Riga, 2021

CONSOLIDATED ANNUAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

Joint stock company MOGO
Unified registration number LV50103541751

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

Together with independent auditor's report

CONTENTS

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		31.12.2020.
	Mogo Baltics and Caucasus JSC *	98%
	Other	2%
	TOTAL	**100%**
Ultimate parent company	Mogo Finance S.A. (Luxembourg)	
Board Members	Krišjānis Znotiņš - Chairman of the Board from 17.08.2020. Krišjānis Znotiņš - Member of the Board from 14.03.2019. till 17.08.2020. Aivis Lonskis - Member of the Board from 17.08.2020. Juris Pārups - Chairman of the Board from 25.09.2018 till 13.08.2019.	
Council Members	Valerij Petrov - Chairman of Council from 17.08.2020. Vladislavs Mejertāls - Deputy Chairman of Council from 17.08.2020. Neringa Plauškiene - Member of the Council from 17.08.2020. Modestas Sudnius, from 25.05.2018. till 17.08.2020. Dārta Keršule, from 05.09.2018. till 17.08.2020. Kārlis Bērziņš, from 25.05.2018. till 17.08.2020.	
Subsidiaries	Renti JSC, Latvia (100%) Primero Finance JSC, Latvia (100%) till 11.07.2019.	
Financial year	1 January - 31 December 2020	
Previous financial year	1 January - 31 December 2019	
Auditors	KPMG Baltics AS Commercial license No. 55 Vesetas iela 7, Riga, Latvia, LV-1013 Certified auditor in charge Armine Movsisjana Certificate No. 178	

Management report

21 April 2021

The Directors of the Group present the report on the consolidated financial statements for the year ended 31 December 2020. All the figures are presented in EUR (euro).

General information

JSC mogo (hereinafter – the Parent company) and its subsidiary JSC Renti (together - The Group) is a leading company in Latvia in used car financing/long term rent in terms of number of items. The Group provides quick and convenient car financing and rent services through more than 200 partners (profesional car sellers) network, Group's branded websites, mobile homepages and onsite at customer service centre located in strategic location at road traffic safety directorate (CSDD).

During the year Parent company has focused on being service and development center for its JSC Renti and related company JSC Primero finance. 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. Car loan sales are further being serviced to related company JSC Primero finance customers. More and more customers are choosing JSC Renti's offered long term rent as being a more flexible and convenient product, so JSC Renti's long term rent sales volumes outscored the Parent's sales in the reporting period.
To support sales of core products further, development in web sales channel autotev.lv, offering Group's financing solutions was done. One of developments includes web tool for free car market value estimation. The portal is offered to the Group's partners to promote their car sales to end customers. Development of car portal has been successful step in strengthening relationships with partner car sellers, constantly exceeding 1000 cars advertisements.
Company's website www.mogo.lv have been renewed to support improvements in customer journey.

The Group complies with local laws relating to environmental protection.

Mission, vision and values

Mission
Mission of the Group is to enable mobility through accessible and affordable used car leasing, leaseback and rent services.

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

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

Operations and Financial Results

Total revenues of the Group including net interest on financial products and income from long term rent services reached 11.6 million euro (15% decrease compared to 2019). Income from car rent have incresed 1.6 times comparing to 2019, reaching 6.2 million euro. Net profit of the Group amounted to 5.6 million euro compared to 4.9 million in 2019, demonstrating growth of 14%.

Total assets as of 31 December 2020 amounted to 59 million (7% decrease from 31.12.2019). At the end of 2020 gross value of the loan and lease portfolio reached 15.1 million euro (42% decrease compared to 31 December 2019), whereas car fleet increased to 14.5 million euro (from 13.5 million in 2019).

Since establishment in 2012, this year Group have achieved highest net profit, supported by performing portfolio sale and backed by a significant guarantee amortisation (1.6 million euro). In June 2020 the Group has concluded a leasing portfolio sale with a nominal amount of 3.8 million euro to JSC Primero Finance, what provided sufficient liquidity to decrease the debt and thus enhanced the capitalization of the Group, increasing equity ratio from 13% in 2019 to 25% in 2020 and having total equity of 14.3 million euro. Sales transactions support chosen strategy to focus on new product development and efficiency improvements what is further used in the Group's operations and related company servicing.
On average the Group concluded 195 new long-term car rent agreements monthly, exceeding 4000 active rent customers at the end of 2020 (18% increase comparing to 2019).
In 2020 historical Group's gross unperforming portfolio in amount of 1.6 million euro, including unsecured balances and complicated cases, were sold to third parties.

In 2020, the Group continued its operations in order to accomplish its mission – to enable mobility through accessible and affordable used car leasing and rent services. 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. Main target in automation field includes instant decision for customers. The Group, cooperating with IJSC "Balta", has started selling motor third party liability (MTPL) insurance to customers, where customers have the opportunity to split the payments for the policy period up to a month and make payments together with monthly lease or rental payments.

The network of active car dealerships has sucesfully contributed to the growth of the long term rent products volume. For establishment of more integrated cooperation with the partners in the field of vehicle trade, the Group offered various partnership solutions and an individual approach for effective handling of clients' applications, as well as provided various marketing materials and conducts joint marketing campaigns.
The Group proceeded with various digital and offline marketing campaigns in order to promote the brand visibility and strengthen the Group brand awareness and recognition. Special focus in digital marketing was on car portal autotev.lv and Renti brand for long term rent services.

The future development of the Group
The Group's management plans to continue investing in process of automation and digitalization, creating seemless digital experience to customers. The main focus areas in 2021 will be to continue ensuring stable portfolio quality and providing improved customer experience for the Group's offered products and related party servicing.

Management report (continued)

Financial risk management

The Group's key principles of financial risk management are presented in the Note 40.

Assessment of COVID-19 impact

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

For the safety of the Group’s employees and customers, services are provided remotely, except the branch located at the premises of JSC “Ceļu satiksmes drošības direkcija” in Riga, where services are available upon prior appointment. The sale of cars is ensured at the points of sale and in cooperation with partners. The Group has taken all mandatory and recommended safety measures and ensured that its staff can work from home remotely.

Covid-19 had an impact on car sales market having 26% drop in new car sales and 14% in used car sales. Customers' requests for solutions to overcome short term financial difficulties have increased. Solutions as payment holidays, agreement extentions and rental payment discounts for customers to overcome short term financial dificulties were being offered. The Group has canceled penalties for delayed payments to help customers, which results in decrease in penalty and debt collection income from customers by 43% comparing to 2019, reaching 312 thousand euro in 2020. Adjusting to the situation and focusing on core functions, the Group could adapt and decrease selling expense by 70% comparing to 2019 and total number of employees from 71 to 63.

The Group's has successfully performed through first, second, and current Covid-19 waves, and it comfortably enters 2021 from both operational perspective as well as future funding availability perspective:

- Considering its own planned loan issuance volume (1.8-3 million EUR) and new rental contract volume (8-10 million EUR), as well as its service and agency arrangements with related party JSC Primero finance, the Company plans to service circa 37% higher count of contracts compared to 2020. Operations were unaffected by the second Covid-19 wave in 2020, therefore Group's management believes that further growth in service volumes is a reasonably conservative assumption.
- EBITDA to net portfolio ratio is expected to increase substantialy as at year ended 31.12.2021 compared to 105% ratio as at year ended 31.12.2020.

- Selling expense expected to be at the level of 1% from total issued loan volumes, administrative expenses at the level of 19% from planned net loan portfolio as of 31.12.2021.

Subsequent events

On February 19, 2021 the Group has concluded cession agreement to strengthen the Group's liquidity, the Group has concluded a leasing and leasback portfolio sale with a total nominal amount of 4.1 million euro. As part of the transaction, the Group expects to receive a total remuneration of up to 5.5 million euro with a maturity due date – February, 2027.

On March 1, 2021, through public offering AS “mogo” successfully issued secured corporate bond (LV0000802452) in the amount of EUR 30 million, which from March 31, 2021 are included in the regulated market – the Baltic Bond List of “Nasdaq Riga” stock exchange. The notes, with minimum subscription amount of EUR 1’000, are issued at par, have a maturity of 3 years and carry a fixed coupon of 11% per annum, paid monthly in arrears. The bonds were offered to existing Mogo bondholders and other retail and institutional investors from the Baltic region. The public offering consisted of two parts – subscription by new investors and exchange offer to existing bondholders, which has been comfortably oversubscribed with more than 840 investors participating in the offering.

See Note 43 for additional information.

The Group's corporate governance statement for 2020 is prepared according with the requirements of the Financial Instruments Market Law part 3 of article 56.2 and is available to the public electronically on the Nasdaq Baltic webpage www.nasdaqbaltic.com.

The share capital of the Parent company is EUR 5 000 000 and consists of 5 000 000 shares. The par value of each share is EUR 1. All the shares are fully paid.
There were no changes in amount of shares in reporting year.

Signed on behalf of the Group on 21 April 2021 by:

Krišjānis Znotiņš, Chairman of the Board
Aivis Lonskis, Member of the Board

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Statement of Management Responsibility

21 April 2021

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

Management of the Group declares that in accordance with the information in their possession, consolidated 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 Group’s assets, liabilities, financial position as at 31 December 2020, results of operations and cash flows for the year ended 31 December 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 consolidated 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 21 April 2021 by:

Krišjānis Znotiņš, Chairman of the Board
Aivis Lonskis, Member of the Board

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Consolidated Financial Statements

Consolidated Statement of Profit and Loss and Other Comprehensive Income

		2020 EUR	2019 EUR (restarted)
Interest revenue	**4**	9 880 509	15 110 003
Interest expense	**5**	(4 549 068)	(5 548 148)
Net interest income		**5 331 441**	**9 561 855**
Income from car rent	**6**	6 240 662	3 992 485
Fee and commission related to finance lease activities and rent contracts	**7**	581 089	939 837
Impairment expense	**8**	(2 156 835)	(3 213 871)
Net gain/(loss) from de-recognition of financial assets measured at amortized cost	**9**	584 633	(316 575)
Expenses related to peer-to-peer platforms services	**10**	(188 084)	(190 620)
Revenue from car sales	**11**	4 084 877	1 909 836
Cost of sales of cars	**11**	(5 344 165)	(2 638 044)
Selling expense	**12**	(112 152)	(367 796)
Administrative expense	**13**	(5 506 704)	(4 894 561)
Other operating income	**14**	2 431 010	530 495
Other operating expense	**15**	(379 887)	(392 990)
Net foreign exchange result		(6)	(176)
Profit before tax		**5 565 879**	**4 919 875**
Net profit for the period		**5 565 879**	**4 919 875**

