgors were added who became material (subsidiaries with net loan portfolio of more than EUR 7 500 000) according to terms and conditions of the bonds. The value of the assets pledged in accordance with the commercial pledge agreement concluded with Greenmarck Restructuring Solutions GmbH is estimated to be 41.5 million EUR as of 31/12/2019.

Starting from 2018 the Mogo Finance S.A. as Issuer and its subsidiaries (including mogo JSC) as Guarantors have entered into a guarantee agreement dated 9 July 2018 as amended and restated on 13 November 2018, 13 January 2019, 31 May 2019 and 11 November 2019 according to which the guarantors unconditionally and irrevocably guaranteed by way of an independent payment obligation to each holder of the Mogo Finance S.A. bonds the due and punctual payment of principal of, and interest on, and any other amounts payable under the Mogo Finance S.A. bonds prospectus (Note 39).

On 26 February 2018 the subsidiary in Latvia mogo JSC entered into a surety agreement with Ardshinbank CJSC and Mogo LLC, in order to secure Mogo LLC obligations towards Ardshinbank CJSC deriving from loan agreement concluded between Ardshinbank CJSC and Mogo LLC on 26 February 2018, the principal amount of the loan agreement is EUR 1 000 000.

In 2017 the Group signed a service agreement with tax advisory company. Agreement conditions assume partial remuneration for these services based on success fee principle. Estimated maximal amount payable for these services is assumed 70 000 EUR. There are no accruals made for this particular contingency.

On 11 December 2018 the Parent company - mogo JSC issued a payment guarantee No.2018.12.05 for the benefit of third party with a maximum liability not exceeding EUR 200 000, where the liability of mogo JSC is limited to the performance of other subsidiary's Mogo Baltics and Caucasus JSC obligations from the secured agreement with this party.

On 31 July 2019 mogo JSC has concluded a Commercial pledge with JSC Citadele banka by virtue of which certain receivables of mogo JSC are pledged in favor of JSC Citadele banka in order to secure mogo JSC, mogo OU and UAB mogo LT obligations towards JSC Citadele banka under the Credit line agreement of 8 July 2019. As of 31 December 2019 part of the gross finance lease portfolio in the amount of EUR 2.4 million was pledged in favor of the Citadele bank as collateral for the credit line (31 December 2018: nil)

On 5 December 2017 mogo JSC entered into a commercial pledge agreement with Mintos OU, in order to secure mogo JSC obligations towards Mintos OU deriving from Cooperation agreement on issuance of loans No. 36/2017-L, dated 5 December 2017. The Company pledged gross receivables in amount of 9 094 031 EUR.

On 12 December 2018 mogo JSC issued guarantee letters for the benefit of SWH Grupa JSC to secure other subsidiaries Mogo Group JSC and Longo Group JSC obligations from the secured office space lease agreements concluded on 12 December 2018. According to the guarantee letters mogo JSC undertook to fulfil Mogo Group JSC and Longo Group JSC obligations towards SWH Grupa JSC if they are overdue on liabilities under the agreements terms. The guarantees expire if the lease agreements are amended, renewed without prior written approval by mogo JSC and is effective for the entire duration of the respective lease agreements. At the beginning of 2020 both lease agreements were amended and mogo JSC provided the new guarantee to secure only obligations of Mogo Group JSC. The guarantee for Longo Group JSC is deemed to be expired.

**Externally imposed capital requirements**

The Group considers both equity capital as well as borrowings a part of overall capital risk management strategy. The Group is subject to externally imposed capital requirements.

Main requirements are listed below:

**mogo JSC Bonds**

There are restrictions in prospectus for bonds issued in Nasdaq Baltic (ISIN: LV0000801363 and LV0000880029)

- 1) To maintain positive amount of equity at all times;
- 2) To maintain Net Debt/Equity (total liabilities minus cash against equity) indicator at certain level.

During the reporting period the Group complied with all externally imposed capital requirements to which it was subjected to.

**Cooperation agreement with P2P platform**

- 1) Positive equity and ensure that DSCR\* is above certain level.

The Group is subject to additional financial covenants relating to its attracted funding through P2P platform. Group is regularly monitoring respective indicators and ensures that covenants are satisfied. The Group is in compliance with these covenants at 31 December 2019 and 31 December 2018.

\* DSCR (debt service coverage ratio) is EBITDA / (divided by) sum of all payments of interest and principal for all interest bearing debt (loans, financial and operational leasing, factorings, guarantees, letters of credit etc.) to be paid under all concluded agreements within period for which DSCR is calculated.

**39. Provisions for financial guarantees**

	2019	2018
	EUR	EUR
	Other reserves	Other reserves
Effect on other reserves		
Outstanding as at 1 January	(1 066 590)	-
Fair value of the newly issued guarantees	(98 640)	(878 051)
Net result of original guarantee derecognition and recognition of modified guarantee (3), (4)	(3 604 603)	(188 539)
Outstanding as at 31 December	(4 769 833)	(1 066 590)



### 39. Provisions for financial guarantees (continued)

Effect on provisions for financial guarantees	Financial guarantees	Financial guarantees
Outstanding as at 1 January	948 263	-
Fair value of the newly issued guarantees	98 640	878 051
Increase in expected credit losses (3)	3 426 941	-
Amortized as income prior to modifications	(133 017)	(73 171)
Outstanding provisions for guarantees before modifications	4 340 827	804 880
Fair value of the guarantees subsequent to modification (4)	4 518 489	993 419
Net result of original guarantee derecognition and recognition of modified guarantee (4)	(177 662)	(188 539)
Outstanding provisions for guarantees		
Fair value of the guarantees subsequent to modification	4 518 489	993 419
Amortised as income subsequent to modifications	(202 997)	(45 156)
Outstanding as at 31 December	4 315 492	948 263
Financial guarantee in favor of bondholders of Mogo Finance S.A.	4 240 919	948 263
Financial guarantee in favor of Ardashinbank	74 573	-
Total	4 315 492	948 263
Total recognized as income in accordance with IFRS 15 principle (Note 14)	(336 014)	(118 327)

(1) On 9 July 2018 the Parent company entered a financial guarantee agreement issued in favor of bondholders of Mogo Finance S.A. The guarantee was issued to secure Mogo Finance S.A. exposure after issuing corporate bonds, ISIN XS1831877755 (as of 31 December 2019 the total nominal value of bonds is EUR 100 million; as of 31 December 2018 - EUR 75 million), which are listed on the Open Market of the Frankfurt Stock Exchange. Under the guarantee agreement the Parent company irrevocably guarantees the payment of Mogo Finance S.A. liabilities towards its bondholders in case of default of Mogo Finance S.A. under the provisions of bond prospectus. The Parent company did not receive compensation for the guarantee provided. Fair value of financial guarantee is recognized as liability and as a distribution of equity under "Other reserves". The amount of the financial guarantee liability is amortized to income in accordance with IFRS 15 principle (Note 14) on straight line basis till bond maturity, which is July 2022.

