

JOINT STOCK COMPANY MOGO

(UNIFIED REGISTRATION NUMBER LV50103541751)

CONSOLIDATED INTERIM UNAUDITED CONDENSED FINANCIAL STATEMENT

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2020

Riga, 2020

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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 52, Riga, Latvia
Shareholders	<div>30.06.2020.</div> <div> <div>Mogo Baltics and Caucasus JSC *</div> <div>98%</div> </div> <div> <div>Tobago capital LTD</div> <div>2%</div> </div> <div> <div>TOTAL</div> <div>100%</div> </div> <div> <div>*Mogo Finance S.A. (Luxembourg) till 27.03.2019.</div> <div>98%</div> </div>
Ultimate parent company	Mogo Finance S.A. (Luxembourg)
Board Members	<div>Krišjānis Znotiņš - Chairman of the Board from 17.08.2020.</div> <div>Krišjānis Znotiņš - Member of the Board from 14.03.2019. till 17.08.2020.</div> <div>Aivis Lonskis - Member of the Board from 17.08.2020.</div> <div>Juris Pārups - Chairman of the Board from 25.09.2018. till 13.08.2019.</div>
Council Members	<div>Valerij Petrov - Chairman of Council from 17.08.2020.</div> <div>Vladislavs Mejeritāls - Deputy Chairman of Council from 17.08.2020.</div> <div>Neringa Plauškiene - Member of the council from 17.08.2020.</div> <div>Modestas Sudnius, from 25.05.2018. till 17.08.2020.</div> <div>Dārta Keršule, from 05.09.2018. till 17.08.2020.</div> <div>Kārlis Bērziņš, from 25.05.2018. till 17.08.2020.</div>
Subsidiaries	<div>Renti JSC, Latvia (100%)</div> <div>Loango JSC, Latvia (100%) till 11.07.2019.</div>
Financial period	1 January - 30 June 2020
Previous financial period	1 January - 30 June 2019
Previous balance date	31 December 2019

Management report

27 August 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 center.

During the period Parent Company has continued to service its new and existing customers and was as well focused on being a service and development center for its subsidiary JSC Renti and associated company JSC Primero Finance, using Group's resources and long-lasting experience in the leasing field. Services include full-cycle service from sales and customer service to debt collection activities. Group's leading market positions were further strengthened through streamlined product mix, keeping core leasing and rent products and stopping issuances of unsecured products as consumer credit, refinancing and car loan. More and more customers are choosing subsidiary's JSC Renti offered long term rent as being a more flexible and convenient product, so JSC Renti long term rent sales volumes outscored Parent company's sales in the reporting period.

In June 2020 the Parent Company has concluded a leasing portfolio sale with a nominal amount of 3.8 million EUR to JSC Primero Finance, what provided sufficient liquidity to decrease the debt of AS "mogo" and thus enhanced the capitalization of the Company.

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, including COVID-19 impacts assessment

In the first six months of 2020, the Group continued its operations in order to accomplish its mission – to offer accessible leasing services in a quick and simple way. The Group 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. The Group operates a few products under separate brand names, which visibility, awareness and recognition have been strengthened with various digital and offline marketing campaigns, mainly executed in the beginning of the year.

On 11 March 2020 the World Health Organization declared the COVID-19 outbreak a pandemic, and the Latvian government declared a state of emergency on 12 March 2020, which was announced till 06 June 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 temporary suspensions of international passenger transport through airports, ports, by bus and rail and the 'lock-down' of certain industries. 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 had their activities restricted.

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 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. Following the regulations, the Group has applied lower late payments fines for the customers experiencing financial difficulties. The Group has used the tax payment rescheduling opportunity, arranging an agreement on the gradual tax repayment schedule.

The Group operates in a sector indirectly subject to temporary lockdown and state of emergency imposed by the government effects, and global circumstances and therefore it has experienced reasonably expected decrease in its financial performance over the COVID-19 period.

In order to mitigate the economic impacts of COVID-19 outbreak and strengthen the Group's liquidity, assure positive cash balances and ultimately cash accumulation, the Group management implemented the measures, which include:

- Formation of the crisis management team;
- Limiting the issuances of the new loans over the lock-down period;
- Existing portfolio debt collection strategy revision, covering the addition of additional debt collection tools and revamped debt collection approach;
- Strengthening the underwriting through continuous COVID-19 impact assessments;
- Successful implementation of work from home ensuring continuity of core processes;
- Reviewing and renegotiating payment terms with suppliers;
- Significant cost revision activities.

The Group keeps close contact with its customers and works with them to ensure the contractual commitments are still being successfully maintained. Since June used car market has recovered and reached last years respective months results, customer payment discipline is stable.

The Group has taken all mandatory and recommended safety measures.