Other comprehensive loss:		
Items that may be reclassified subsequently to profit or loss:		
Debt investments at FVOCI - net change in fair value	(23 991)	-
Other comprehensive income for the year	**(23 991)**	**-**
Total comprehensive income for the year	**5 541 888**	**4 919 875**
Profit is attributable to:		
Equity holders of the Parent Company	5 454 561	4 821 477
Non-controlling interests	111 318	98 398
Net profit for the year	**5 565 879**	**4 919 875**
Other comprehensive loss is attributable to:		
Equity holders of the Parent Company	5 431 050	4 821 477
Non-controlling interests	110 838	98 398
Comprehensive income for the year	**5 541 888**	**4 919 875**

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

Signed on behalf of the Group on 21 April 2021 by:

Krišjānis Znotiņš, Chairman of the Board
Aivis Lonskis, Member of the Board
Jolanta Ziedone, Chief accountant

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Consolidated Statement of Financial Position

ASSETS

NON-CURRENT ASSETS		31.12.2020. EUR	31.12.2019. EUR (reclassified)
Intangible assets			
Other intangible assets	**16**	14 552	28 013
Total intangible assets		**14 552**	**28 013**
Tangible assets			
Rental fleet	**17**	14 549 784	13 492 049
Right-of-use assets	**17, 18**	1 180 256	1 407 394
Property and equipment	**17**	83 161	132 322
Advance payments for assets	**18**	-	37 584
Leasehold improvements	**17**	6 322	6 605
Total tangible assets		**15 819 523**	**15 075 954**
Non-current financial assets and lease receivables			
Finance lease receivables*	**19**	1 999 765	3 285 853
Loans and advances to customers*	**20**	6 453 877	11 900 512
Loans to related parties	**36**	28 332 765	24 298 800
Other investments	**37**	26	26
Investment in debt securities	**21**	609 000	-
Trade receivables from related parties	**23**	187 315	-
Total non-current financial assets and lease receivables		**37 582 748**	**39 485 191**
TOTAL NON-CURRENT ASSETS		**53 416 823**	**54 589 158**
Receivables and other current assets			
Finance lease receivables*	**19**	872 351	1 503 891
Loans and advances to customers*	**20**	2 657 254	5 051 111
Loans to related parties	**36**	246 530	-
Trade receivables from related parties	**23**	355 622	73 874
Trade receivables	**25**	420 792	582 155
Prepaid expense	**24**	114 993	111 595
Other receivables	**26**	293 961	142 853
Contract assets	**27**	370 948	224 250
Cash and cash equivalents	**28**	160 318	376 567
Total receivables and other current assets		**5 492 769**	**8 066 296**
Assets held for sale	**22**	62 640	195 978
Total assets held for sale		**62 640**	**195 978**
TOTAL CURRENT ASSETS		**5 555 409**	**8 262 274**
TOTAL ASSETS		**58 972 232**	**62 851 432**

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

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

Signed on behalf of the Group on 21 April 2021 by:

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Consolidated Statement of Financial Position

EQUITY AND LIABILITIES

EQUITY		**31.12.2020. EUR**	**31.12.2019. EUR**
Share capital	**29**	5 000 000	5 000 000
Foreign currency translation reserve	**29**	1	1
Fair value reserve	**29**	(23 511)	-
Other reserves	**39**	(4 085 406)	(4 769 833)
Retained earnings		13 095 232	7 640 671
brought forward		7 640 671	2 819 194
for the period		5 454 561	4 821 477
Total equity attributable to equity holders of the Parent Company		13 986 316	7 870 839
Non-controlling interests		271 481	160 643
TOTAL EQUITY		**14 257 797**	**8 031 482**
LIABILITIES			
Non-current liabilities			
Liabilities for issued debt securities	**31**	-	30 059 243
Funding attracted through peer-to-peer platforms	**31**	10 629 172	9 363 368
Lease liabilities for right-of-use assets	**18, 31**	986 860	1 177 739
Loans from related parties	**31**	-	290 306
Loan from banks	**31**	-	2 106 840
Total non-current liabilities		**11 616 032**	**42 997 496**
Provisions for financial guarantees	**39**	1 986 481	4 315 492
Other provisions	**30**	432 922	492 671
Total provisions for liabilities and charges and financial guarantees		**2 419 403**	**4 808 163**
Current liabilities			
Liabilities for issued debt securities	**31**	24 480 115	-
Funding attracted through peer-to-peer platforms	**31**	2 956 198	5 179 343
Loans from related parties	**31**	-	7 403
Loans from banks	**31**	1 689 826	-
Lease liabilities for right-of-use assets	**18, 31**	151 844	205 426
Prepayments and other payments received from customers	**32**	177 845	164 121
Payables to related companies	**36**	-	154 621
Trade payables		128 887	83 725
Corporate income tax payable		3 163	140
Taxes payable	**33**	278 956	93 175
Other liabilities	**34**	392 777	780 749
Accrued liabilities	**35**	419 389	345 588
Total current liabilities		**30 679 000**	**7 014 291**
TOTAL LIABILITIES		**44 714 435**	**54 819 950**
TOTAL EQUITY AND LIABILITIES		**58 972 232**	**62 851 432**

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

Signed on behalf of the Group on 21 April 2021 by:

Krišjānis Znotiņš, Chairman of the Board
Aivis Lonskis, Member of the Board
Jolanta Ziedone, Chief accountant

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Consolidated Statement of Changes in Equity

	Share capital EUR	Fair value reserves EUR	Currency revaluation reserve EUR	Other Reserves EUR	Retained earnings EUR	**Total equity attributable to Equity holders of the Parent Company EUR**	Non-controlling interest EUR	**Total EUR**
Balance at 01.01.2019.	**5 000 000**	**-**	**1**	**(1 066 590)**	**2 819 194**	**6 752 605**	**62 245**	**6 814 850**
Profit for the reporting year	-	-	-	-	4 821 477	4 821 477	98 398	4 919 875
Total comprehensive income for the period	-	-	-	-	4 821 477	4 821 477	98 398	4 919 875
Issue of financial guarantees (Note 39)	-	-	-	(98 640)	-	(98 640)		(98 640)
Net result of original guarantee derecognition and recognition of modified guarantee (Note 39)	-	-	-	(3 604 603)	-	(3 604 603)		(3 604 603)
Balance at 31.12.2019.	**5 000 000**	**-**	**1**	**(4 769 833)**	**7 640 671**	**7 870 839**	**160 643**	**8 031 482**
						-		
						-		
Balance at 01.01.2020.	**5 000 000**	**-**	**1**	**(4 769 833)**	**7 640 671**	**7 870 839**	**160 643**	**8 031 482**
Profit for the reporting year	-	-	-	-	5 454 561	5 454 561	111 318	5 565 879
Other comprehensive loss	-	(23 511)	-	-	-	(23 511)	(480)	(23 991)
Total comprehensive income for the period	-	(23 511)	-	-	5 454 561	5 431 050	110 838	5 541 888
Decrease in fair value of the guarantees due to non-substantial modifications (Note 39)	-	-	-	684 427	-	684 427		684 427
Balance at 31.12.2020.	**5 000 000**	**(23 511)**	**1**	**(4 085 406)**	**13 095 232**	**13 986 316**	**271 481**	**14 257 797**

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

Signed on behalf of the Group on 21 April 2021 by:

Krišjānis Znotiņš, Chairman of the Board
Aivis Lonskis, Member of the Board
Jolanta Ziedone, Chief accountant

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Consolidated Statement of Cash Flows

		2020	2019
		EUR	**EUR**
Cash flows to/from operating activities			(reclassified)
Profit before tax from continuing operations		5 565 879	4 919 875
Adjustments for:			
Amortization and depreciation	**16, 17**	2 484 246	1 555 468
Interest expense	**5**	4 549 068	5 548 148
Interest income	**4**	(9 880 509)	(15 110 003)
Disposals of rental fleets		1 958 372	728 208
Disposals of property, equipment and intangible assets		6 306	11 234
Impairment expense	**8**	2 156 835	3 213 871
Financial guarantees	**39**	(1 644 583)	(336 014)
Bonds acquisition expenses decrease		-	330 355
Operating profit before working capital changes		**5 195 614**	**861 142**
Decrease/ (increase) in inventories		-	11 414
Decrease/ (increase) in finance lease receivables, loans and advances to customers, trade and other receivables		6 954 555	12 615 292
Increase in advances received and trade payables and guarantees		1 791 152	4 269 161
Cash generated to/from operations		**13 941 321**	**17 757 009**
Interest received		9 887 589	15 507 664
Interest paid		(4 231 088)	(5 280 979)
Corporate income tax paid		(8 476)	(91 349)
Net cash flows to/from operating activities		**19 589 346**	**27 892 345**
Cash flows to/from investing activities			
Purchase of property and equipment and other intangible assets	**16, 17**	(68 610)	(1 431 531)
Purchase of rental fleets	**17**	(9 045 289)	(16 514 983)
Proceeds from sales of rental fleet		3 731 093	1 909 836
Investment in securities		(619 908)	-
Loan repayments received from related parties		30 601 745	17 374 110
Loans to related parties		(34 635 710)	(30 631 110)
Net cash flows to/from investing activities		**(10 036 679)**	**(29 293 678)**
Cash flows to/from financing activities			
Proceeds from borrowings	**31**	24 336 033	27 141 007
Repayments for borrowings	**31**	(33 983 759)	(25 913 517)
Repayment of liabilities for right-of-use assets	**31**	(121 190)	(192 785)
Net cash flows to/from financing activities		**(9 768 916)**	**1 034 705**
Change in cash		**(216 249)**	**(366 628)**
Cash at the beginning of the year		376 567	743 195
Cash at the end of the year	**28**	**160 318**	**376 567**

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

Signed on behalf of the Group on 21 April 2021 by:

Krišjānis Znotiņš, Chairman of the Board
Aivis Lonskis, Member of the Board
Jolanta Ziedone, Chief accountant

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Notes to the Consolidated Financial Statements

1. Corporate information

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

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

The consolidated financial statements of the Group include the following subsidiary:

name	Registration date	Registration number	Country of incorporation	Principal activities	% equity interest	
					2020	**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.