(2) On 26 February 2018 the Parent company entered into a surety agreement with Ardashinbank CJSC and Mogo LLC (Georgia), in order to secure Mogo LLC obligations towards Ardashinbank CJSC deriving from loan agreement concluded between Ardashinbank CJSC and Mogo LLC. The Parent company did not receive compensation for the guarantee provided. Fair value of financial guarantee is recognized as a liability and as a distribution of equity under "Other reserves". The amount of the financial guarantee liability is amortized to income in accordance with IFRS 15 principle (Note 14) on straight line basis till bond maturity, which is March 2021.

(3) Increase in credit losses in 2019 was identified and measured for the guarantees. It is related to the change in the estimated discount rate applied by the Company. In 2019 the discount rate was applied based on the received credit rating by Fitch B -. Such increase was recognized through profit or loss, offset by the effect of subsequent guarantee derecognition as explained in (4).

(4) On 11 November 2019 original guarantee agreement in (1) was revised following Mogo Finance S.A. tap bond issue of further 25 million EUR. The Parent company did not receive compensation for the guarantee provided. The amended guarantee agreement increases the total exposure of the Parent company under the amended guarantee agreement. Similar Mogo Finance S.A. tap bond issue of 25 million EUR occurred during 2018 which led to derecognition of initial guarantee.

Change is deemed substantial as it increases the guarantee limit. Accordingly, the original guarantee is derecognized (including reversed profit and loss charge as described in (3)). Net difference between the original guarantee provision book value and the fair value of the modified financial guarantee of 4 518 489 EUR is 177 662 EUR and is recognized as an increase in guarantee provision. Similar accounting approach prevailed in 2018 with net increase of 188 539 EUR was recognized in Other reserves. In 2019 notional capital distribution recognized through Other reserves as a result of substantial guarantee modification represents the result of derecognition of original guarantee prior to credit risk increase and recognition of new guarantee of 4 518 489 EUR - i.e. 3 604 603 EUR.

The amount of the financial guarantee liability is amortized to income in accordance with IFRS 15 principle (Note 14) on straight line basis till bond maturity, which is July 2022.

After initial recognition, the liability under the guarantee is measured at the higher of the amount initially recognized less cumulative amortization recognized through linear amortization and an ECL provision. ECL provision for financial guarantee is a Stage 1 exposure as described in Note 3. The ECL for the guarantees issued by the Group is lower than their carrying amount as at 31 December 2019 and therefore no ECL were recognised.

### 40. Financial risk management

The risk management function within the Group is carried out in respect of financial risks, operational risks and legal risks. Financial risk comprises interest rate risk, credit risk and liquidity risk. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits. The operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures, in order to minimize operational and legal risks.

#### Operational risks

##### Compliance risk

Compliance risk refers to the risk of losses or business process disruption resulting from inadequate or failed internal processes systems, that have resulted in a breach of applicable law or other regulation currently in place.

##### Regulatory risks

Group's operations are subject to regulation by a variety of consumer protection, financial services and other state authorities in various jurisdictions, including, but not limited to, laws and regulations relating to consumer loans and consumer rights protection, debt collection and personal data processing. The Group closely monitors all the changes in regulatory framework. The Group employs both in-house as well as outsourced legal specialists to assist in addressing any current or future regulatory developments that might have an impact on Group's business activities.

#### 40. Financial risk management (continued)

##### *Anti-money laundering and Know Your Customer laws compliance risk*

The Group is subject to anti-money laundering laws and related compliance obligations. The Group has put in place anti-money laundering policies. As a financial institution, the Group is required to comply with anti-money laundering regulations that are generally less restrictive than those that apply to banks.

As a result, the Group often relies on anti-money laundering and know your customer checks performed by our customers' banks when such customers open new bank accounts, however the Group has implemented further internal policies to minimize these risks. The Group has put in place internal control framework to identify and report all suspicious transactions with a combination of IT based solutions and human involvement. Internal policies of the Group typically include customers' background check against sanctioned lists and other public sources as required by local law and Consumer Rights Protection Centre.

##### *Privacy, data protection compliance risk*

The Group's business is subject to a variety of laws and regulations internationally that involve user privacy, data protection, advertising, marketing, disclosures, distribution, electronic contracts and other communications, consumer protection and online payment services. The Group has put in place an internal control framework consisting from a combination of IT based solutions and business procedures that are designed to capture any potential non-compliance matter before it has occurred and to ensure compliance with these requirements.

##### *Market risks*

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

##### *Financial risks*

The main financial risks arising from the Group's financial instruments are interest rate risk, liquidity risk, and credit risk.

##### *Interest rate risk*

The Group is not exposed to interest rate risk because all of its interest bearing assets and liabilities are with a fixed interest rate.

##### *Capital risk management*

The Group considers both equity capital as well as borrowings a part of overall capital risk management strategy.

The Group manages its capital to ensure that it will be able to continue as going concern. In order to maintain or adjust the capital structure, the Group may attract new credit facilities or increase its share capital. The Group fulfils externally imposed equity capital requirements as stated in Note 38.

The Group monitors equity capital on the basis of the capitalization ratio as defined in Eurobond prospectus. This ratio is calculated as Net worth (the sum of paid in capital, retained earnings, reserves and shareholder loan) divided by Net Loan portfolio.

In order to maintain or adjust the overall capital structure, the Group may issue new bonds, borrow in P2P platform or sell assets to reduce debt.

The management of the borrowings is driven by monitoring and complying the lender imposed covenants as well as planning the further borrowing needs to ensure business development of the Group.

##### *Liquidity risk*

The Group manages its liquidity risk by arranging an adequate amount of committed credit facilities with related parties and by issuing bonds and P2P platforms.

##### *Externally imposed capital requirements*

The company defines equity as its capital. There are no financial liabilities or other items that Company manages as capital.

During the period Company complied with several externally imposed capital requirements. There are restrictions in prospectus for bonds issued in Nasdaq Baltic (ISIN: LV0000801363 and LV0000880029):

- 1) To maintain positive amount of equity at all times;
- 2) Starting from 31 December 2015, to maintain Net Debt/Equity (total liabilities minus cash against equity) indicator at certain level.

During the reporting period the Company complied with all externally imposed capital requirements to which it is subject. Company has several other covenants to comply with due to the bonds issued and funds borrowed in P2P platform- Company has complied with all of them during the reporting period.

The table below presents the cash flows payable by the Group and to the Group under non-derivative financial liabilities and assets held for managing liquidity risk by remaining contractual maturities at the date of the statement of financial position. The amounts disclosed in the table are the contractual undiscounted cash flow. Cash flow payable for borrowings includes estimated interest payments assuming principal is paid in full at maturity date.