Management report (continued)

Total revenue of the Group including net interest on financial products and income from long term rent services have reached 8.7 million EUR (8.3% decrease compared to 6 months 2019), whereas income from car rent increased to 2.98 million EUR (from 1.33 million EUR in 6 months 2019), going in line with the Parent company's portfolio development. Despite the COVID-19 impact on the market and Group's operations, the net profit of the Group stayed on similar level compared to 6 months 2019 (reaching 3 millions EUR).

Total assets as at 30 June 2020 amounted to 56.8 million EUR (9.6% change from 31 December 2019), accompanied by the further increase of Group's own capital.

As a result of COVID-19 impacts and measures taken, the sales volume in the 2nd quarter of 2020 has been by around 50% lower than in the 1st quarter, however stays on the steep recovery from June 2020, strongly outscoring the used car market recovery speed. Despite the sales drop, the considerable and stable net profit, generated during the current financial period, demonstrates the Group's strong financial resilience, well developed underwriting principles and ability to adapt in a fast manner to changing market conditions. The Group's impairment expense level is decreased compared to the first 6 month of 2019 (1.4 million EUR in 6 months 2020 vs 2 million EUR in 6 months 2019, respectively). In the turbulent COVID-19 times, the Group focused on finding solutions for the customers facing financial difficulties and introduced extensive amount of additional tools to cure them which resulted in a robust cash accumulation, being a testimony to the solid debt collection strategy. Applied cost scrutiny measures, restructured operational units, HR optimisation, made the organisation more compact and ready for the strong performance going forward.

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 30 June 2020, the Group's capitalization ratio and interest coverage ratio were accordingly 79% and 2.68 and it was compliant with all financial covenants. To strengthen Group's liquidity, the Group has concluded a leasing portfolio sale with a nominal amount of 3.8 million euros. As part of the transaction, the Group is expected to receive a total remuneration of up to 4.4 million euros, allowing to cover its debts and thus enhance the capitalization further. Despite the current uncertainty in the global economy, the demand of the loans through P-2-P Mintos platform have remained stable, demonstrating that investors trust in JSC mogo as a stable company.

In management's view, and having considered the results of 2020, the above factors and measures taken support the assertion that the Group 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.

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.

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.

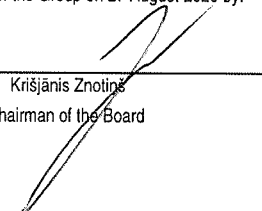
When the lease agreement has been signed, the Group monitors the lease object and customer's solvency. The Group has developed lease monitoring process so that it helps quickly spotting any possible non-compliance with the provisions of the agreement. The receivable balances are monitored on an ongoing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

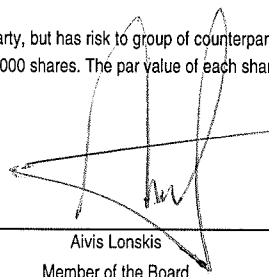
The Group does not have a significant credit risk exposure to any single counterparty, but has risk to group of counterparties having similar characteristics.

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 period.

Signed on behalf of the Group on 27 August 2020 by:


Krišjānis Znotiņš
Chairman of the Board


Alvis Lonskis
Member of the Board

Statement of Management Responsibility

27 August 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 30 June 2020, results of operations and cash flows for the period ended 30 June 2020

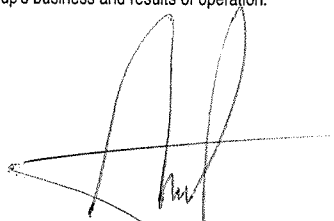
Management of the Group confirms that an appropriate and consistent accounting policies and management estimates are used. Management of the Group confirms that the financial statements are prepared using prudence principle as well as the going concern assumption. Management of the Group confirms its 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 27 August 2020 by:



Krišjānis Znotiņš
Chairman of the Board

Aivis Lonskis
Member of the Board


Consolidated Financial Statements

Consolidated Statement of Profit and Loss and Other Comprehensive Income

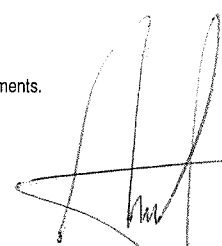
		01.01.2020. - 30.06.2020.	01.01.2019. - 30.06.2019.
		EUR	EUR
Interest revenue	4	5 733 342	8 164 948
Interest expense	5	(2 507 569)	(2 575 801)
Net interest income		3 225 773	5 589 147
Income from car rent	6	2 975 365	1 329 126
Fee and commission related to finance lease activities and rent contracts	7	330 968	415 975
Impairment expense	8	(1 437 841)	(1 959 757)
Net gain/(loss) from de-recognition of financial assets measured at amortized cost	9	518 086	97 761
Expenses related to peer-to-peer platforms services		(106 025)	(88 212)
Revenue from car sales	10	1 827 516	528 112
Cost of sales of cars	10	(2 663 660)	(663 949)
Selling expense	11	(52 208)	(215 104)
Administrative expense	12	(2 631 767)	(2 142 171)
Other operating income	13	1 159 986	261 196
Other operating expense		(138 454)	(101 186)
Net foreign exchange result		(1)	(69)
Profit before tax		3 007 738	3 050 869
Net profit for the period		3 007 738	3 050 869
Other comprehensive income for the year		-	-
Comprehensive income for the year		3 007 738	3 050 869