On 17 March 2014 mogo JSC registered with the Latvian Central Depository a bond facility through which it can raise up to EUR 20 million. The mogo JSC has raised a total of EUR 17 166 000 as at 31 December 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.

On 1 December 2017 mogo JSC registered with the Latvian Central Depository a bond facility through which it can raise up to EUR 10 million. The mogo JSC has raised a total of EUR 6 963 000 as at 31 December 2020 (EUR 10 000 000 as 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".

On March 1, 2021, through public offering the Company issued new secured corporate bond (LV0000802452) in the amount of EUR 30 million, which from March 31, 2021 is included in the regulated market of NASDAQ OMX Baltic.

For additional information see (Note 43).

The Consolidated financial statements of 2020 has been approved by decision of the board on 21 April 2021.

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

2. Summary of significant accounting policies

a) Basis of preparation

These consolidated financial statements as of and for the year ended 31 December 2020 are prepared in accordance with International Financial Reporting Standards as adopted in the European Union.

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

The consolidated financial statements are prepared on a historical cost basis except for the recognition of financial instruments measured at fair value.

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 consolidated financial statements cover the period from 01 January 2020 till 31 December 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.

Going concern assumptions are disclosed under 'Going concern' (Note 3).

b) Reclassifications in comparative indicators

As described in the accounting policy section "Sale and leaseback transactions", as at 31 December 2020 the Group has identified that the presentation of sale and leaseback transactions was previously misstated in these consolidated financial statements. The Group reported receivables from these activities together with finance lease receivables under IFRS 16. The Group has identified that sales and leaseback activity is rather subject to IFRS 9. As a result, reclassification was made from the statement of financial position caption "Finance lease receivables" to "Loans and advances to customers with corresponding effect on interest income presentation in Note 4 and net gain/(loss) from de-recognition of financial assets in Note 8.

Statement of financial position - Assets	**Balance at 31.12.2019 in annual report for 2019**	**Reclassifications**	**Balance at 31.12.2019 after restatement**
Reclassification of sales and leaseback receivables			
Finance lease receivables (long term)	13 361 713	(10 075 860)	3 285 853
Finance lease receivables (short term)	5 704 587	(4 200 696)	1 503 891
Loans and advances to customers (long term)	1 824 652	10 075 860	11 900 512
Loans and advances to customers (short term)	850 415	4 200 696	5 051 111
TOTAL:	**21 741 367**	**-**	**21 741 367**

Due to reclassification of sales and leaseback receivables, information in interest income disclosure (Note 4) and net gain/(loss) from de-recognition of financial assets disclosure (Note 8) have been reclassified.

2. Summary of significant accounting policies (continued)

b) Reclassifications in comparative indicators (continued)

Note 4. Interest revenue

Statement of profit and loss and other comprehensive income		**Balance at 31.12.2019 in annual report for 2019**	**Reclassifications**	**Balance at 31.12.2019 after restatement**
Reclassification of sales and leaseback interest income				
Interest income from finance lease receivables		11 573 249	(8 696 876)	2 876 373
Interest income from loans and advances to customers		1 409 359	8 696 876	10 106 235
Interest income from intercompany loans		2 127 395	-	2 127 395
	TOTAL:	**15 110 003**	**-**	**15 110 003**

Note 8. Net gain/(loss) from de-recognition of financial assets measured at amortized cost

Statement of profit and loss and other comprehensive income		**Balance at 31.12.2019 in annual report for 2019**	**Reclassifications**	**Balance at 31.12.2019 after restatement**
Reclassification of net gain/(loss) from de-recognition of financial assets measured at amortized cost				
Income arising from cession of financial lease receivables to non related parties		58 153	(42 589)	15 564
Loss arising from cession of financial lease receivables to non related parties		(294 533)	216 480	(78 053)
	TOTAL:	**(236 380)**		**(62 489)**
Income arising from cession of loans and advances to customers receivables to non related parties		8 605	42 589	51 194
Loss arising from cession of loans and advances to customers receivables to non related parties		(148 045)	(216 480)	(364 525)
	TOTAL:	**(139 440)**		**(313 331)**
	TOTAL:	**(375 820)**	**-**	**(375 820)**

c) Changes in accounting policy disclosures and presentation

The accounting policies adopted are consistent with those of the previous financial year except for the following amended IFRSs which have been adopted by the Group as of 1 January 2020.

IFRS 16: Leases

The Group has early adopted COVID-19 - Related Rent Concessions – Amendment to IFRS 16 issued on 28 May 2020. The amendment introduces an optional practical expedient for leases in which the Group is a lessee – i.e. for leases to which the Group applies the practical expedient, the Group is not required to assess whether eligible rent concessions that are a direct consequence of the COVID-19 coronavirus pandemic are lease modifications. The Group has applied the amendment retrospectively, the effect of application is not significant.

The effect is reflected in Note 14 and Note 18.

Adoption of new and revised standards and interpretations

A number of new standards (or amendments) are effective from 1 January 2020 but they do not have a material effect on the Group's consolidated financial statements.

– References to Conceptual Framework in IFRS Standards (Amendments to IFRS 3).
– Definition of a Business (Amendments to IFRS 3).
– Definition of Material (Amendments to IAS 1 and IAS 8).
– Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7).

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

A number of new standards are effective for annual periods beginning after 1 January 2020 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements. Except for COVID-19 - Related Rent Concessions (Amendment to IFRS 16) as explained in section before.

Other standards

The following new and amended standards are not expected to have a significant impact on the Group's consolidated financial statements.

— Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16).
— Reference to Conceptual Framework (Amendments to IFRS 3).
— Cost of Fulfilling a Contract (Amendments to IAS 37).
— Classification of Liabilities as Current or Non-current (Amendments to IAS 1).
— Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)
— IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts.

e) Significant accounting policies

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Parent company (mogo JSC) and its subsidiary as at 31 December 2020. The financial statements of JSC Renti are prepared for the same reporting period as for 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.

2. Summary of significant accounting policies (continued)

e) Significant accounting policies (continued)

Basis of Consolidation (continued)

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 , 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 other comprehensive income;
- Reclassifies the Group's share of components previously recognized in other comprehensive income to statement of comprehensive income or retained earnings, as appropriate.

Business combinations

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

2. Summary of significant accounting policies (continued)

e) Significant accounting policies (continued)

Rental fleet

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

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

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

Financial assets

Financial instruments – initial recognition

Date of recognition

Loans and advances to customers are recognized when funds are transferred to the customers' accounts. Other assets are recognized on the date when the 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

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, where relevant, the contractual terms of the financial assets to identify whether they meet the SPPI test. Financial assets subject to SPPI testing are loans and advances to customers (including financial assets arising from sales and leaseback transactions, as discussed in a separate section of this note) and loans to related parties that solely include payments of principal and interest. '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.

In assessing whether the contractual cash flows are SPPI, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Group principally considers:

- contingent events that would change the amount and timing of cash flows;
- prepayment and extension terms; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse loans).

In general, the loan contracts stipulate that in case of default and collateral repossession the claim is not limited to the collateral repossession and if the collateral value does not cover the remaining debt, additional resources can still be claimed from the borrower to compensate for credit risk losses. Accordingly, this aspect does not create obstacles to passing SPPI test. However, in some cases, loans made by the Group that are secured by collateral of the borrower limit the Group's claim to cash flows of the underlying collateral (non-recourse loans). The Group applies judgment in assessing whether the non-recourse loans meet the SPPI criterion. The Group typically considers the following information when making this judgement:

-whether the contractual arrangement specifically defines the amounts and dates of the cash payments of the loan;
-the fair value of the collateral relative to the amount of the underlying loan;
-the ability and willingness of the borrower to make contractual payments, notwithstanding a decline in the value of collateral;
-the Group's risk of loss on the asset relative to a full-recourse loan; and
-whether the Group will benefit from any upside from the underlying assets.

According to the judgement made the non-recourse loans that are secured by collateral of the borrower meet the SPPI criterion.

Embedded derivatives

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

• the host contract is not an asset in the scope of IFRS 9;

• the host contract is not itself carried at FVPL;

• the terms of the embedded derivative would meet the definition of a derivative if they were contained in a separate contract; and

• the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract.

Separated embedded derivatives are measured at fair value, with all changes in fair value recognised in profit or loss (unless they form part of a qualifying cash flow or net investment hedging relationship) and presented in the statement of financial position together with the host contract. The Group has 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. Please refer to Note 3 for further discussion on embedded derivative details and considerations of separability.

2. Summary of significant accounting policies (continued)

e) Significant accounting policies (continued)

Reclassification of financial instruments

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

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

Derecognition other than for substantial modification

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

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

Pass-through arrangements are transactions when Group retains the contractual rights to receive the cash flows of a financial asset (the 'original asset'), but assumes a contractual obligation to pay those cash flows to one or more entities (the 'eventual recipients'), when all of the following three conditions are met:
- Group has no obligation to pay amounts to the eventual recipients unless it has collected equivalent amounts from the original asset, excluding short-term advances by the entity with the right of full recovery of the amount lent plus accrued interest at market rates;
- Group cannot sell or pledge the original asset other than as security to the eventual recipients for the obligation to pay them cash flows;
- Group has to remit any cash flows it collects on behalf of the eventual recipients without material delay. In addition, the Group is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents during the short settlement period from the collection date to the date of required remittance to the eventual recipients, and interest earned on such investments is passed to the eventual recipients.

A transfer only qualifies for derecognition if either:
- The Group has transferred substantially all the risks and rewards of the asset, or
- The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Modifications

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

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

As described in section on 'Derecognition due to substantial modification of terms and conditions' if modification is performed for commercial reasons, then it is considered to result in derecognition of the initial lease/loan receivable. Such modifications include increase in the lease amount and increase in lease term, which are agreed upon with customers for commercial reasons (i.e.-, customers and the Company 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.

2. Summary of significant accounting policies (continued)

e) Significant accounting policies (continued)

Treatment of non-substantial modifications

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

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

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

Overview of the expected credit loss principles

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.

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 'Impairment of financial assets' (Note 3).

Impairment of finance lease receivables and loans and advances to customers

Defining credit rating

Group's core business assets – financial 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 modelled based on DPD (days past due) classification. Specifically, the Group analyses its portfolio of finance lease receivables and loans and advances to customers by segregating receivables in categories according to country, product group, days past due and presence of underlying collateral (for secured products). Financial lease receivables and secured loans (more specifically vehicle secured loans) are combined due to similar nature of the products.