	Carrying value EUR	Contractual cash flows				Total EUR
		On demand EUR	Up to 1 year EUR	1-5 years EUR	More than 5 EUR	
<b>As at 31.12.2019.</b>						
<b>Assets</b>						
Cash and cash equivalents	376 567	376 567	-	-	-	376 567
Loans and advances to customers	2 675 067	-	2 118 063	3 207 582	519 458	5 845 103
Loans to related parties	24 298 800	-	2 915 856	34 018 320	-	36 934 176
Trade receivables	656 029	-	656 029	-	-	656 029
Finance lease receivables	19 066 300	-	14 624 739	23 065 484	418 653	38 108 876
<b>Total undiscounted financial assets</b>	<b>47 072 763</b>	<b>376 567</b>	<b>20 314 687</b>	<b>60 291 386</b>	<b>938 111</b>	<b>81 920 751</b>



#### 40. Financial risk management (continued)

		Contractual cash flows					
	Carrying value	On demand	Up to 1 year	1-5 years	More than 5	Total	
	EUR	EUR	EUR	EUR	EUR	EUR	
As at 31.12.2019.							
Liabilities							
Funding attracted through peer-to-peer platforms	(14 542 711)	-	(6 008 887)	(10 372 942)	(488 654)	(16 870 483)	
Liabilities for issued debt securities	(30 059 243)	-	(3 000 000)	(31 799 203)	-	(34 799 203)	
Provisions for financial guarantees	(4 315 492)	-	-	(4 315 492)	-	(4 315 492)	
Loan from banks	(2 106 840)	-	(2 106 840)	-	-	(2 106 840)	
Loan from related parties	(297 709)	-	-	(297 709)	-	(297 709)	
Lease liabilities for right-of-use assets	(1 383 165)	-	(205 426)	(1 177 739)	-	(1 383 165)	
Other liabilities	(1 567 254)	-	(1 567 254)	-	-	(1 567 254)	
<hr/>							
Total undiscounted financial liabilities	(54 272 414)	-	(12 888 407)	(47 963 085)	(488 654)	(61 340 146)	
<hr/>							
Net undiscounted financial assets / (liabilities)	(7 199 651)	376 567	7 426 280	12 328 301	449 457	20 580 605	
<hr/>							
		Contractual cash flows					
	Carrying value	On demand	Up to 1 year	1-5 years	More than 5	Total	
	EUR	EUR	EUR	EUR	EUR	EUR	
As at 31.12.2018.							
Assets							
Cash and cash equivalents	743 195	743 195	-	-	-	743 195	
Loans and advances to customers	2 688 354	-	2 910 779	2 445 917	-	5 356 696	
Loans to related parties	11 041 800	-	-	15 458 520	-	15 458 520	
Trade receivables	2 422 196	-	2 416 557	-	-	2 416 557	
Finance lease receivables	33 487 542	-	23 955 702	46 053 358	3 194 150	73 203 210	
<hr/>							
Total undiscounted financial assets	50 383 087	743 195	29 283 038	63 957 795	3 194 150	97 178 178	
<hr/>							
		Contractual cash flows					
	Carrying value	On demand	Up to 1 year	1-5 years	More than 5	Total	
	EUR	EUR	EUR	EUR	EUR	EUR	
As at 31.12.2018.							
Liabilities							
Funding attracted through peer-to-peer platforms	(13 547 150)	-	(4 645 948)	(8 401 487)	(1 971 873)	(15 019 308)	
Liabilities for issued debt securities	(29 908 246)	-	(11 250 000)	(18 932 493)	-	(30 182 493)	
Provisions for financial guarantees	(948 263)	-	-	(948 263)	-	(948 263)	
Lease liabilities for right-of-use assets	(90 567)	-	(66 776)	(23 791)	-	(90 567)	
Other liabilities	(720 469)	-	(720 469)	-	-	(720 469)	
<hr/>							
Total undiscounted financial liabilities	(45 214 695)	-	(16 683 193)	(28 306 034)	(1 971 873)	(46 961 100)	
<hr/>							
Net undiscounted financial assets / (liabilities)	5 168 392	743 195	12 599 845	35 651 761	1 222 277	50 217 078	

#### Credit risk

The Group is exposed to credit risk through its finance lease receivables, loans and advances to customers as well as cash and cash equivalents.

The key areas of credit risk policy cover lease granting process (including solvency check of the lease), monitoring methods, as well as decision making principles.

The Group operates by applying a clear set of finance lease granting criteria. This criteria includes assessing the credit history of customer, means of lease repayment and understanding the lease object. The Group takes into consideration both quantitative and qualitative factors when assessing the creditworthiness of the customer. Based on this analysis, the Group sets the credit limit for each and every customer.

When the lease agreement has been signed, the Group monitors the lease object and customer's solvency. The Group has developed lease monitoring process so that it helps to quickly spot any possible non-compliance with the provisions of the agreement. The receivable balances are monitored on an ongoing basis to ensure that the Group's exposure to bad debts is minimized, and, where appropriate, provisions are being made.

At the end of the contract of Renti product the customer has two options: return the car to Mogo or buy it out. If requested by customer, instalment plan is provided and residual amount is paid in several months. In the case when customer is breaking the contract and not willing neither return the car, nor buy it back, Mogo starts repossession process. Company has dedicated repossession team (skilled personnel equipped with robust processes) to handle the process. Additionally, at the moment when vehicles are rented out, the company installs GPS trackers, which are of huge help during the repossession process. If in early stages of the rent agreement company suspects any fraudulent activities, then repossession process can start before the end of the contract. Just a few contracts have reached the end of its term, however, based on available data company demonstrates high recovery rates.

The Group does not have a significant credit risk exposure to any single counterparty, but has risk to group of counterparties having similar characteristics.

#### Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographical location.

In order to avoid excessive concentrations of risk, the Group is maintaining a diversified portfolio. It's main product is subprime lease, however it is offering also near prime lease, as well as loans and advances to customers and long-term rent products.

#### Capital risk management

The Group manages its capital to ensure that it will be able to continue as going concern. The Group fulfills externally imposed capital requirements. In order to maintain or adjust the capital structure, the Group may attract new credit facilities or increase its share capital.

**41. Fair value of financial assets and liabilities**

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

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

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

Instruments within Level 2 include assets, for which no active market exists, such as over the counter financial instruments that are traded outside the stock exchange, bonds, as well as balances due from banks and other financial liabilities. Bonds fair value is observable in NASDAQ OMX Baltic public information. Fair value of bank loans is based on effective interest rate which represents current market rate to similar companies. The management recognizes that cash and cash equivalents' fair value is the same as their carrying value therefore the risk of fair value change is insignificant.

Instruments within Level 3 include loans and receivables, balances due from banks and other financial liabilities.

Fair value of finance lease receivables and loans and advances to customers is determined using discounted cash flow model consisting of contractual lease and loan cash flows that are adjusted by expectations about possible variations in the amount and timings of cash flows using methodology consistent with the expected credit loss determination as at 31 December 2019 to determine the cash flows expected to be received net of impairment losses. The pre-tax weighted average cost of capital (WACC) of the entity holding the respective financial assets is used as the basis for the discount rate. The WACC is based on the actual estimated cost of equity and cost of debt that reflect any other risks relevant to the leases and loans that have not been taken into consideration by the impairment loss adjustment described above and also includes compensation for the opportunity cost of establishing a similar lease or loan. An additional 1.5% is added to the discount rate as an adjustment to consider service costs of the portfolio that are not captured by the cash flow adjustments.

The annual discount rate was determined as 13.46%. Impairment loss is estimated by applying PD and LGD rates, which are in line with ECL methodology described under 'The calculation of ECLs' (Note 2).