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


Signed on behalf of the Group on 27 August 2020 by:



Krišjānis Znotiņš
Chairman of the Board



Aivis Lonskis
Member of the Board



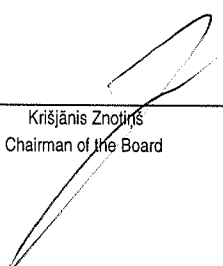
Jolanta Ziedone
Chief accountant

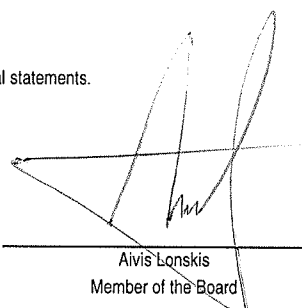
Consolidated Statement of Financial Position

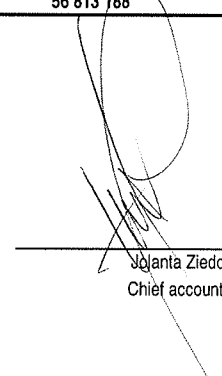
ASSETS		30.06.2020.	31.12.2019
		EUR	EUR
NON-CURRENT ASSETS			
Intangible assets			
Other intangible assets		14 595	28 013
Total intangible assets		14 595	28 013
Tangible assets			
Rental fleet		13 568 153	13 492 049
Right-of-use assets		1 217 650	1 407 394
Property and equipment		115 234	132 322
Advance payments for assets		621	37 584
Leasehold improvements		41 885	6 605
Total tangible assets		14 943 543	15 075 954
Non-current financial assets and lease receivables			
Finance lease receivables	14	7 589 190	13 361 713
Loans and advances to customers	15	1 205 058	1 824 652
Loans to related parties		21 234 535	24 298 800
Other investments		26	26
Total non-current financial assets and lease receivables		30 028 809	39 485 191
TOTAL NON-CURRENT ASSETS		44 986 947	54 589 158
CURRENT ASSETS			
Receivables and other current assets			
Finance lease receivables	14	4 264 616	5 704 587
Loans and advances to customers	15	982 625	850 415
Trade receivables		709 671	656 029
Prepaid expense		79 382	111 595
Other receivables		165 840	142 853
Accrued revenue		320 464	224 250
Accrued revenue related parties		229 720	-
Cash and cash equivalents		4 972 107	376 567
Total receivables and other current assets		11 724 425	8 066 296
Assets held for sale		101 816	195 978
Total assets held for sale		101 816	195 978
TOTAL CURRENT ASSETS		11 826 241	8 262 274
TOTAL ASSETS		56 813 188	62 851 432

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

Signed on behalf of the Group on 27 August 2020 by:


Krišjānis Znotiņš
Chairman of the Board


Aivis Lonskis
Member of the Board

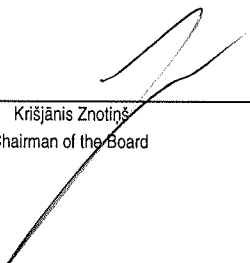

Jolanta Ziedone
Chief accountant

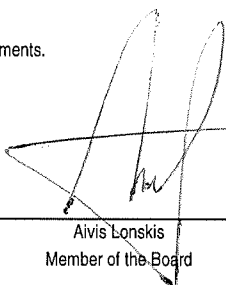
Consolidated Statement of Financial Position


EQUITY AND LIABILITIES		30.06.2020.	31.12.2019
		EUR	EUR
EQUITY			
Share capital		5 000 000	5 000 000
Foreign currency translation reserve		1	1
Other reserves		(4 769 833)	(4 769 833)
Retained earnings			
brought forward		7 801 315	2 881 440
for the period		3 007 738	4 919 875
TOTAL EQUITY		11 039 221	8 031 483
LIABILITIES			
Non-current liabilities			
Liabilities for issued debt securities	16	-	30 059 243
Funding attracted through peer-to-peer platforms	16	6 892 665	9 363 368
Lease liabilities for right-of-use assets	16	1 052 461	1 177 739
Loans from related parties	16	-	290 306
Loan from banks	16	962 969	2 106 840
Total non-current liabilities		8 908 095	42 997 496
Provisions for financial guarantees		3 444 989	4 315 492
Other provisions		447 318	492 671
Total provisions for liabilities and charges and financial guarantees		3 892 307	4 808 163
Current liabilities			
Liabilities for issued debt securities	16	25 335 982	-
Funding attracted through peer-to-peer platforms	16	5 941 230	5 179 343
Loans from related parties	16	-	7 403
Lease liabilities for right-of-use assets	16	149 914	205 426
Prepayments and other payments received from customers		57 717	54 865
Payables to related companies		23 790	154 621
Trade payables		137 718	83 725
Corporate income tax payable		-	140
Taxes payable		601 011	93 175
Other liabilities		441 398	890 004
Accrued liabilities		284 805	345 588
Total current liabilities		32 973 565	7 014 290
TOTAL LIABILITIES		45 773 967	54 819 949
TOTAL EQUITY AND LIABILITIES		56 813 188	62 851 432