The Group continuously monitors all assets subject to ECLs. 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 and secured loans:

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 (unsecured loans):

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.

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 and loans that are current or with DPD up to 30 as Stage 1.

A healing period of 2 months 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. Healing period concept is not applied for unsecured loans. 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 secured loans that have a status of 31-60 DPD to being Stage 2. Also unsecured loan is considered Stage 2 if DPD is in the range of 31 to 60. Lease exposures remain in Stage 2 for a healing period of 2 months, even if they otherwise would meet Stage 1 criteria above during this period.

• Stage 3: Leases and loans considered credit-impaired and at default. The Group records an allowance for the LTECLs. The Group considers a finance lease agreement and secured loan agreement defaulted and therefore Stage 3 in all cases when the borrower becomes 61 DPD on its contractual payments or the lease/ loan agreement is terminated. The Group considers an unsecured loan agreement defaulted and therefore Stage 3 in all cases when the borrower becomes 61 days past due on its contractual payments. Exposures remain in Stage 3 for a healing period of 1 months even if they otherwise would meet Stage 2 criteria above during this period.

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

2. Summary of significant accounting policies (continued)

e) Significant accounting policies (continued)

Overview of the expected credit loss principles (continued)

COVID-19 outbreak in H1 2020 and subsequent development in H2 have left impact on Group's operations. Lockdowns and payment moratoriums imposed by government as well as global macro downturn restricted Group's operations and caused increase in credit risk.

Group's management has strong belief that under normal circumstances majority of affected customers will return to previous payment behaviour. COVID-19 caused worsening has collective nature and does not reflect on creditworthiness of each individual customer.

Temporary debt restructuring (TDR) and restructuring

As response to COVID-19 the Group introduced TDR program which consists two main products:

Extension – is a payment holiday for 1 month (or several months) . Customer pays extension fee and returns to the original schedule in next several months. Paid extension fee is an indication that customer is willing to cooperate, and the Company expects customer to return to previous payment discipline under normal circumstances. Classification in such cases to the stage is bases as per DPD.

Restructuring - permanent amendment of the schedule. Classification to the stage is bases as per DPD.

TDR and restructuring (further change of the original payment schedule) is almost the only feasible solution to reduce financial burden on customers given circumstances, thus fact of the forbearance as such does not lead to the recognition of SICR if customer pays according to new terms and later returns to the original schedule or close to it.

The Group made changes in impairment policy, effective until further notice, but not later than December 2021: cases where the Group has sound grounds to expect customer to return to the regular discipline not longer than in 12-month time should not be classified as SICR even if customer has been granted forbearance tool.

TDRs performed to customers that was previously in default result in continued Stage 3 treatment during the one-month healing period followed by 2 months of healing period in Stage 2. In case of modification for credit reasons prior to default (generally extension), exposure is moved to Stage 2 for a healing period of 2 months.

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, considering 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 Company may choose to use actual balance isntead of EAD and do not apply DDV for the segments with the elevated credit risk.

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

ECL=EAD*PD*LGD*[DDV]

Given that DDV is a multidimensional vector (generally 12 or 13 dimensions but can be shorter if representative historical data is available for a shorter period) 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 (or shorter if lifetime of the product is less than 12 months or representative historical data is available for a shorter period) PDs and DDV over the 12-month horizon. These 12-month default probabilities are applied to an estimated EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR using DDV, in this way incorporating time to default into model.

• Stage 2: When a loan has shown a significant increase in credit risk since origination, the Group records an allowance for the LTECLs. The mechanics are like those explained above, but PDs and DDV are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR using DDV.

• Stage 3: For loans considered credit-impaired, the Group recognizes the LTECLs for these loans. The method is similar to that for Stage 2 assets, with the PD set at 100%.

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 / rent receivables
• Loans to related parties
• Cash and cash equivalents
• Financial guarantees

2. Summary of significant accounting policies (continued)

e) Significant accounting policies (continued)

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

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.

To assess receivable ECL for rent contacts the Company applies the same model as for finance lease portfolio and respectively benchmarks PD and LGD to the same portfolio.
Stable credit history for rent contracts is insufficient as well as evaluated with elevated uncertainty due to effect from COVID-19 outbreak. Benchmarking ensures the most accurate estimation of ECL for rent contacts, as historical behaviour of rent portfolio is similar to finance lease portfolio. Additionally rent portfolio has the same or very similar to financial lease portfolio operational processes.

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. The LGD has been assessed considering the related parties' financial position.

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. The Group's policy and judgements for determining if there has been a significant increase in credit risk are set out in Note 3.

Financial liabilities

Initial recognition and measurement

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

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

Subsequent measurement

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

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

Financial liabilities at fair value through the statement of comprehensive income include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through the statement of comprehensive income.
Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.
Gains or losses on liabilities held for trading are recognized in the statement of comprehensive income.
Financial liabilities designated upon initial recognition at fair value through the statement of comprehensive income are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Group has not designated any financial liability as at fair value through statement of comprehensive income.

- Loans and borrowings

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in the statement of comprehensive income when the liabilities are derecognized as well as through the EIR amortization process.
Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of comprehensive income.
This category generally applies to interest-bearing loans and borrowings.

Modification of financial liabilities

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

Treatment of non-substantial modifications

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

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

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

2. Summary of significant accounting policies (continued)

e) Significant accounting policies (continued)

Financial liabilities (continued)

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.

Offsetting of financial instruments

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

Provisions for financial guarantees and accounting through Other reserves

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

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

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

Finance lease – Group as lessor

Finance leases, which transfer substantially all the risks and rewards incidental to ownership of the assets, are recognised as assets at amounts equal at the inception of the lease to the net investment in the lease. The finance income is allocated over time period in-line with the lease term to produce a constant return on the net investments outstanding in respect of the finance leases.

Whilst financial lease receivables that represent financial instruments and to which 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.

The Group is engaged in financial lease transactions by selling vehicles to its customers through financial lease contracts.

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

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

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

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

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

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

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

Initial measurement

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

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

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

Prepayments and other payments received from customers are recorded in the consolidated 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.

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

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

2. Summary of significant accounting policies (continued)

e) Significant accounting policies (continued)

Finance lease – Group as lessor (turpinājums)

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.

The 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 consolidated 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.

Group as lessee

Lease liability

Initial recognition

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

• fixed payments (including in-substance fixed payments), less any lease incentives receivable;

• variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

• amounts expected to be payable by the Group under residual value guarantees;

• the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and

• payments of penalties for terminating the lease, if the lease term reflects the Group exercising an option to terminate the lease.

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

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

(a) Periods covered by an option to extend the lease if the Group is reasonably certain to exercise that option; and

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

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

Subsequent measurement

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

• increasing the carrying amount to reflect interest on the lease liability;

• reducing the carrying amount to reflect the lease payments made; and

• remeasuring the carrying amount to reflect any reassessment or lease modifications specified, or to reflect revised in-substance fixed lease payments.

Right-of-use assets

Initial recognition

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

•the amount of the initial measurement of the lease liability;

•any lease payments made at or before the commencement date, less any lease incentives received;

•any initial direct costs incurred by the Group; and

•an estimate of costs to be incurred by the Group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are to produce inventories.

Subsequent measurement

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

Group involvement with the underlying asset before the commencement date

If the 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.

2. Summary of significant accounting policies (continued)

e) Significant accounting policies (continued)

Right-of-use assets (continued)

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.

Sale and leaseback transactions

The Group also engages in financing of vehicles already owned by the customers. Under such leaseback transactions the Group purchases the underlying asset and then leases it back to the same customer. Vehicle serves as a collateral to secure all leases. The Group applies the requirements for determining when a performance obligation is satisfied in IFRS 15 to determine whether the transfer of an asset is accounted for as a sale of that asset. If the transfer of an asset by the seller-lessee does not satisfy the requirements of IFRS 15 to be accounted for as a sale of the asset, the buyer-lessor shall not recognise the transferred asset and shall recognise a financial asset equal to the transfer proceeds. It shall account for the financial asset as loans and advances to customers by applying IFRS 9. As at 31 December 2020 the Group concluded that its sale and leaseback contracts' provisions (including repurchase options embedded) are such that the transfer of asset from the seller-lessee to the Group does not satisfy and never satisfied the requirements of IFRS 15. Such conclusion differs from the Group judgement as at 31 December 2019 and on the initial adoption of IFRS 9 and IFRS 15 and IFRS 16 as of 1 January 2018. Accordingly receivables under sale and leaseback contracts were reclassified to loans and advances to customers both as at 31 December 2020 and 31 December 2019. Further details on the restatement are provided in the section "Reclassifications" of this Note.

The Group has performed SPPI test for its sale and leaseback arrangements. Vehicle serves as a collateral to secure all of such loans. Sale and leaseback contracts include contractual terms that can vary the contractual cash flows in a way that is unrelated to a basic lending arrangement. Such cash flows arise in the case or borrowers' default and are related to repossessed car sales for which any excess gains can be retained by the Group and commissions and other fees charged to the customer that are not directly linked to outstanding principal/interest (e.g. external debt recovery costs being charged to clients with mark-up). Other contract elements relevant to SPPI assessment for components include the leased asset repurchase options, where the option value is below the car market value at the moment of exercise and significant termination penalties for certain non-recourse contracts.

The Group has made relevant judgements and concluded that SPPI test is met in all above circumstances as 1) repossession commissions and fees charged by the Group are intended to cover the costs incurred by the Group in the debt servicing process under regular lending model, 2) the fact that the Group maintains proceeds from sale of repossessed car in excess of recovered exposure (if applicable) is not an evidence that the risk taken up by the Group is in fact the price risk of the car and not the credit risk. The Group is able to sell the collateral and keep any surplus only on default and the occasional trivial gains from the transaction are not the purpose of the core business model (which is to earn interest income from the loan asset) and are not the focus of the business, but instead are just an instrument to minimise the credit losses, 3) termination penalties for non-recourse sale and leaseback transactions charged to the customers in certain jurisdictions are also contractual elements intended to compensate for credit risk and do not result in any notable net gains to the Group.

Cash and cash equivalents

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

Assets held for sale

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

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

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

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

Vacation pay reserve

Vacation pay reserve is calculated based on Latvian legislation requirements.