Fair value of current and non-current borrowings is based on cash flows discounted using effective agreement interest rate which represents current market rate. Group's management believes that interest rates applicable to loan portfolio and borrowings are in line with current market interest rates for companies similar to mogo JSC.

The management recognizes that if a fair value of such assets/liabilities would be assessed as an amount at which an asset could be exchanged or liability settled on an arm's length basis with knowledgeable third parties, the fair values obtained of the respective assets and liabilities would not be materially different.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

The table below summarizes the carrying amounts and fair values of those financial assets and liabilities not presented on the Group's statement of financial position at their fair value:

	Carrying 31.12.2019.	Fair value 31.12.2019.	Carrying 31.12.2018.	Fair value 31.12.2018.
	EUR	EUR	EUR	EUR
<b>Assets for which fair value is disclosed</b>				
Finance lease receivables non-current*	13 361 713	17 766 174	24 925 333	-
Loans and advances to customers non-current*	1 824 652	1 987 365	1 311 573	-
Loans to related parties	24 298 800	24 298 800	11 041 800	11 041 800
Finance lease receivables current*	5 704 587	9 771 504	8 562 209	-
Loans and advances to customers current*	850 415	1 485 188	1 376 781	-
Trade receivables	656 029	656 029	2 422 196	2 422 196
Other receivables	142 853	142 853	156 796	156 796
Cash and cash equivalents	376 567	376 567	743 195	743 195
<b>Total assets for which fair value is disclosed</b>	<b>47 215 616</b>	<b>56 484 480</b>	<b>50 539 883</b>	<b>14 363 987</b>

\* The Group performed first estimation of fair value loans and leases receivable as at 31 December 2019. The precise quantification of fair value of finance lease and loan receivables as at 31.12.2018 has not been estimated as considered impracticable due to fair value estimation being a resource-intensive task and thus bearing high costs. The management anticipates similar differences between fair value and carrying value as at 31 December 2018 as compared to 2019.

	Carrying 31.12.2019.	Fair value 31.12.2019.	Carrying 31.12.2018.	Fair value 31.12.2018.
	EUR	EUR	EUR	EUR
<b>Liabilities for which fair value is disclosed</b>				
Liabilities for issued debt securities	30 059 243	30 000 000	29 908 246	30 000 000
Lease liabilities for right-of-use assets	1 383 165	1 383 165	90 567	90 567
Trade payables	83 725	83 725	98 958	98 958
Other liabilities	890 005	890 005	212 354	212 354
<b>Total liabilities for which fair value is disclosed</b>	<b>32 416 138</b>	<b>32 356 895</b>	<b>30 310 125</b>	<b>30 401 879</b>



**41. Fair value of financial assets and liabilities (continued)**

The table below specified analysis by fair value levels as at 31 December 2019 (based on their carrying amounts):

	Level 1 31.12.2019.	Level 2 31.12.2019.	Level 3 31.12.2019.	Level 1 31.12.2018.	Level 2 31.12.2018.	Level 3 31.12.2018.
	EUR	EUR	EUR	EUR	EUR	EUR
<b>Assets at fair value</b>						
Finance lease receivables non-current	-	-	13 361 713	-	-	24 925 333
Loans and advances to customers non-current	-	-	1 824 652	-	-	1 311 573
Loans to non related parties non-current	-	-	24 298 800	-	-	11 041 800
Finance lease receivables current	-	-	5 704 587	-	-	8 562 209
Loans and advances to customers current	-	-	850 415	-	-	1 376 781
Trade receivables	-	-	656 029	-	-	2 422 196
Other receivables	-	-	142 853	-	-	156 796
Cash and cash equivalents	376 567	-	-	743 195	-	-
<b>Total assets at fair value</b>	<b>376 567</b>	<b>-</b>	<b>46 839 049</b>	<b>743 195</b>	<b>-</b>	<b>49 796 688</b>
	Level 1 31.12.2019.	Level 2 31.12.2019.	Level 3 31.12.2019.	Level 1 31.12.2018.	Level 2 31.12.2018.	Level 3 31.12.2018.
	EUR	EUR	EUR	EUR	EUR	EUR
<b>Liabilities at fair value</b>						
Liabilities for issued debt securities	-	30 059 243	-	-	29 908 246	-
Lease liabilities for right-of-use assets	-	-	1 383 165	-	-	90 567
Trade payables	-	-	83 725	-	-	98 958
Other liabilities	-	-	890 005	-	-	212 354
<b>Total liabilities at fair value</b>	<b>-</b>	<b>30 059 243</b>	<b>2 356 895</b>	<b>-</b>	<b>29 908 246</b>	<b>401 879</b>

The market for Parent company's bonds is not assessed as an active market thus classified as Level 3. Fair value of the bonds has been determined based on observable quotes.

**42. Segment information**

For management purposes, the Group is organized into business units based on its economic activities. Group includes two types of economic activities:

- 1) Financing activities. This is the major segment of the Group representing entity performing financing activities.
- 2) Other segments. This segment comprises Group's business lines with aggregate unconsolidated revenue below 10% of the total unconsolidated revenue of all operating segments.

Management monitors mainly the following indicators of operating segments for the purpose of making decisions about resource allocation and performance assessment: interest income, interest expenses, impairment expense, other operating income, other operating expense, total assets and total liabilities.

The Group's Chief operating decision maker is Group's CEO.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

No revenue from transactions with a single external customer or counterparty amounted to 10% or more of the Group's total revenue in 2018 or 2019.

Segment information below shows main income and expense items of comprehensive income statement. Other smaller income and expense items are summarized and shown under 'Other income/(expense)' column.

Segment information for the period ended on 31 December 2019 is presented below:

Period ended 31.12.2019.	Interest income	Interest expenses	Impairment expense	Other operating income	Other operating expense	Corporate income tax	Segment profit/ (loss) for the period	Total assets	Total liabilities
Financing	15 428 075	(5 208 435)	(2 934 864)	1 432 319	(1 447 744)	-	7 269 351	52 766 361	43 570 084
Other segments	1 072	(683 155)	(595 582)	5 635 158	(5 656 359)	-	(1 298 866)	15 467 274	15 581 460
<b>Total segments</b>	<b>15 429 147</b>	<b>(5 891 590)</b>	<b>(3 530 446)</b>	<b>7 067 477</b>	<b>(7 104 103)</b>	<b>-</b>	<b>5 970 485</b>	<b>68 233 635</b>	<b>59 151 544</b>
Adjustments and eliminations	(319 144)	343 442	-	459 692	(1 534 600)	-	(1 050 610)	(5 382 203)	(4 331 594)
<b>Consolidated</b>	<b>15 110 003</b>	<b>(5 548 148)</b>	<b>(3 530 446)</b>	<b>7 527 169</b>	<b>(8 638 703)</b>	<b>-</b>	<b>4 919 875</b>	<b>62 851 432</b>	<b>54 819 950</b>