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

Signed on behalf of the Group on 27 August 2020 by:


Krišjānis Znotiņš
Chairman of the Board


Aivis Lonskis
Member of the Board

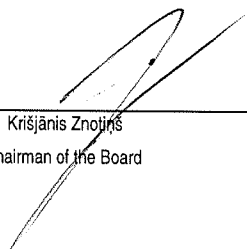

Jolanta Ziedone
Chief accountant

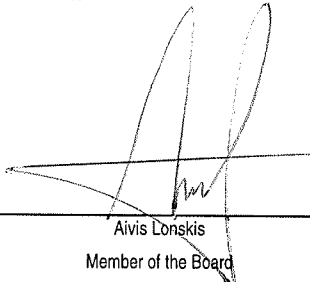
Consolidated Statement of Changes in Equity

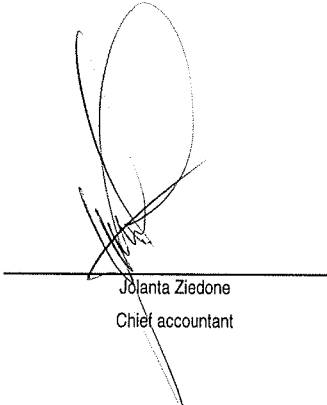
	Share capital EUR	Currency revaluation reserve EUR	Other Reserves EUR	Retained earnings EUR	Total EUR
Balance at 01.01.2019.	5 000 000	1	(1 066 590)	2 881 440	6 814 851
Profit for the reporting year	-	-	-	4 919 875	4 919 875
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	-	4 919 875	4 919 875
Issue of financial guarantees	-	-	(98 640)	-	(98 640)
Net result of original guarantee derecognition and recognition of modified guarantee	-	-	(3 604 603)	-	(3 604 603)
Balance at 31.12.2019.	5 000 000	1	(4 769 833)	7 801 315	8 031 483
Balance at 01.01.2020.	5 000 000	1	(4 769 833)	7 801 315	8 031 483
Profit for the reporting year	-	-	-	3 007 738	3 007 738
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	-	3 007 738	3 007 738
Balance at 30.06.2020.	5 000 000	1	(4 769 833)	10 809 053	11 039 221

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

Signed on behalf of the Group on 27 August 2020 by:


Krišjānis Znotiņš
Chairman of the Board


Aivis Lonskis
Member of the Board

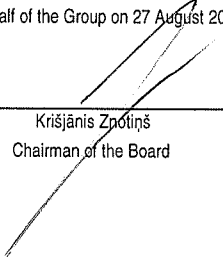

Jolanta Ziedone
Chief accountant

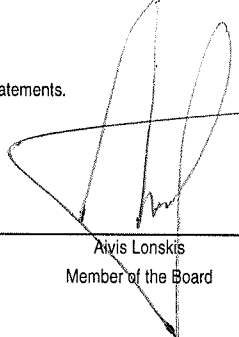
Consolidated Statement of Cash Flows


	01.01.2020. - 30.06.2020.	01.01.2019. - 30.06.2019.
	EUR	EUR
Cash flows to/from operating activities		
Profit before tax from continuing operations	3 007 738	3 050 869
Adjustments for:		
Amortization and depreciation	1 214 494	534 512
Interest expense	2 400 372	2 835 535
Interest income	(5 733 342)	(8 164 948)
Disposals of rental fleets	816 762	651 011
Disposals of property, equipment and intangible assets	7 757	-
Impairment expense	1 437 841	1 959 757
Financial guarantees	(870 503)	(75 138)
Operating profit before working capital changes	2 281 119	791 598
Decrease/ (increase) in inventories	-	(122 028)
Increase in finance lease receivables, loans and advances to customers, trade and other receivables	4 151 506	7 452 537
Increase in advances received and trade payables and guarantees	1 542 977	582 024
Cash generated to/from operations	7 975 602	8 704 131
Interest received	5 667 160	7 634 837
Interest paid	(2 229 686)	(2 316 208)
Corporate income tax paid	(140)	(91 489)
Net cash flows to/from operating activities	11 412 936	13 931 271
Cash flows to/from investing activities		
Purchase of property and equipment and other intangible assets	(14 098)	(871 639)
Purchase of rental fleets	(4 393 833)	(9 592 215)
Proceeds from sales of rental fleet	1 827 516	528 112
Loan repayments received from related parties	12 668 000	11 149 110
Loans to related parties	(9 314 000)	(18 600 502)
Net cash flows to/from investing activities	773 585	(17 387 134)
Cash flows to/from financing activities		
Proceeds from borrowings	13 132 710	24 227 698
Repayments for borrowings	(20 440 536)	(20 261 874)
Repayment of liabilities for right-of-use assets	(283 155)	(486 599)
Net cash flows to/from financing activities	(7 590 981)	3 479 225
Change in cash	4 595 540	23 362
Cash at the beginning of the year	376 567	743 195
Cash at the end of the year	4 972 107	766 557