Other investments

Equity investments at FVTOCI

Upon initial recognition, the Group can choose to irrevocably classify its equity investments that are not held for trading as equity instruments designated at fair value through OCI (FVOCI). The Group evaluates and applies this classification for each instrument separately. These instruments are initially measured at fair value plus transaction costs, directly attributable to their acquisition. After the initial recognition, these instruments are measured at fair value. Dividends are recorded in comprehensive statement of income. Other net gains and losses are accumulated in OCI and are never applied or reclassified to profit or loss statement.
Equity investments in non-listed companies are classified and measured as Equity instruments designated at fair value through OCI as described above. The Group elected to classify irrevocably its non-listed equity investments under this category as it intends to hold these investments for the foreseeable future.

2. Summary of significant accounting policies (continued)

e) Significant accounting policies (continued)

Other investments (continued)

Debt instruments at FVOCI

The Group classifies debt instruments at FVOCI when both of the following conditions are met:

— The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets;

— The contractual terms of the financial asset meet the SPPI test.

The debt instruments measured at FVOCI are initially measured at fair value plus transaction costs, directly attributable to their acquisition. After the initial recognition, these instruments are measured at amortized costs. Interest income and losses are recognised in profit or loss in the same manner as for financial assets measured at amortised cost.

In the year end FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Where the Group holds more than one investment in the same security, they are deemed to be disposed of on a first–in first–out basis. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to profit or loss.

Transactions with peer-to-peer platforms

Background

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

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

1) Agreements with recourse rights which require the Group to guarantee full repayment of invested funds by the investor in case of default of Group's customer (buy back guarantee);

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

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

Receivables and payables from/to P2P platform

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

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

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

Funding attracted through peer-to-peer platform

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

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

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

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

Assignments with recourse rights (buy back guarantee)

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

Therefore, the Group's respective debt instruments do not qualify to be considered for partial derecognition and interest expense paid to investors is shown in gross amount under Interest revenue calculated using effective interest method (Note 5).

Assignments without recourse rights (no buy back guarantee)

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

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

The derecognized part is accounted as an off-balance sheet item (Note 19) and interest income is recognized to the extent of being the residual interest. Residual income is the difference between the interest earned on the respective debt instrument by the Group and the respective share of interest earned by the investor.

Reserves

Foreign currency translation reserve

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

Fair value reserve

The fair value reserve comprises the cumulative net change in fair value of debt securities at FVOCI until the assets are derecognised or reclassified.

Other reserves

Other reserves is used to record the effect of transactions with owners in their capacity as owners and includes financial guarantees given by the Group.

2. Summary of significant accounting policies (continued)

e) Significant accounting policies (continued)

Provisions

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

Contingencies

Contingent liabilities are not recognized in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

Share-based payments

Equity-settled transactions

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

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

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

Income and expenses

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

Revenue is recognized in accordance with the related standard's requirements and to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

The effective interest rate method

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

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

Income from cession of bad debt

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

Expenses related to attracting funding

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

Revenue and expenses from contracts with customers

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

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

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

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

2. Summary of significant accounting policies (continued)

e) Significant accounting policies (continued)

Revenue and expenses from contracts with customers (continued)

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

Revenue from satisfied performance obligations is recognized over time, if one of the following criteria is met:
– customer simultaneously receives and consumes the benefits;
– customer controls the asset as it is created or enhanced;
– the Group's performance creates an asset and has a right to payment for performance completed.

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

In the year 2020 and 2019 the Group did not enter into contracts with rights of return, financing components, non cash considerations or consideration payable to customer.

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

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

a) a good or another asset from the other party that it then transfers to the customer.

b) a right to a service to be performed by the other party, which gives the entity the ability to direct that party to provide the service to the customer on the entity's behalf.

c) a good or service from the other party that it then combines with other goods or services in providing the specified good or service to the customer.

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

Fee and commission income and expenses (Note 7)

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

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

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

Revenue from debt collection activities typically arises when customers delay the payments due. As a lessor, the Group has protective rights in the lease agreements with customers that require the customers to safeguard and maintain the condition of the vehicle, as it serves as a collateral to the lease. Group's revenue encompasses a compensation of internal and external costs incurred by the Group in relation to debt management, legal fees as well as repossession of vehicle in case of lease agreement termination and are recharged to the customers in accordance with the agreement terms. Debt collection income is recognized on net (agent) basis as it these amounts are recharged to the customers in accordance with agreement terms and the Group does not control these services before they are transferred to a customer. The performance obligation is satisfied when respective service has been provided.

Revenue from car sales (Note 11)

Sale of motor vehicles (point in time)

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

Other operating income (Note 14)

Revenue from client acquisition (point in time)

Income from commission fee for client acquisition: The Group provides client acquisition services to related party. The Group independently concludes lease agreements in name of related party. In addition, the Group consults and communicates with clients, ensures clients' complaints and applications receipt and reviews, validates client identity and truth of submitted information from public registers, explains the agreement obligations and legal consequences, reviews the application and concludes the agreement on behalf of related party. The service is provided when the customer of the related party has signed the lease agreement and such income is recognized at the point in time.

Variable consideration revenue from client acquisition (point in time)

The Group has entered into a contract with JSC Primero Finance on providing commercial client acquisition services with the variable component of the contract on 26 September, 2019.

The fee is paid on all concluded agreements with clients. The fee consists of two elements – fixed and variable. Fixed fee is set as % from total loan amount and is invoiced every month based on concluded agreement list for previous month. Variable fee part is an additional fee and is set as percentage dependant on the specific annual percentage rate (APR) threshold for each individual concluded agreement.

The fixed and variable part of client acquisition fee is calculated and invoiced monthly. The revenue from the fixed part of the fee is recognized at point in time as the corresponding performance obligations are satisfied, and there is no significant judgement applied to determine the transaction price or the satisfaction of the performance obligations.

The additional client acquisition fee is determined to be a variable consideration as it is based on the individual APR of each concluded agreement.

While the additional fee is recognised at point in time when the agreement is concluded between customer and JSC Primero Finance, the Group recognizes revenue from the variable consideration only to the extent that it is 'highly probable', that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is resolved. Additional fee invoicing continues until the moment when agreement is terminated, irrespectively to the termination basis, which can be early repayment or default. Any not yet invoiced client acquisition fee cannot be invoiced to JSC Primero Finance.

In the case of loan defaults, the parties agreed to measure the default loss. In the cases when not all outstanding debt has been covered after the collateral sale, the Group returns part (proportional to the uncovered debt) of the additional fee, which has been invoiced to JSC Primero Finance.

From the signing date of the contract to 31 December 2020 there were 18 default cases, and only for 3 cases the additional fee had been returned.

Revenue from variable and fixed parts are recognized in the statement of profit and loss and other comprehensive income and classified as client acquisition fee income, for detailed information see (Note 14).

2. Summary of significant accounting policies (continued)

e) Significant accounting policies (continued)

Other operating income (Note 14) (continued)

Revenue from recharging expenses - agency services (point in time):

Agency services consist of different services, such as settlement of costs on behalf of 3rd and related parties and recharging those costs to customers or related parties. The Group is acting as an agent in provision of these services to the customers. Such services are provided with the intention to realize the economies of scale of purchasing power for a service that is both used by the Group, related parties and the 3rd party. The performance obligation is satisfied when respective service has been provided. The Group does not charge any mark up on these services.

Revenue from service fee (point in time):

The Group provides marketing, partnership management, car evolution, debt collection, car sales, IT systems support and other services to related party. The fees earned in exchange for these services are recognised at the point in time the transaction is completed because the customer only receives the benefits of the Group's performance upon successful completion of the underlying procedures. The service fee is calculated and accrued monthly, the Group issues the invoice in the following month. The revenue is recognised at point in time when the services are provided.

Contract assets

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

At 31 December the Group has contract assets in its statement of financial position. See Note 27.

Trade receivables

A receivable represents the Group’s right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).
These receivables are disclosed in balance sheet caption 'Trade receivables' (Note 25).

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

Contract liabilities

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

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

Income taxes

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

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

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

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

Related parties

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

The Group has defined that a person or a close member of that person’s family is related to a reporting entity if that person:

- has control or joint control of the reporting entity;
- has significant influence over the reporting entity; or
- is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

An entity is related to a reporting entity if any of the followingconditions applies:

- The entity and the reporting entity are members of the same group (which means that each parent, and fellow is related to the others);
- One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
- Both entities are joint ventures of the same third party;
- One entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity;
- The entity is controlled or jointly controlled by a person identified in (a);
- A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity);
- The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

2. Summary of significant accounting policies (continued)

e) Significant accounting policies (continued)

Dividend distribution

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

Subsequent events

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

3. Significant accounting judgments, estimates and assumptions

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses, and disclosure of contingencies. The most significant judgment is related to the Group's ability to continue as a going concern, while significant areas of estimation used in the preparation of the consolidated financial statements relate to impairment evaluation of financial assets and rental fleet and fair value of financial guarantees. Although these and other estimates described in this section are based on the management's best knowledge of current events and actions, the actual results may ultimately differ from those estimates.

In the process of applying the Group's accounting policies, management has made the following key judgements and applied estimates, which have the effect on the amounts recognized in the consolidated financial statements:

Going concern

These consolidated financial statements are prepared on going concern basis. In the light of events related to Covid-19, the Group's management has assessed the impacts of the coronavirus outbreak on the Group's ability to continue as a going concern.

Initial Covid-19 outbreak impacting Group's activities back in 2020:

Similarly to other industry participants the Group faced the following wider economic impacts of the COVID-19 in Q1 of 2020:

– 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.

Management further considered the following operating risks that may adversely affect the Group:

– Temporarily closed offline sales channels;
– Workforce unavailability for extended period;
– Recession in the global economy, as already confirmed by a number of economic forecasts done internationally, that would significantly reduce the purchasing power of end consumers and businesses.

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 Company has applied lower late payments fines for the customers experiencing financial difficulties. The Company has used the tax payment rescheduling opportunity, arranging an agreement on the gradual tax repayment schedule.
The state of emergency was lifted in June 2020 and re-introduced in November 2020.

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's 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 continous COVID-19 impact assessments;
– Successful implementation of work from home ensuring continuity of core processes;
– Employees have been required to adhere to very strict precautionary standards including social distancing and other health and safety best practices followed by published government guideline;
– Reviewing and renegotiating payment terms with suppliers;
– Significant cost revision activities.