Period ended 31.12.2018.	Interest income	Interest expenses	Impairment expense	Other operating income	Other operating expense	Corporate income tax	Segment profit/ (loss) for the period	Total assets	Total liabilities
Financing	18 817 631	(6 155 762)	(5 305 042)	2 401 757	(6 677 558)	-	3 081 025	5 282 977	45 733 759
Other segments	7 796	(112)	-	42 952	(167 235)	-	(116 599)	1 733 103	1 733 103
<b>Total segments</b>	<b>18 825 427</b>	<b>(6 155 874)</b>	<b>(5 305 042)</b>	<b>2 444 709</b>	<b>(6 844 793)</b>	<b>-</b>	<b>2 964 426</b>	<b>7 016 080</b>	<b>47 466 862</b>
Adjustments and eliminations	(30 140)	26 884	-	(617 107)	485 995	-	(134 368)	(1 777 060)	(1 642 692)
<b>Consolidated</b>	<b>18 795 287</b>	<b>(6 128 990)</b>	<b>(5 305 042)</b>	<b>1 827 602</b>	<b>(6 358 798)</b>	<b>-</b>	<b>2 830 058</b>	<b>5 239 020</b>	<b>45 824 170</b>

Inter-segment revenues are eliminated upon consolidation and reflected in the 'adjustments and eliminations' column. All other adjustments and eliminations are part of detailed reconciliations presented further below.

#### 42. Segment information (continued)

	2019	2018
<i>Revenue</i>	EUR	EUR
External customers (interest income and other income)	22 637 172	20 622 889
Elimination of intragroup interest income and other operating income	(140 548)	647 247
<b>TOTAL:</b>	<b>22 496 624</b>	<b>21 270 136</b>
	31.12.2019.	31.12.2018.
<i>Reconciliation of profit</i>	EUR	EUR
Segment profit	5 970 485	2 964 426
Elimination of intragroup interest income	(319 144)	(30 140)
Elimination of intragroup interest expenses	343 442	26 884
Elimination of intragroup income from dealership commissions	(1 797 549)	(176 826)
Elimination of intragroup other income/(expenses)	722 641	45 714
Consolidated profit for the period	4 919 875	2 830 058
<i>Reconciliation of assets</i>		
Segment operating assets	68 233 635	54 416 080
Elimination of intragroup loans	(5 382 203)	(1 777 060)
Total assets	62 851 432	52 639 020
<i>Reconciliation of liabilities</i>		
Segment operating liabilities	59 151 544	47 466 862
Elimination of intragroup borrowings	(4 331 594)	(1 642 692)
Total liabilities	54 819 950	45 824 170

The parent company has only the financing segment, while the subsidiary is shown under the other segment.

#### 43. Events after reporting period

As of the last day of the reporting year until the date of signing these financial statements there have been no other events, except of global pandemic COVID-19, requiring adjustment of or disclosure in the financial statements or Notes thereto.

##### Subsequent events and their impact on the Company's ability to continue as a going concern

On 11 March 2020 the World Health Organization declared the coronavirus outbreak a pandemic, and the Latvian government declared a state of emergency on 12 March 2020. Responding to the serious threat the COVID-19 presents to public health, the Latvian government authorities have taken measures to contain the outbreak, including suspension of international passenger transport through airports, ports, by bus and rail and the 'lock-down' of certain industries, pending further developments. In particular, airlines, sea carriers and railways suspended international transport of people, schools, universities, restaurants, cinemas, theatres and museums and sport facilities were closed or restricted their activities. Many businesses in Latvia have also instructed employees to remain at home and some have curtailed or temporarily suspended business operations. Similar measures were taken by other European countries and other countries affected by the pandemic.

The wider economic impacts of these events include:

- Disruption to business operations and economic activity in Latvia, with a cascading impact on both upstream and downstream supply chains;
  - Significant disruption to businesses in certain sectors, both within Latvia and in markets with high dependence on a foreign supply chain as well as export-oriented businesses with high reliance on foreign markets. The affected sectors include trade and transportation, travel and tourism, entertainment, manufacturing, construction, retail, insurance, education and the financial sector;
- Significant decrease in demand for non-essential goods and services;
- An increase in economic uncertainty, reflected in more volatile asset prices and currency exchange rates.

On 22 March 2020 the law on measures to prevent and overcome the national threat and combat its consequences in relation to the spread of the disease caused by COVID-19 entered into force.

The Cabinet of Ministers originally determined sectors that have been financially affected by the spread of COVID-19 and are eligible to receive the measures and special support mechanisms provided by the law and the list is being continuously extended and clarified.

A number of measures are introduced by the law, including the following principal ones:

- Idle time benefits to unemployed employees in the amount of up to 75% of their remuneration during the last six months but not in excess of EUR 700 for a calendar month;
- The right to apply for an extension of tax payment deadlines and also to request an extension of a tax payment deadline if the delay has been caused by COVID-19;
- Ways to increase the reserve capital of the state development financial institution ALTUM to enable companies affected by COVID-19 to use support instruments such as credit guarantees and loans to address the crisis.

Management evaluated the fact that the Group operates in a sector indirectly subject to temporary lockdown and state of emergency imposed by the government, and global circumstances and has considered that the lockdown and state of emergency period may be extended beyond the currently extended period of two months (i.e. beyond 12 May 2020). Due to these conditions over the last few weeks the Group has experienced reasonably expected decrease in its financial performance. Based on the publicly available information at the date these financial statements were authorized for issue, management considered a number of severe but plausible scenarios with respect to the potential development of the outbreak and its expected impact on the Group and economic environment, in which the Group operates, including the measures already taken by the Latvian government.



**43. Events after reporting period (continued)****Subsequent events and their impact on the Company's ability to continue as a going concern (continued)**

The Group monitors its liquidity ratios on an ongoing basis. The main liquidity ratios for the Group are capitalization ratio and interest coverage ratio. As at 31 March 2020, the Group's capitalization ratio and interest coverage ratio were accordingly 47% and 2.1 (31.12.2019: 36% and 2.2), indicating stable liquidity shape of the Group. The Group has maintained strong funding and liquidity position with its robust diversified funding base. As at 31 of March 2020 the Group is compliant with all financial covenants. The Group's management foresees that it will be able to fully satisfy the requirements of financial covenants as a minimum for 12 months assuming baseline development scenario as outlined below.

The Group management foresees that in the following months the main liquidity source would arise from positive net cash flow balances resulting from the Group's planned savings of administrative costs by more than 50% due to applied cost optimization actions and full focusing on debt collection. In order to strengthen the Group's liquidity and assure positive cash balances, the Group has carried out miscellaneous liquidity risk management activities such as limiting the issuance of new loans, focus on sound debt collection process and severe cost cutting. The Group controls its liquidity also by managing the amount of funding it attracts through peer-to-peer platform Mintos, which provides management greater flexibility to manage the level of borrowings and available cash balances. Despite the current uncertainty in the global economy, the amount of loans funded through Mintos have remained stable, demonstrating that investors trust in Mogo JSC a stable company, and they continue to invest in Mogo loans. The change in Mintos funding from 31/12/2019 to 31/03/2020 was EUR 107 thousand, which is 1% decrease.