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

Signed on behalf of the Group on 27 August 2020 by:


Krišjānis Znotiņš
Chairman of the Board


Aivis Lonskis
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 (45.69%). 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	
					30.06.2020.	31.12.2019.
Renti JSC	10.10.2018	LV40203174147	Latvia	Rent services	100%	100%

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.

2. Summary of significant accounting policies

a) Basis of preparation

These consolidated annual financial statements as of and for the year ended 30 June 2020 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, 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.

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 2020 till 30 June 2020. Accounting policies and methods are consistent with those applied in the previous years, except as described below.

Going concern

These consolidated financial statements are prepared on the going concern basis.

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Parent company (mogo JSC) and its subsidiaries as at 30 June 2020. The financial statements of the subsidiary Renti is prepared for the same reporting period as the Parent company, 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.

2. Summary of significant accounting policies (continued)

b) Significant accounting policies

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.

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' to determine whether an underlying asset subject to an operating lease may have residual value unrecoverable and impairment loss may need to be recognized.

2. Summary of significant accounting policies (continued)

b) Significant accounting policies (continued)

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.

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 2020 or 2019.

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 finance 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.

2. Summary of significant accounting policies (continued)

b) Significant accounting policies (continued)

Derecognition of financial assets and finance lease receivables (continued)

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 in the consolidated statements of comprehensive income, to the extent that an impairment loss has not already been recorded. Further information on modified financial assets and finance lease receivables is disclosed in the following section on impairment.

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

From 1 January 2018, the Group has been recording the allowance for expected credit losses (ECL) 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.

2. Summary of significant accounting policies (continued)

b) Significant accounting policies (continued)

Overview of the expected credit loss principles (continued)

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 analyses 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 2 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 and loans that have a status of 31-60 DPD to be Stage 2 loans. Exposures remain in Stage 2 for a healing period of 2 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 and loans 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.

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.

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:

$$ECL = EAD * PD * LGD * [DDV]$$

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 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 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%.

2. Summary of significant accounting policies (continued)

b) Significant accounting policies (continued)

Overview of the expected credit loss principles (continued)

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 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.

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.

2. Summary of significant accounting policies (continued)

b) Significant accounting policies (continued)

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

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.

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.

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..

2. Summary of significant accounting policies (continued)

b) Significant accounting policies (continued)

Finance lease – Group as lessor (continued)

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.

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.

2. Summary of significant accounting policies (continued)

b) Significant accounting policies (continued)

Right-of-use assets (continued)

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.

3. Significant accounting judgments, estimates and assumptions

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 (FVLCO) - 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 FVLCO method. Assumptions applied for determination of the FVLCO 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. 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.

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.

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

Impairment of financial assets (continued)

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 approach was changed in 2019 and transition window was changed to 6 months (continuous horizon), and estimation over lifetime was defined as nth power of 6 months matrix. The approach significantly improved consistency of PD calculations, i.e. accounted for 6 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.

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

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, 30% - pessimistic, 50% - 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 30 June 2020 and 31 December 2019.

Country	PD 30.06.2020	PD 31.12.2019
LV	5,56%	7,99%

The table below shows optimistic and pessimistic macro variables assumptions for matured countries as at 30 June 2020.

Country	Macro development	GDP growth, YoY	Unemployment rate	Inflation, YoY
LV	optimistic	0.8%	12%	5%
LV	pessimistic	1.6%	6%	-1.2%

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 increase of impairment in amount of EUR 22 thousand at the end of 30.06.2020 and decreased 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 four-year period. For the 30 June 2020 impairment purposes recovery rate for renewed cases of 96.25% was applied (96.25% on 31 December 2019). 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 30 June 2020 80% was applied (80% on 31 December 2019).

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 30 June 2020 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.

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 17.