The Group's performance under ongoing Covid-19 situation

The Group has successfully performed through first, second, and counting Covid-19 waves, all of which have left minimal impact on the operational performance for the Group. The Group has had relative stable portfolio quality throughout this period and it comfortably enters 2021 from both operational perspective as well as future funding availability perspective:

- Considering its own planned loan issuance volume (1.8-3 million EUR) and new rental contract volume of Renti JSC (8-10 million EUR), as well as its service and agency arrangements with related party JSC Primero finance, the Company plans to service circa 37% higher count of contracts compared to 2020. Operations were unaffected by the second Covid-19 wave in 2020, therefore Group's management believes that further growth in service volumes is a reasonably conservative assumption.

- EBITDA to net portfolio ratio is expected to increase as at year ended 31.12.2021 compared to 105% ratio as at year ended 31.12.2020.
- Selling expense expected to be at the level of 1% from total issued loan volumes, administrative expenses at the level of 19% from planned net loan portfolio as of 31.12.2021.

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

Going concern (continued)

The Group monitors its liquidity ratios on an ongoing basis. The main liquidity ratios for the Group are capitalisation ratio and interest coverage ratio. As at 31 December 2020, the Group's capitalisation ratio and interest coverage ratio were accordingly 1,19 and 2,77 (31.12.2019: 0,37 and 2,17), indicating indicating stable liquidity outlook for the Group. The Group has maintained strong funding and liquidity position with its robust diversified funding base, and it has improved significantly after public offering, as at 31 of December 2020 the Group is compliant with all financial covenants. The Group's management foresees that it will be able to fully satisfy the requirements of financial covenants in the future as well.

On March 1, 2021, through public offering the Group issued new secured corporate bond (LV0000802452) in the amount of EUR 30 million, which from March 31, 2021 is included in the regulated market of NASDAQ OMX Baltic (Note 43).

The Group controls its liquidity by managing the amount of funding it attracts through P2P platform Mintos and other sources. P2P platform Mintos provides management greater flexibility to manage the level of borrowings and available cash balances. Despite the current uncertainty in the global economy, the amount of loans funded through Mintos have remained stable, demonstrating that investors trust in Mogo as a stable company, and they continue to invest in Mogo loans. The Management believes that current macroeconomical environment is favorable for further sustained debt raise or refinance activities, which was recently provide by successful Latvian bonds' refinance that closed on 1st and 2nd of March 2021. For more information on liquidity risk refer to Note 40.

In management's view, 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 and that there are no 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.

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 (FVLCOD)- 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 a weighted average cost of capital (WACC) rate which is 13.91%. 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 a total 7-year period.

For assets with an active and inactive lease agreement, the Group applies probability-weighted scenarios in determining the possible future cash flows. These scenarios for CGU with the active lease agreements are (a) the probability the lease agreement will end in its full term, (b) the probability the lease agreement will be early repaid by the client, (c) the probability that the lease agreement will be terminated and the vehicle returned to the Company, and (d) the probability that the lease agreement will be terminated and the vehicle will be lost. The scenarios for CGU with the inactive lease agreement are (a) the probability the vehicle will be issued in the active lease agreement, and (b) the probability the vehicle will be disposed of. The outcome of the probability-weighted scenario has been determined based on the Group's historical data.

According to management assessment, for the scenarios when the asset value is expected to be recovered through continuing use of rather than sale transaction, VUI method has been applied. For the scenarios when the asset carrying amount is expected to be recovered principally through disposal, the Group determines the residual value based on FVLCOD method. Assumptions applied for determination of the FVLCOD 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. 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 Group 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 revaluated amount, in which case the reversal is treated as a revaluation increase. As at 31 December 2020 and 2019 the Group recognised impairment of rental fleet see Note 17. Sensitivty analysis of the residual value of the leased fleet is disclosed in Note 17.

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 Company's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include Probability of Default and Loss Given Default, judgment is applied also when determining significant increase in credit risk.

The Probability of Default (PD)

The Probability of Default is an estimate of the likelihood of default over a given time horizon, where default is defined as: 61 DPD.

In order to estimate PDs the Group utilises 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.
The Group uses12 months continuous horizon window (or smaller if actual lifetime of the product is shorter or if representative historical data is available for a shorter period), and estimation over lifetime is defined as nth power of 12 months matrix (n-depends on the estimated lifetime, e.g., if lifetime is 36 months then n=3).
Exposures are grouped into buckets of days past due (DPD) loans/leases.

The Group uses 6 months (continuous horizon) transition window and estimation over lifetime is defined as nth power of 6 months matrix. The approach improves consistency of PD calculations, i.e., accounted for 6 months seasonality effect and smoothened volatile impact of the regular changes in the business processes.

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

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

Impairment of financial assets (continued)

Forward-looking macroeconomic indicators model for portfolio impairment assessment

Guided by IFRS 9, the Group assesses forward looking information and incorporates it into an impairment model. Impairment change is modelled given expected future changes of macroeconomic factors. Before December 2020 the Group used Hierarchical Bayes model, but given Covid-19 unprecedented impact on macroeconomics across the world and uncertainty in all markets, the approach was changed to linear relation between changes in input variables and changes in PD. Description of the new macro model is provided further.

Macro model uses expected changes in macroeconomic indicators year on year and assumes the same or similar change to Stage 1 PD.

Following variables are used:

1. GDP growth (GDP)
2. Unemployment rate change (UR)
3. Inflation rate change (IR).

These variables proved to have significant correlation with PDs.

In the first step weighted average of all input variables is calculated (base scenario). Given that all variables are changes then output is the expected average change of stage 1 PD. Input variables are weighted according to their significance to the default rates of Group customers: UR=60%, GDP = 30%, IR = 10%.

In the second step input variables are worsened by 15% and the worst-case scenario is produced using the same weights as in the base scenario (expected average change of stage 1 PD in the worst-case scenario).

In the third step weights of base and worst-case scenarios are established and a weighted average scenario is produced. Probability of scenarios is set based on UR changes in the future year vs previous year. UR is expected to reduce, it is considered that base case scenario probability is higher than worst case scenario. Base case scenario's weight is 75%, worst case scenarios' weight is respectively 1- base case scenario's weight.

In the fourth step result of the weighted average scenario is multiplied by the relation coefficient. Relation coefficient shows whether changes of UR during the first Covid wave implied the same scale change of PDs. It is calculated in the following way: maximum PD increase in 2020 vs 2019 December PD is compared to maximum UR increase in 2020 vs 2019 December. Given that PD increased significantly less than UR, the relational factor is set at 0.5. Assuming such relation would yield higher PD increase than we could expect, but we accept prudent approach. The Group has negative correlation (driven by the increase in the share of near prime segment customers), however, still 0.5 positive relation coefficient is applied as a conservative approach.

To account for future uncertainty in case the model yields positive PD correction, the Group decided to be prudent and not to apply improving PD effect for impairment correction. In such case 0% improvement ceiling is set for 2021.

Result of the macro model is then applied to stage 1 PDs for each month close starting from December 2020. Macro outlook is updated in a consistent manner once per quarter; thus, the macro model is expected to be updated once per quarter in 2021.

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.

Loss Given Default

Finance lease receivables

The 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 31 December 2020 impairment purposes 93.6% (31.12.2019.: 96.25%) recovery rate for renewed cases was applied. Above described LGD rate is used for all portfolio groups except for unsecured portfolio. For unsecured portfolio LGD is estimated using triangular recovery matrix on all unsecured cases. Received recovery is discounted with effective interest rate depending on the number of months between the date account got unsecured status and the date when recovery was received. Given that majority of the car sales happen before unsecured status, the LGD for unsecured portfolio is significantly higher than for other buckets.

Loans and advances to customers (unsecured loans)

For unsecured loans LGD is determined based on debt sales market activity and offered prices. For the later stages (DPD 360) LGD is set to 100%.

Exposure at default (EAD) modelling

Exposure at default is modelled by adjusting the unpaid balance of lease and loan receivables as at the reporting date by expected future repayments during the next 12 months. As of 31 December 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.

Impairment for loans to and receivables from related parties and non-related parties

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

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

Determination of the FVLCTS of assets held for sale

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

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

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

Separation of embedded derivatives from the host contract

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

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

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

Financial guarantees

Fair value (FV) determination and initial recognition

The Group has elected to determine the FV of guarantee using valuation of expected loss approach. FV of guarantee is calculated as multiple of EAD, PD and LGD. EAD is determined based on the contractual guaranteed amount per guarantee agreement (Note 39) and considering Group's pro-rata share of the guaranteed amount estimated considering the total assets of guarantors (Group and other subsidiaries of Mogo Finance S.A.) as at end of the reporting period included in the respective guarantee agreement.

Guarantee is issued to secure the bond issuance of the ultimate parent of the Group, Mogo Finance S.A. The Group would incur loss in case Mogo Finance S.A. defaults on obligations towards its bondholders. Accordingly, PD of Mogo Finance S.A.is determined based on Mogo Finance S.A. credit rating as determined by credit rating agency Fitch Ratings and historical statistics of average occurrence of defaults for companies with the respective credit rating.

ECL determination for subsequent measurement

For the purposes of FV estimation the Group is using the ultimate parent Group's Mogo Finance S.A. credit rating as determined by credit rating agency Fitch Ratings.
Since initial recognition the Group has assessed that that ultimate parent's credit risk has not increased and guarantee liability is therefore considered as Stage 1 exposure.

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

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

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

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

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

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

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

Sale and leaseback transactions

Under sale and leaseback transactions the Group purchases the underlying asset and then leases it back to the same customer. To determine how to account for a sale and leaseback transaction, the Group first considers whether the initial transfer of the underlying asset from the seller-lessee (Customer) to the buyer-lessor (the Group) is a sale. The Group applies IFRS 15 to determine whether a sale has taken place.

The key indicators that control has passed to the Group include the Group having:

- a present obligation to pay ;
- physical possession (of the purchased asset);
- a legal title (to the purchased asset);
- the risks and rewards of ownership (of the purchased asset);
- the Group has accepted the asset;
- the borrower can or must repurchase the asset for an amount that is less than the original selling price of the asset.

As at 31 December 2020 the Group concluded that its sale and leaseback contract provisions (including the automatic transfer of ownership to the asset to the borrower at the end of the lease term or repurchase options embedded) are such that the transfer of asset from the seller-lessee to the Group does not satisfy and never satisfied the requirements of IFRS 15. Such conclusion differs from the Group judgement as at 31 December 2019 and on the initial adoption of IFRS 9 and IFRS 15 and IFRS 16 as of 1 January 2019. Accordingly receivables under sale and leaseback contracts were reclassified to loans and advances to customers as at 31 December 2019. Further details on the restatement are provided in the section "Reclassifications" of Note 2.