Management further considered the following operating risks that may adversely affect the Group:

- Temporarily closed offline sales channels;
- Workforce unavailability for extended period;
- Recession in the Latvian economy and globally, as already confirmed by a number of economic forecasts done internationally, for the eurozone and in Latvia, that would significantly reduce the purchasing power of end consumers and businesses. For instance, the latest Bank of Latvia forecast anticipates GDP decline of 6.5% in 2020;

In order to mitigate the risks resulting from potential adverse scenarios, management started to implement the measures, which notably include:

- Formation of crisis management team, to ensure instant reaction to the situation, dedicated resources reviewing public health requirements and other related government announcements and ensuring the Group stays informed;
- To address increasing credit risk the Group has focused and reconsidered debt collection strategy for the existing portfolios;
- Strengthening the new loan issuance policy;
- Implemented set of cash preserving activities to manage liquidity risk;
- Developing alternative ways of accepting payments such as integration with paybox companies, online payment providers, remittance services;
- Successful implementation of work from home ensuring continuity of core processes;
- Employees have been required to adhere to very strict precautionary standards including social distancing and other health and safety best practices followed by published government guidelines;
- Monitoring and starting application process for any reliefs and support mechanisms provided by the Latvian government and governments in other countries, to which the Group could qualify, including discussions with tax authorities to renegotiate the tax payment schedules;
- Reviewing and renegotiating payment terms with suppliers.

The Group has performed the stress test – a quantitative analysis with a set of harsh scenarios of Group's operations assuming partly disrupted core processes or 'full lockdown' due to COVID-19 for several months. The key assumptions of the stress test include limited or entirely paused issuance of new loans and car sales and severe cost reduction related with the issuance of new loans and administration costs. The stress test includes 3 scenarios and the key assumptions are as follow:

**1) Baseline scenario:**

- loans issuance volumes: as of March 2020 decrease by 50% from budgeted amounts, April till June 2020 – no new loans issued, July 2020 - decrease by 70%, August 2020- decrease by 30%, starting from September 2020 – return to budgeted levels. Countries in Western Europe that were the first ones affected by COVID-19 have start to gradually relax the social distancing rules in the second half of April, therefore the management believes that the recovery scenario of 6 months is a reasonably conservative assumption;

- elimination of costs directly attributable to the loan issuance (e.g., marketing costs, car registration expenses, database costs): in March 2020 decrease by 50% from budgeted amounts, April till June 2020 – nil, from July till August – decrease by 30%;

- decrease of payroll costs by around 20% associated with certain employee layoff;

- decrease in profitability levels by 30% from April till August 2020- mostly on account of increased ECL. Since the pattern of loan and lease payments in March and April 2020 to date shows 15-25% worsening compared with payments discipline before COVID-19 outbreak, certain loan issuances continued into April, and there is no increase in numbers of rental fleet cars returned, the management believes that the estimate of profitability decrease by 30% for April till August 2020 due to payment worsening is a prudent assumption and it leaves certain room for a potential payment discipline worsening.

**2) Optimistic scenario.**

Key assumptions same as per baseline scenario, except no decrease in profitability estimated (i.e. no substantial payment discipline worsening)

**3) Pessimistic scenario:**

Key assumptions equal as per baseline scenario, except the profitability estimated to worsen twice from baseline's scenario for April till August 2020.

In management's view, and having considered the results of the stress testing, the above factors and measures taken support the assertion that the Company will have sufficient resources to continue for a period of at least 12 months from the reporting date. Management concluded that the range of possible outcomes considered at arriving at this judgment does not give rise to material uncertainties related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern.

Management cannot however preclude the possibility that extended lock down periods, an escalation in the severity of such measures, or a consequential adverse impact of such measures on the economic environment the Group operates in will not have an adverse effect on the Group, and its financial position and operating results, in the medium and longer term. We continue to monitor the situations closely and will respond to mitigate the impact of such events and circumstances as they occur.

Signed on behalf of the Group on 30 April 2020 by:

Krišjānis Znotiņš  
Member of the Board

Jolanta Ziedone  
Chief accountant



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## **Independent Auditors' Report**

### **To the shareholder of JSC Mogo**

#### **Report on the Audit of the Consolidated Financial Statements**

##### *Our Opinion on the Consolidated Financial Statements*

We have audited the accompanying consolidated financial statements of JSC Mogo ("the Company") and its subsidiaries (together, "the Group") set out on pages 7 to 54 of the accompanying consolidated Annual Report, which comprise:

- the consolidated statement of financial position as at 31 December 2019,
- the consolidated statement of profit and loss and other comprehensive income for the year then ended,
- the consolidated statement of changes in equity for the year then ended,
- the consolidated statement of cash flows for the year then ended, and
- notes to the consolidated financial statements, which include a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the European Union.

##### *Basis for Opinion*

In accordance with the 'Law on Audit Services' of the Republic of Latvia, we conducted our audit in accordance with International Standards on Auditing adopted in the Republic of Latvia (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibility for the Audit of the Consolidated Financial Statements* section of our report.

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) and independence requirements included in the 'Law on Audit Services' of the Republic of Latvia that are relevant to our audit of the consolidated financial statements in the Republic of Latvia. We have also fulfilled our other professional ethics responsibilities and objectivity requirements in accordance with the IESBA Code and the 'Law on Audit Services' of the Republic of Latvia.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

##### *Key Audit Matters*

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

We have determined the matters described below to be the key audit matters to be communicated in our report.



<b>Going concern</b>	
<b>Key audit matter</b>	<b>How we addressed the key audit matter</b>
<p><i>The Group's financial statements are prepared on a going concern basis.</i></p> <p>The World Health Organization declared on 11 March 2020 the coronavirus (COVID-19) outbreak a pandemic, and also, on 12 March 2020, the Decree of the Government of Latvia was issued, whereby the country's government declared the state of emergency. The measures taken by the government to counter the effects of the outbreak include border closure, quarantine, severe limitations imposed on cross-border and domestic transportation, ban on social, cultural, leisure or sport events, among other things. As a consequence, the Group was forced to temporarily close offline sales channels and transfer to mostly remote working regime, until at least 12 May 2020. Due to these conditions during March and April 2020, the Group experienced a significant decrease in revenues and profitability.</p> <p>The Group's going concern assessment was based on cash flow forecasts, which, in the Management Board's view, support the assertion that the Group will have sufficient resources to continue for a period of at least 12 months from the reporting date. The preparation of these forecasts incorporated a number of assumptions and significant judgment under a number of scenarios, including those considered by the Management Board to be severe but plausible, such as an extended closure of offline channels and a substantial reduction in new loan issuance. As part of the assessment, the Group also considered a number of actions aimed at alleviating the potential disruption to its business and liquidity position, such as increased debt collection control, cost cutting initiatives and available tax payment deferrals.</p>	<p>Our procedures in this area included, among others:</p> <ul style="list-style-type: none"> <li>• understanding the Group's business planning process, including the assessment of its ability to continue as a going concern, and the preparation and validation of cash flow forecasts used in the assessment, and also testing the Group's key related internal controls;</li> <li>• inspecting the Management Board's going concern assessment, including their evaluation of the business/operating and liquidity risks arising from the COVID-19 outbreak, and plans for further actions in response to the risks identified. As part of the procedure, we also made corroborating inquiries of the Group's CEO and CFO;</li> <li>• independently evaluating the reasonableness and feasibility of the plans for future actions in order to alleviate the effects of the outbreak, by reference to the preceding procedure as well as by performing the following:             <ul style="list-style-type: none"> <li>— challenging the key assumptions used in the determination of the forecast financial information under various scenarios. This primarily included challenging the assumed lockdown and sales channel closure periods, forecast amounts of new loans attracted, borrower payment discipline trends, capital expenditure and cost optimization volumes, based on our understanding of the Company's activities and by reference to publicly available industry/market reports;</li> <li>— performing an analysis of the going concern conclusion's sensitivity to changes in the aforementioned key assumptions adopted in the going concern assessment, and considering whether there were any indicators of management bias in the assessment;</li> </ul> </li> </ul>

The Management Board concluded that the range of possible outcomes considered at arriving at this judgment does not give rise to material uncertainties related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. Note 43 further explains how the judgment was formed.