4. Interest revenue

	01.01.2020. - 30.06.2020.	01.01.2019. - 30.06.2019.
	EUR	EUR
Interest income from finance lease receivables	3 551 105	6 550 291
Interest income from intercompany loans according effective interest rate method	1 542 019	863 542
Interest income from loans and advances to customers according effective interest rate method	640 218	751 115
TOTAL:	5 733 342	8 164 948

5. Interest expense

	01.01.2020. - 30.06.2020.	01.01.2019. - 30.06.2019.
	EUR	EUR
<i>Interest expenses on financial liabilities measured at amortized cost:</i>		
Interest expense on issued bonds	1 649 963	1 458 323
Interest expense on issued bonds related parties	34 008	214 833
Interest expenses for loans from P2P platform investors	711 846	887 064
Interest expense for loans from related parties	-	11 806
Interest expenses for lease liabilities	17 964	3 775
Interest expenses for loans from banks*	86 704	-
Other interest expenses for loans	7 084	-
TOTAL:	2 507 569	2 575 801

* On 8 July 2019 mogo JSC has concluded a Credit line agreement with JSC Citadele banka

6. Income from car rent

	01.01.2020. - 30.06.2020.	01.01.2019. - 30.06.2019.
	EUR	EUR
Revenue from operating lease*	2 975 365	1 329 126
TOTAL:	2 975 365	1 329 126

*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

	01.01.2020. - 30.06.2020.	01.01.2019. - 30.06.2019.
	EUR	EUR
Revenue from contracts with customers recognised point in time:		
Gross income from debt collection activities	198 188	340 375
Gross expenses from debt collection activities	(149 678)	(182 198)
Net debt collection income:	48 510	158 177
Income from penalties received	190 627	243 636
Commissions income	73 939	-
Commissions and fees income from rent contracts*	17 892	14 162
TOTAL:	330 968	415 975

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

8. Impairment expense

	01.01.2020. - 30.06.2020.	01.01.2019. - 30.06.2019.
	EUR	EUR
Impairment expenses from lease and loans		
Change in impairment	778 126	1 888 411
TOTAL expenses from lease and loans:	778 126	1 888 411
Impairment expenses from rent contracts		
Change in impairment allowance	659 132	71 346
Written off debts	583	-
TOTAL expenses from rent contracts:	659 715	71 346
TOTAL impairment expenses:	1 437 841	1 959 757

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

	01.01.2020. - 30.06.2020.	01.01.2019. - 30.06.2019.
	EUR	EUR
Financial lease		
Income arising from cession of financial lease receivables to non related parties	200 848	354 457
Loss arising from cession of financial lease receivables to non related parties	(258 096)	(329 452)
TOTAL:	(57 248)	25 005
Financial lease		
Income arising from cession of financial lease receivables to associate parties	4 419 965	-
Loss arising from cession of financial lease receivables to non associate parties	(3 752 494)	-
TOTAL:	667 471	-
Loans and advances to customers		
Income arising from cession of loans and advances to customers receivables to non related parties	115 435	257 925
Loss arising from cession of loans and advances to customers receivables to non related parties	(207 572)	(185 169)
TOTAL:	(92 137)	72 756
Net Profit arising from cession of financial lease and loans, advances to customers receivables and rent contracts	TOTAL:	518 086
		97 761

10. Revenue from car sales

	01.01.2020. - 30.06.2020.	01.01.2019. - 30.06.2019.
	EUR	EUR
Revenue from contracts with customers recognized point in time:		
Income from sale of vehicles	1 827 516	528 112
TOTAL:	1 827 516	528 112
Expenses from contracts with customers recognized point in time:		
Expenses from sale of vehicles	(2 663 660)	(663 949)
TOTAL:	(2 663 660)	(663 949)
Total Net revenue/(loss) from contracts with customers recognized point in time:	(836 144)	(135 837)

11. Selling expense

	01.01.2020. - 30.06.2020.	01.01.2019. - 30.06.2019.
	EUR	EUR
TV and radio marketing expenses	3 226	81 901
Marketing services	15 386	95 428
Marketing fees	2 976	5 313
Online advertising	22 706	28 594
Total marketing expenses	44 294	211 236
Other selling expenses	7 914	3 868
TOTAL:	52 208	215 104

12. Administrative expense

	01.01.2020. - 30.06.2020. EUR	01.01.2019. - 30.06.2019. EUR
Employees' salaries	751 477	750 932
Amortization and depreciation	1 214 494	534 512
Management fee	410 662	400 043
Professional services	74 633	95 676
Credit database expenses	38 401	69 195
Donations	-	42 500
IT services	20 940	29 424
Office and branches' maintenance expenses	41 887	63 246
Recruitment fees	210	7 687
Business trips	108	1 961
Communication expenses	12 666	18 733
Other personnel expenses	25 792	11 151
Low value equipment expenses	3 083	3 140
Bank commissions	4 889	17 770
Transportation expenses	740	3 752
Other administration expenses	31 785	92 449
TOTAL:	2 631 767	2 142 171

13. Other operating income

	01.01.2020. - 30.06.2020. EUR	01.01.2019. - 30.06.2019. EUR
Income recognised from amortization of financial guarantee	870 503	75 138
Reversal of accrued penalty	45 354	169 853
Other operating income	244 129	16 205
TOTAL:	1 159 986	261 196

14. 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.