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

SPPI assessment

In assessing whether the contractual cash flows are SPPI, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

In making the assessment, the Group considers:
• contingent events that would change the amount and timing of cash flows;
• leverage features;
• prepayment and extension terms;
• terms that limit the Group’s claim to cash flows from specified assets (e.g. non-recourse loans); and
• features that modify consideration of the time value of money (e.g. periodical reset of interest rates).
Please refer to Note 2 for further detailed descriptions of the judgements made by management to assess whether regular loan, non-recourse loan and sale and leaseback financing arrangement contracts meet SPPI criteria.

Lease classification for rental fleet (Group as a lessor)

The Group has entered into vehicle leases on its rental fleet (Note 17).

These lease agreements have a non-cancellable term of 18 month (2019: 6 month) and an optional term of up to 60 months (2019: 72 month). After the non-cancellable term of 18 months the lessee can return the leased asset to the Group and losses associated with the cancellation are borne by the Group. The leased asset is not transferred to lessee at the end of lease term. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the leased assets and the present value of the minimum lease payments not amounting to substantially all of the fair value of the leased asset, that it retains all the significant risks and rewards of ownership of these assets and accounts for the contracts as operating leases.

Principal versus agent assessment

In provision of agency services (Note 7) the Group has assessed that it does not obtain control of these services before they are transferred to customers, as these services or goods are acquired on their behalf. Therefore, it is considered agent in these transactions.

The Group is also acting as an agent (Note 14 and Note 36) in purchasing specific goods and services from 3rd parties on behalf of customers - mainly legal, recruitment and similar services, as it does not obtain control of the service, does not incur inventory risk nor has discretion in determining the sales price.

The Group does not obtain control of the service, does not incur inventory risk nor has discretion in determining the sales price.

Segment reporting

Reportable segments are operating segments or their aggregation which meet certain criteria. No less frequently than once a year, the Group assess and identify all potential business segments and determine whether these segments should be accounted for separately. The Group reports the segment if it contributes 10% or more of the entity’s total sales (combining internal and inter-segment sales), earns 10% or more of the combined reported profit of all operating segments that did not report a loss (or 10% or more of the combined reported loss of all operating segments that reported a loss), or has 10% or more of the combined assets of all operating segments. See Note 42.

4. Interest revenue

	2020	2019
	EUR	EUR
		(reclassified)
Interest income from finance lease receivables	1 397 369	2 876 373
Interest income from intercompany loans calculated applying effective interest rate method	3 222 910	2 127 395
Interest income from loans and advances to customers calculated applying effective interest rate method	5 260 230	10 106 235
TOTAL:	**9 880 509**	**15 110 003**

Interest income contains earned interest on portfolio derecognized from the Group's assets (see Note 19 and Note 20).

Gross and net earned interest are as follows:

	2020	2019
	EUR	EUR
Gross interest income	9 883 508	15 121 160
Interest derecognized due to derecognition of portfolio from the Group's assets*	(2 999)	(11 157)
TOTAL NET INTEREST:	**9 880 509**	**15 110 003**

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

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

5.Interest expense

	2020	2019
	EUR	EUR
Interest expenses on financial liabilities measured at amortized cost:		
Interest expense on issued bonds	3 106 056	3 149 903
Interest expense on issued bonds related parties	34 008	366 508
Interest expenses for loans from P2P platform investors	1 217 218	1 897 157
Interest expenses for lease liabilities	34 520	18 508
Interest expenses for loans from banks	150 181	96 990
Other interest expenses for loans from related parties	7 085	19 082
TOTAL:	**4 549 068**	**5 548 148**

During the financial year, the Group has successfully continued financing using peer-to-peer platforms.The interest expense form the peer platform has decreased compared to the previous year due to a decrease in the amount of funding used from peer-to-peer platforms.

See Note 31 for additional information.

6. Income from car rent

	2020	2019
	EUR	EUR
Revenue from operating lease*	6 240 662	3 992 485
TOTAL:	**6 240 662**	**3 992 485**

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

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

	2020	2019
Revenue from contracts with customers recognised point in time:	EUR	EUR
Gross income from debt collection activities	547 608	726 286
Gross expenses from debt collection activities	(328 435)	(367 993)
Net debt collection income:	219 173	358 293
Income from penalties received	311 731	543 028
Commissions income	1 535	2 425
Commissions and fees income from rent contracts*	48 650	36 091
TOTAL:	**581 089**	**939 837**

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

8. Impairment expense

	2020	2019
	EUR	EUR
Change in impairment in finance lease (see Note 19)	(200 512)	(346 349)
Change in impairment in loans and advances to customers (see Note 20)	(595 643)	(869 482)
Change in impairment in rental fleet (Note 17)	95 529	428 355
Change in impairment in rent recievables (Note 25)	626 286	120 816
Written off rental fleet	321 810	-
Written off debts*	1 909 365	3 880 531
TOTAL impairment expenses:	**2 156 835**	**3 213 871**

*The rent receivables portfolio was not ceded in 2020, the group did not incur any expenses in 2020 from bad debt cession.

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

		2020	2019
		EUR	EUR
Financial lease			(reclassified)
Income arising from cession of financial lease receivables to related parties		146 596	-
Loss arising from cession of financial lease receivables to related parties		(55)	-
	TOTAL:	**146 541**	**-**
Financial lease			
Income arising from cession of financial lease receivables to non related parties		5 962	15 564
Loss arising from cession of financial lease receivables to non related parties		(3 256)	(78 053)
	TOTAL:	**2 706**	**(62 489)**
Loans and advances to customers			
Income arising from cession of loans and advances to customers receivables to related parties		589 816	-
Loss arising from cession of loans and advances to customers receivables to related parties		(2 082)	-
	TOTAL:	**587 734**	**-**
Loans and advances to customers			
Income arising from cession of loans and advances to customers receivables to non related parties		25 873	51 194
Loss arising from cession of loans and advances to customers receivables to non related parties		(178 221)	(364 525)
	TOTAL:	**(152 348)**	**(313 331)**
Receivables from rent contracts			
Income arising from cession of custumers receivables to non related parties		-	81 364
Loss arising from cession of custumers receivables to non related parties		-	(22 119)
	TOTAL:	**-**	**59 245**
Net gain/ (loss) arising from cession of financial lease and loans, advances to customers receivables and rent contracts	**TOTAL:**	**584 633**	**(316 575)**

During 2020 the Group performed cessions to related and non related parties (2019: only non-related parties). See Note 36 for additional information on transactions with related parties.

The portfolio that was ceded to the related party includes only the active contracts, which significantly increased the proceeds from the cession, while the contracts ceded to non-related parties include bad debtors with which the contracts have been terminated and the Group did not expect to receive all debt amount repayment to renewed the contract.

When financial lease receivables or Loans and advances to customers portfolio is sold in cession, the Group reserves the respective part of impairment allowance of the ceded assets (Note 19) and (Note 20).

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

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

		2020	2019
		EUR	EUR
Service fee for using P2P platform		188 084	190 620
	TOTAL:	**188 084**	**190 620**

11. Revenue from car sales

		2020	2019
Revenue from contracts with customers recognized point in time:		EUR	EUR
Income from sale of vehicles		4 084 877	1 909 836
	TOTAL:	**4 084 877**	**1 909 836**

		2020	2019
Expenses from contracts with customers recognized point in time:		EUR	EUR
Expenses from sale of vehicles		(5 344 165)	(2 638 044)
	TOTAL:	**(5 344 165)**	**(2 638 044)**
Total Net revenue/(loss) from contracts with customers recognized point in time:		**(1 259 288)**	**(728 208)**

With a significant increase in the number of vehicles sold in 2020 compared to 2019, losses from vehicle sales have significantly increased. While net result from sales is loss in 2020 and 2019, the Group recovers car value through continuing use - e.g. rental income - before actual sale.

12. Selling expense

	2020	2019
	EUR	EUR
TV and radio marketing expenses	3 459	105 754
Marketing services (include out-of-home advertising)	38 824	186 436
Online advertising	53 983	64 728
Total marketing expenses	**96 266**	**356 918**
Other selling expenses	15 886	10 878
TOTAL:	**112 152**	**367 796**

In connection with the declared state of emergency in the country at the beginning of 2020, the Group evaluated the marketing budget and reviewed marketing activities, as a result of which significantly reduced the Group marketing costs in 2020.

13. Administrative expense

	2020	2019
	EUR	EUR
Employees' salaries	1 489 302	1 676 472
Amortization and depreciation	2 484 246	1 555 468
Management fee	1 016 444	926 956
Professional services*	156 205	166 496
Credit database expenses	90 333	134 238
Donations	-	94 000
IT services	39 536	51 681
Office and branches' maintenance expenses	83 586	101 644
Recruitment fees	210	6 687
Business trips	163	2 369
Communication expenses	22 635	39 902
Other personnel expenses	40 024	24 321
Low value equipment expenses	5 815	7 708
Bank commissions	9 799	26 836
Transportation expenses	1 838	4 967
Other administration expenses	66 568	74 816
TOTAL:	**5 506 704**	**4 894 561**

*Audit fees for the Group's entities' 2020 financial statements audit amounts to 92 000 EUR, the Parent Company - 60 000 EUR (2019: EUR 105 565; the Parent Company – 52 600 EUR).

Key management personnel compensation

	2020	2019
Board and Council Members	EUR	EUR
Remuneration	140 287	113 992
Social security contribution expenses	33 795	27 460
TOTAL:	**174 082**	**141 452**

There are no outstanding balances as of 31 December 2020 with members of the Group's Management Board members (none at 31 December 2019). There are no emoluments granted to the members of the Board and commitments in respect of retirement pensions for former members of the Board.

14. Other operating income

	2020	2019
	EUR	EUR
Commission for client acquisition*	221 064	15 657
Income from service fee**	227 481	41 368
Income recognised from amortization of financial guarantee (Note 39)	1 644 583	336 014
Change in provisions for possible VAT liabilities and penalty (Note 30)	130 013	15 423
Income from the discount application of the rights of use assets (Note 18)	20 575	-
Other operating income	187 294	122 033
TOTAL:	**2 431 010**	**530 495**

*Income from commision for client acquisition includes income from related party. Income from related party increased from EUR 15 657 in 2019 to EUR 221 064 which is explained by the service period - in 2020 service were provided for the full year, but in 2019 only for the period from November till December.