The COVID-19 pandemic is an unprecedented challenge for humanity and for the economy globally, and at the date of approval of the consolidated financial statements for issue, its effects are subject to significant levels of uncertainty. The Group's use of the going concern basis of accounting is a key audit matter due to the associated extent of uncertainty, and consequently, high level of judgment required in evaluating the Management Board's plans for future actions and their financial impact.

— Assessing the availability of financing facilities and arrangements, by inspecting underlying documentation, such as agreements signed before the reporting period end, and assessing the impact of any covenants and other restrictive terms therein;

- considering whether any additional relevant facts or information have become available since the date on which the Group made its assessment;
- evaluating the appropriateness of Group's disclosures in respect of the going concern assessment, subsequent events and any related uncertainties in the consolidated financial statements.

#### Impairment allowance for finance lease receivables, loans and advances to customers

*The gross amount of finance lease receivables as at 31 December 2019: EUR 22 811 thousand; reversal of impairment allowances on lease receivables recognised in 2019: EUR 1 393 thousand; total impairment allowance as at 31 December 2019: EUR 3 165 thousand.*

*The gross amount of loans and advances to customers as at 31 December 2019: EUR 3 171 thousand; impairment allowances on lease receivables recognised in 2019: EUR 177 thousand; total impairment allowance as at 31 December 2019: EUR 362 thousand.*

*We refer to the financial statements: Note 2 and Note 3 (accounting policy), Notes 20 and 21 (financial disclosures).*

#### Key audit matter

Finance lease receivables, and loans and advances to customers, collectively ("exposures"), represent approximately 35% of the Group's assets as at 31 December 2019. Related impairment allowances represent the Management Board's best estimate of the expected credit losses associated with those exposures at the reporting date.

The Group estimates impairment allowances under the expected credit losses (ECLs) model of IFRS 9, considering multiple scenarios. In the process, the exposures are assigned to one of three stages. Stage 1 and

#### How we addressed the key audit matter

Our procedures in the area included, among others:

- inspecting the Group's ECL methodology and assessing its compliance with the relevant requirements of the financial reporting standards. As part of the above, we challenged whether the level of the methodology's sophistication is appropriate based on an assessment of the entity-level and portfolio-level factors;





Stage 2 loans are performing exposures, with Stage 2 exposures being those where a significant increase in credit risk since origination ("SICR") has been observed. Stage 3 loans are non-performing exposures. The ECLs for all are determined collectively, by applying modelling techniques, based on the historical pattern of losses and changes in the exposures' risk characteristics, adjusted by relevant forward-looking information. Key parameters within the model include those in respect of Probability of Default ("PD"), Loss Given Default ("LGD") and Exposure at Default ("EAD").

Timely identification of exposures with significant increase in credit risk and those credit impaired also requires significant management judgment.

Due to the above factors, we consider the area to be associated with a significant risk of material misstatement, which requires our increased attention in the audit. As such, we determined it to be a key audit matter.

- testing selected key controls over the approval and recording of lease receivables and loans, and also those over the management review and approval of the key ECL model inputs and outcomes;
- assisted by our own information technology (IT) specialists, testing the application and general IT controls related to the ECL estimation process, data flows between source systems and calculation of days past due;
- assisted by our own financial risk management specialists, independently assessing the forward-looking information used in the ECL model, by means of corroborating inquiries of the Management Board and inspection of publicly available information;
- challenging the LGD, PD and EAD parameters in the model, by inspecting the Group's experience studies, assessing any changes thereto in 2019 and making related inquiries of the Management Board and relevant credit risk personnel;
- assessing the appropriateness of the Group's staging of exposures, including identification of exposures with SICR, by reference to our analysis of the customer debt service experience. As part of the procedure, we also tested the appropriateness of the impairment rates applied in the model for exposures in a given stage;
- critically assessing the reasonableness of the ECL allowances, including both the share of the gross non-performing exposure in total gross exposure and the non-performing loans provision coverage;
- assessing the adequacy of the Group's disclosures on the loss allowances and credit risk management in the notes to the consolidated financial statements.



## Interest income recognition

*Interest income from finance lease receivables in 2019: EUR 11 573 thousand; Interest income from loans and advances to customers in 2019: EUR 1 409 thousand;.*

*We refer to the financial statements: Note 2 (accounting policy), Note 4 (financial disclosures).*

### Key audit matter

Interest income represented 67% of the total revenue and other income of the Group for the year ended 31 December 2019.

The calculation of interest income relies on the application of complex information technology systems, which process substantial amounts of data requiring frequent updates.

In addition, interest income to be recognized is determined using the effective interest rate ("EIR") method. In making the determination, the Group applies a model whereby manual adjustments are made to the interest amounts calculated in an automated manner based on contractual interest rate, to reflect incremental costs incurred in securing the underlying lease and loan contracts in the measurement of the EIR and resulting interest income recognized in profit or loss.

The above complexities increase the risk of a material error in the recognition of interest income and, because interest income represents one of the Group's key performance indicators, there is an inherent risk that the timing of recognition and the amounts recognized could be manipulated to meet specific targets or expectations.

In the wake of the above factors, we considered interest income recognition to be associated with a significant risk of material misstatement due to both error and fraud. Therefore, the area required our increased attention in the audit and as such was determined to be a key audit matter.