	30.06.2020.			31.12.2019.	
<i>Finance lease receivables</i>	Stage 1	Stage 2	Stage 3	TOTAL	TOTAL
Not past due	8 204 674	512 101	257 371	8 974 146	15 119 173
1-30	1 849 016	979 997	93 001	2 922 014	4 536 476
31-60	-	525 573	96 916	622 489	733 981
>60	-	-	2 584 680	2 584 680	2 421 034
TOTAL, GROSS:	10 053 690	2 017 671	3 031 968	15 103 329	22 810 664

	30.06.2020. EUR	31.12.2019. EUR
<i>Finance lease receivables</i>		
Non-current finance lease receivables	8 485 032	14 505 816
Current finance lease receivables	6 203 890	7 718 606
Accrued interest	414 407	586 242
TOTAL, GROSS:	15 103 329	22 810 664

	30.06.2020. EUR	31.12.2019. EUR
<i>Movement in impairment allowance</i>		
Impairment allowance as at 01 January	3 164 959	4 558 034
Impairment loss recognized during the year	399 235	1 609 149
Elimination of impairment allowance due to cession of receivables	(658 094)	(3 002 224)
Impairment allowance as at 30 June	2 906 100	3 164 959

	Non-Current 30.06.2020. EUR	Current 30.06.2020. EUR	Non-Current 31.12.2019. EUR	Current 31.12.2019. EUR
<i>Finance lease receivables, net</i>				
Finance lease receivables	8 485 032	6 203 890	14 505 816	7 718 606
Accrued interest	-	414 407	-	586 242
Fees paid and received upon lease disbursement	(198 378)	(145 045)	(378 175)	(201 230)
Impairment allowance	(697 464)	(2 208 636)	(765 928)	(2 399 031)
	7 589 190	4 264 616	13 361 713	5 704 587

15. 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.

Loans and advances to customers	30.06.2020.			31.12.2019.	
	Stage 1	Stage 2	Stage 3	TOTAL	TOTAL
Not past due	2 006 586	37 203	-	2 043 789	2 626 762
1-30	256 908	65 150	-	322 058	346 200
31-75	-	86 288	214	86 502	68 302
>75	-	-	338 865	338 865	129 486
TOTAL, GROSS:	2 263 494	188 641	339 079	2 791 214	3 170 750

Loans and advances to customers	30.06.2020.	31.12.2019.
	EUR	EUR
Non-current loans and advances to customers	1 456 285	2 118 137
Current loans and advances to customers	1 219 870	954 331
Accrued interest	115 059	98 282
TOTAL, GROSS:	2 791 214	3 170 750

Movement in impairment allowance	30.06.2020.	31.12.2019.
	EUR	EUR
Impairment allowance as at 01 January	361 857	184 614
Impairment loss recognized during the year	290 357	707 142
Elimination of impairment allowance due to cession of receivables	(160 662)	(529 899)
Impairment allowance as at 30 June	491 552	361 857

Loans and advances to customers, net	Non-Current	Current	Non-Current	Current
	30.06.2020.	30.06.2020.	31.12.2019.	31.12.2019.
	EUR	EUR	EUR	EUR
Loans and advances to customers	1 456 285	1 219 870	2 118 137	954 331
Accrued interest	-	115 059	-	98 282
Fees paid upon loan disbursement	93	78	163	73
Fees received upon loan disbursement	(61 028)	(51 122)	(92 421)	(41 641)
Impairment allowance	(190 292)	(301 260)	(201 227)	(160 630)
	1 205 058	982 625	1 824 652	850 415

16. Borrowings

Non-current

Liabilities for issued debt securities	Interest rate per annum (%)	Maturity	30.06.2020.	31.12.2019.
			EUR	EUR
Bonds 20 million EUR notes issue ¹⁾	10-12%	31.03.2021	-	20 000 000
Bonds 10 million EUR notes issue ²⁾	10-12%	31.03.2021	-	10 000 000
Bond additional interest accrual ⁵⁾			-	299 203
Bonds acquisition costs			-	(239 960)
TOTAL:			-	30 059 243

Funding attracted through peer-to-peer platforms

Funding attracted through peer-to-peer platforms ³⁾	8% - 16%	31.12.2026.	30.06.2020.	31.12.2019.
			EUR	EUR
Funding attracted through peer-to-peer platforms ³⁾			6 926 003	9 441 150
Liabilities acquisition costs for funding attracted through peer-to-peer platform			(33 338)	(77 782)
TOTAL:			6 892 665	9 363 368

Other borrowings

Loans from related parties	3%	27.02.2023	30.06.2020.	31.12.2019.
			EUR	EUR
Loans from related parties			-	290 306
Loans from banks ⁶⁾	8%	31.07.2021	962 969	2 106 840
TOTAL:			962 969	2 397 146