### How we addressed the key audit matter

Our procedures in the area included, among others:

- obtaining understanding of and evaluating the Group's interest income recognition policies against the requirements of the relevant financial reporting standards;
- testing the design and implementation of selected key controls within the interest recognition process, including those over application of appropriate contractual interest rates and other contractual terms in interest revenue recognition process and review and approval of manual accounting entries to measure EIR;
- assisted by our own IT specialists. testing IT general controls and selected key process level controls for the systems supporting the automated element of the interest income calculation, using contractual (nominal) interest rates;
- in respect of the internal reports and computations for manual adjustments to recognized interest income, testing the mathematical and logical accuracy of the reports and computations and, on a sample basis, tracing selected data inputs used in the reports, as follows:
  - commissions – by reference to supporting counterparty invoices;
  - interest rate implicit in the lease, principal outstanding at the year end and remaining lease term - by reference to the terms of the underlying finance lease and loan agreements;





	<ul style="list-style-type: none"> <li>• examining whether the interest income-related disclosures in the consolidated financial statements appropriately include and describe the relevant quantitative and qualitative information required by the applicable financial reporting framework.</li> </ul>
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#### **Impairment of rental fleet assets**

*The carrying amount of rental fleet as at 31 December 2019: EUR 13 492 thousand; related impairment allowance recognized in 2019 and as at 31 December 2019: EUR 428 thousand.*

*We refer to the financial statements: Note 2 and 3 (accounting policy), Note 18 (financial disclosures).*

<b>Key audit matter</b>	<b>How we addressed the key audit matter</b>
<p>The Company launched its operating lease business for vehicles in 2018. In 2019, the activity was significantly expanded by the Group's subsidiary, Renti JSC.</p> <p>Due to the fact that impairment indicators were identified as at 31 December 2019, as discussed in Note 11, the Group estimated the recoverable amount of the entire portfolio of rental fleet assets and recognized an impairment loss at the above date.</p> <p>For the fleet assets expected to be recovered through future rentals, the recoverable amounts were estimated by the Group by reference to their value-in-use (under the discounted cash flow method). For the remaining assets, the recoverable amount was based on the assessment of their fair value less costs to sell.</p>	<p>Our procedures in this area included, among others:</p> <ul style="list-style-type: none"> <li>• evaluating against the requirements of the relevant financial reporting standards the Group's accounting policy for identification of impairment, and measurement and recognition of any impairment losses in respect of rental fleet assets;</li> <li>• testing selected key controls in the process of accounting for rental fleet assets, including those over timely approval of individual vehicle status (rented vs available) and changes thereto and review and approval vehicle recoverable value calculation;</li> <li>• assisted by our own valuation specialists, challenging the reasonableness of the Group's key assumptions and judgments used in estimating the recoverable amount of fleet assets, including:             <ul style="list-style-type: none"> <li>— discount rate – by reference to interest rate implicit in the asset lease contract;</li> <li>— expected asset recovery mode – by reference to the lease contract information derived from the systems independent of the accounting function and inquiries of the Management Board.</li> </ul> </li> </ul>



<p>Determination of the assets' recoverable amounts requires making a number of assumptions and judgments, in particular those relating to discount rates used, future cash flows and residual values. In making the assessment, management needs to consider the impact of technological developments and changing laws and regulations affecting the residual values of vehicles.</p> <p>Due to the magnitude of the amounts involved and the complexity of the impairment assessment process, we consider the valuation of the rental fleet as a key audit matter.</p>	<ul style="list-style-type: none"> <li>• for a sample of assets expected to be recovered through rental, tracing the selected key inputs in the impairment model, such as the rental period, contractual payments and residual value to underlying operating lease contracts;</li> <li>• for a sample of assets expected to be recovered through disposal, comparing their fair value less cost to sell estimated by the Group to publicly available market data and, where available, recent actual sales proceeds from transactions on terminated contracts;</li> <li>• assessing the appropriateness and completeness of impairment-related disclosures in the consolidated financial statements.</li> </ul>
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#### *Other Matter*

The consolidated financial statements of the Group as at and for the year ended 31 December 2018 were audited by another auditor who expressed an unmodified opinion on those statements on 31 May 2019.

#### *Reporting on Other Information*

The Group's management is responsible for the other information. The other information comprises:

- Information about the Group, as set out on page 3 of the accompanying consolidated Annual Report,
- the Management Report, as set out on page 4 of the accompanying consolidated Annual Report,
- the Statement on Management Responsibility, as set out on page 6 of the accompanying consolidated Annual Report,
- the Statement of Corporate Governance for 2019, as set out in separate statement provided by JSC Mogo management and available on the Nasdaq Baltic exchange website <https://nasdaqbaltic.com>, JSC Mogo, section Reports,

Our opinion on the consolidated financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon, except as described in the *Other Reporting Responsibilities in Accordance with the Legislation of the Republic of Latvia Related to Other Information* section of our report.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed and in light of the knowledge and understanding of the Group and its environment obtained in the course of our audit, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



*Other Reporting Responsibilities in Accordance with the Legislation of the Republic of Latvia Related to Other Information*

In addition, in accordance with the 'Law on Audit Services' of the Republic of Latvia, with respect to the Management Report, our responsibility is to consider whether the Management Report is prepared in accordance with the requirements of the 'Law on the Annual Reports and Consolidated Annual Reports' of the Republic of Latvia.

Based solely on the work required to be undertaken in the course of our audit, in our opinion, in all material respects:

- the information given in the Management Report for the financial year for which the consolidated financial statements are prepared is consistent with the consolidated financial statements; and
- the Management Report has been prepared in accordance with the requirements of the 'Law on the Annual Reports and Consolidated Annual Reports' of the Republic of Latvia.

In accordance with the 'Law on Audit Services' of the Republic of Latvia with respect to the Statement of Corporate Governance, our responsibility is to consider whether the Statement of Corporate Governance includes the information required in section 56.1, first paragraph, clause 3, 4, 6, 8 and 9, as well as section 56.2, second paragraph, clause 5, and third paragraph of the 'Financial Instruments Market Law' of the Republic of Latvia and if it includes the information stipulated in section 56.2 second paragraph, clause 1, 2, 3, 4, 7 and 8 of the 'Financial Instruments Market Law' of the Republic of Latvia.

In our opinion, in all material respects, the Statement of Corporate Governance includes the information required in section 56.1, first paragraph, clause 3, 4, 6, 8 and 9, as well as section 56.2, second paragraph, clause 5, and third paragraph of the 'Financial Instruments Market Law' of the Republic of Latvia and it includes the information stipulated in section 56.2 second paragraph, clause 1, 2, 3, 4, 7 and 8 of the 'Financial Instruments Market Law' of the Republic of Latvia.

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

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

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

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

*Auditors' Responsibility for the Audit of the Consolidated Financial Statements*

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





reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves a fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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



## Report on Other Legal and Regulatory Requirements

### *Other Reporting Responsibilities and Confirmations Required by the Legislation of the Republic of Latvia and the European Union when Providing Audit Services to Public Interest Entities*

We were appointed by those charged with governance on 31 October 2019 to audit the consolidated financial statements of the Group for the year ended 31 December 2019. Our total uninterrupted period of engagement is 1 year, covering the year ended 31 December 2019.

We confirm that:

- our audit opinion is consistent with the additional report presented to the Audit Committee of the Group;
- as referred to in the paragraph 37.6 of the 'Law on Audit Services' of the Republic of Latvia we have not provided to the Group the prohibited non-audit services (NASs) referred to of EU Regulation (EU) No 537/2014. We also remained independent of the audited group in conducting the audit.

KPMG Baltics AS  
Licence No. 55

*Armine Movsisjana*

Armine Movsisjana  
Chairperson of the Board  
Latvian Sworn Auditor  
Certificate No. 178  
*Riga, Latvia*  
30 April 2020

This report is an English translation of the original Latvian. In the event of discrepancies between the two reports, the Latvian version prevails