Lease liabilities for right-of-use assets

Lease liabilities for right-of-use assets - premises ⁴⁾	2.64%	up to 5 years	30.06.2020.	31.12.2019.
			EUR	EUR
Lease liabilities for right-of-use assets - premises ⁴⁾			1 052 461	1 177 739
TOTAL:			1 052 461	1 177 739

TOTAL NON CURRENT BORROWINGS: **8 908 095** **42 997 496**

16. Borrowings (continued)

Current	Interest rate per annum (%)	Maturity	30.06.2020. EUR	31.12.2019. EUR
<i>Liabilities for issued debt securities</i>				
Bonds 20 million EUR notes issue ¹⁾	10-12%	31.03.2021.	18 200 000	-
Bonds 10 million EUR notes issue ²⁾	10-12%	31.03.2021.	6 913 000	-
Bond additional interest accrual ⁵⁾			339 109	-
Bonds acquisition costs			(116 127)	-
TOTAL:			25 335 982	-
<i>Funding attracted through peer-to-peer platforms</i>				
Funding attracted through peer-to-peer platforms ³⁾	8-16%	31.12.2026.	5 888 619	5 107 459
Accrued interest for funding attracted through peer-to-peer platforms			52 611	71 884
TOTAL:			5 941 230	5 179 343
<i>Loans from related parties</i>				
Accrued interest for loans from related parties	3%	27.02.2023	-	7 403
TOTAL:			-	7 403
Lease liabilities for right-of-use assets - premises ⁴⁾	2.64%	up to 5 years	149 914	201 600
Lease liabilities for right-of-use assets - vehicles ⁴⁾	2.64%	up to 1 year 10 months	-	3 826
TOTAL:			149 914	205 426
TOTAL CURRENT BORROWINGS:			31 427 126	5 392 172

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 18 200 000 as at 30 June 2020 (20 000 000 EUR at 31 December 2019).

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 6 913 000 as at 30 June 2020 (10 000 000 EUR at 31 December 2019).

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.

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.

17. 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.

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 30 June 2020 is presented below:

Period ended 30.06.2020.	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	5 992 147	(2 264 350)	(259 773)	1 227 899	(792 625)	-	3 903 298	46 798 735	34 761 150
Other segments	2 321	(504 344)	(659 982)	5 082 492	(4 982 476)	-	(1 061 989)	16 228 015	17 392 811
Total segments	5 994 468	(2 768 694)	(919 755)	6 310 391	(5 775 101)	-	2 841 309	63 026 750	52 153 960
Adjustments and eliminations	(261 126)	261 125	-	(16 556)	182 986	-	166 429	(6 213 562)	(6 379 993)
Consolidated	5 733 342	(2 507 569)	(919 755)	6 293 835	(5 592 115)	-	3 007 738	56 813 188	45 773 967

17. Segment information (continued)

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
Total segments	15 429 147	(6 155 874)	(3 530 446)	7 067 477	(7 104 103)	-	5 970 485	68 233 635	59 151 544
Adjustments and eliminations	(319 144)	343 442	-	459 692	(1 534 600)	-	(1 050 610)	(5 382 203)	(4 331 594)
Consolidated	15 110 003	(5 812 432)	(3 530 446)	7 527 169	(8 638 703)	-	4 919 875	62 851 432	54 819 950

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.

Revenue	2020 EUR	2019 EUR
External customers (interest income and other income)	12 027 177	22 637 172
Elimination of intragroup interest income and other operating income	277 682	(140 548)
TOTAL:	12 304 859	22 496 624

Reconciliation of profit	30.06.2020. EUR	31.12.2019. EUR
Segment profit	2 841 309	5 970 485
Elimination of intragroup interest income	(261 126)	(319 144)
Elimination of intragroup interest expenses	261 125	343 442
Elimination of intragroup income from dealership commissions	(403 256)	(1 797 549)
Elimination of intragroup other income/(expenses)	569 686	722 641
Consolidated profit for the period	3 007 738	4 919 875

Reconciliation of assets	30.06.2020. EUR	31.12.2019. EUR
Segment operating assets	63 026 750	68 233 635
Elimination of intragroup loans	(6 213 562)	(5 382 203)
Total assets	56 813 188	62 851 432

Reconciliation of liabilities	30.06.2020. EUR	31.12.2019. EUR
Segment operating liabilities	52 153 960	59 151 544
Elimination of intragroup borrowings	(6 379 993)	(4 331 594)
Total liabilities	45 773 967	54 819 950

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

18. 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 events, requiring adjustment of or disclosure in the financial statements or Notes thereto.

Signed on behalf of the Group on 27 August 2020 by:

Krišjānis Znotiņš
Chairman of the Board

Aivis Lonskis
Member of the Board

Jolanta Ziedone
Chief accountant