**Income from service fee include income from related party in 2020 EUR 227 481 (2019: EUR 41 368). Significant increase in the service fee is related to the service provision period - in 2020 the services were provided for full year, but in 2019 the services were provided in the period from September to December.

Revenue from contracts with customers recognized point in time where the Group acted as an agent *	2020 EUR	2019 EUR
Gross income from transactions with related parties	411 504	243 459
Gross expenses transactions with related parties	(411 504)	(243 459)
Gross income from transactions with non related parties	-	20 239
Gross expenses from transactions with non related parties	-	(20 239)
TOTAL:	**-**	**-**

*Revenue from recharging expenses is presented as revenue in net amount in these consolidated financial statements.

15. Other operating expense

	2020	2019
	EUR	EUR
Penalty fees	836	1 923
Loss from subsidiaries sales*	-	2 612
Rental fleet maintenance costs**	327 356	241 191
Other operating expenses	51 695	147 264
TOTAL:	**379 887**	**392 990**

*On July 11, 2019, mogo JSC sold its shares in JSC Loango to JSC Mogo Baltics and Caucasus.

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

16. Intangible assets

	Licenses	Other intangible assets*	Total intangible assets
Cost	50 590	102 752	**153 342**
Accumulated amortization	(47 494)	(81 710)	**(129 204)**
As at 1 January 2019	3 096	21 042	**24 138**
2019			
Revaluation surplus			
Additions	-	20 797	**20 797**
Amortization charge	(3 096)	(13 826)	**(16 922)**
Cost	50 590	123 549	**174 139**
Accumulated amortization	(50 590)	(95 536)	**(146 126)**
As at 31 December 2019	**-**	**28 013**	**28 013**
2020			
Additions	-	12 918	**12 918**
Disposals (cost)	-	(70 667)	**(70 667)**
Amortization charge	-	(26 379)	**(26 379)**
Disposals (amortization)	-	70 667	**70 667**
Cost	50 590	65 800	**116 390**
Accumulated amortization	(50 590)	(51 248)	**(101 838)**
As at 31 December 2020	**-**	**14 552**	**14 552**

Amortization costs are included in Note 13 - 'Administrative expense'.

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

	Rental fleet	Property and equipment	Advance payments for assets	Leasehold improvements	Right-of-use premises	Right-of-use motor vehicles	**Total Right-of-use assets**	**TOTAL**
Cost	1 450 589	326 221	70 082	10 693	247 035	13 664	**260 699**	**2 118 284**
Accumulated depreciation and impairment	(6 771)	(253 972)	-	(317)	(165 899)	(4 968)	**(170 867)**	**(431 927)**
As at 1 January 2019	**1 443 818**	**72 249**	**70 082**	**10 376**	**81 136**	**8 696**	89 832	1 686 357
2019								
Additions	16 421 681	113 266	104 809	40 701	1 245 261	-	**1 245 261**	**17 925 718**
Transferred	-	-	(137 307)	(33 008)	170 315	-	**170 315**	**0**
Disposals (cost)	(2 830 855)	(18 430)	-	-	(110 946)	-	**(110 946)**	**(2 960 231)**
Depreciation charge	(1 289 034)	(41 959)	-	(11 464)	(191 121)	(4 968)	**(196 089)**	**(1 538 546)**
Disposals (depreciation)	174 794	7 196	-	-	209 021	-	**209 021**	**391 011**
Impairment	(428 355)	-	-	-	-	-	-	**(428 355)**
Cost	15 041 415	421 057	37 584	18 386	1 551 665	13 664	**1 565 329**	**17 083 771**
Accumulated depreciation and impairment	(1 549 366)	(288 735)	-	(11 781)	(147 999)	(9 936)	**(157 935)**	**(2 007 817)**
As at 31 December 2019	**13 492 049**	**132 322**	**37 584**	**6 605**	**1 403 666**	**3 728**	**1 407 394**	**15 075 954**
2020								
Additions	9 045 289	12 762	1 896	2 500	38 534	-	**38 534**	**9 100 981**
Transferred	-	1 896	(37 448)	-	35 552	-	**35 552**	**-**
Disposals (cost)	(6 505 249)	(239 349)	(2 032)	(1 603)	(209 661)	(13 664)	**(223 325)**	**(6 971 558)**
Depreciation charge	(2 202 559)	(60 795)	-	(1 534)	(190 909)	(2 070)	**(192 979)**	**(2 457 867)**
Disposals (depreciation)	815 783	236 325	-	354	103 074	12 006	**115 080**	**1 167 542**
Impairment	(95 529)	-	-	-	-	-	**-**	**(95 529)**
Cost	17 581 455	196 366	-	19 283	1 416 090	-	**1 416 090**	**19 213 194**
Accumulated depreciation impairment	(3 031 671)	(113 205)	-	(12 961)	(235 834)	-	**(235 834)**	**(3 393 671)**
As at 31 December 2020	**14 549 784**	**83 161**	**-**	**6 322**	**1 180 256**	**-**	**1 180 256**	**15 819 523**

Reassessment of the residual value of non-financial assets (rental fleet) at the end of the lease term

As at 31 December 2020 management has assessed residual values for rental fleet and as a result additional impairment allowance in amount EUR 95 529 (2019: EUR 428 355) was recognized.

Sensitivity analysis was performed to assess changes to key assumptions that could influence whether the carrying value of the rental fleet assets exceeded their recoverable amounts. If WACC would have increased by 2.0%, all other assumptions remaining the same including the rental income, the recoverable amount of assets would equal to EUR 16 841 thousand and an additional impairment of EUR 35 thousand would need to be recognized.

For detailed description of impairment testing refer to 'Impairment of non-financial assets (rental fleet)' (Note 3).

18. Right-of-use assets and lease liabilities

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

		31.12.2020.	31.12.2019.
ASSETS		**EUR**	**EUR**
Non-current assets			
Right-of-use assets - premises		1 180 256	1 403 666
Right-of-use assets - motor vehicles		-	3 728
	TOTAL:	**1 180 256**	**1 407 394**
EQUITY AND LIABILITIES			
Non-current liabilities			
Lease liabilities for right-of-use assets		986 860	1 177 739
Current liabilities			
Lease liabilities for right-of-use assets		151 844	205 426
	TOTAL:	**1 138 704**	**1 383 165**

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

Leases in the statement of comprehensive income	**2020 EUR**	**2019 EUR**
Administrative expense		
Expenses relating to leases of low-value assets and short-term leases	(66 269)	(78 923)
Depreciation of right-of-use assets - premises (Note 17)	(190 909)	(191 121)
Depreciation of right-of-use assets - vehicles (Note 17)	(2 070)	(4 968)
Other income		
Disposal (expenses)/income from dicounts of right-of-use assets (Note 14)	20 575	-
Net finance costs		
Interest expense for right-of-use premises	(34 488)	(18 335)
Interest expense for right-of-use vehicles	(32)	(173)
Total cash outflow from leases	**(273 193)**	**(293 520)**

The weighted average borrowing rate for lease liabilities in 2020 was 2.8% (2019: 2.66%).

The cost relating to variable lease payments that do not depend on an index or a rate amounted to EUR nil for the year ended December 31, 2020 (0 EUR 31.12.2019). There were no leases with residual value guarantees or leases not yet commenced to which the Group is committed.

19. 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.

	2020				2019 (reclassified)
Finance lease receivables	EUR Stage 1	EUR Stage 2	EUR Stage 3	EUR TOTAL	EUR TOTAL
Not past due	2 212 068	55 372	55 956	2 323 396	3 718 847
1-30	344 534	222 719	13 947	581 200	1 189 090
31-60	-	51 588	20 169	71 757	170 882
>60	-	-	713 541	713 541	790 680
TOTAL, GROSS:	**2 556 602**	**329 679**	**803 613**	**3 689 894**	**5 869 499**

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

	2020			
Finance lease receivables	EUR Stage 1	EUR Stage 2	EUR Stage 3	EUR Total
Balance at 1 January (reclassified)	4 356 399	505 764	1 007 336	5 869 499
Transfer to Stage 1	121 621	(101 502)	(20 119)	-
Transfer to Stage 2	(194 228)	215 116	(20 888)	-
Transfer to Stage 3	(242 283)	(123 591)	365 874	-
New financial assets acquired	491 922	18 096	12 842	522 860
Receivables settled	(584 287)	(45 337)	(53 674)	(683 298)
Receivables written off	(977 403)	(74 105)	(303 787)	(1 355 295)
Receivables partially settled	(415 139)	(64 762)	(183 971)	(663 872)
Balance at 31 December	**2 556 602**	**329 679**	**803 613**	**3 689 894**

	2019			
Finance lease receivables	EUR Stage 1	EUR Stage 2	EUR Stage 3	EUR Total
Balance at 1 January (reclassified)	7 843 849	867 511	1 280 713	9 992 073
Transfer to Stage 1	251 343	(223 728)	(27 615)	-
Transfer to Stage 2	(395 316)	424 985	(29 669)	-
Transfer to Stage 3	(424 535)	(201 980)	626 515	-
New financial assets acquired	184 653	9 305	12 629	206 587
Receivables settled	(1 738 374)	(57 053)	(14 592)	(1 810 019)
Receivables written off	(493 719)	(232 731)	(672 970)	(1 399 420)
Receivables partially settled	(871 502)	(80 545)	(167 675)	(1 119 722)
Balance at 31 December (reclassified)	**4 356 399**	**505 764**	**1 007 336**	**5 869 499**

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

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

19. Finance Lease Receivables (continued)

	2020			
	EUR	EUR	EUR	EUR
Impairment allowance	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January (reclassified)	121 025	101 562	721 354	943 941
Transfer to Stage 1	26 429	(19 442)	(6 987)	-
Transfer to Stage 2	(9 129)	16 383	(7 254)	-
Transfer to Stage 3	(9 685)	(24 059)	33 744	-
Impairment for new financial assets acquired	6 512	2 731	6 636	15 879
Reversed impairment for settled receivables	(13 852)	(9 230)	(36 572)	(59 654)
Reversed impairment for written off receivables	(24 017)	(15 710)	(213 956)	(253 683)
Net remeasurement of loss allowance	(49 677)	(10 424)	157 047	96 946
Balance at 31 December	**47 606**	**41 811**	**654 012**	**743 429**

	2019			
	EUR	EUR	EUR	EUR
Impairment allowance	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January (reclassified)	323 197	97 999	869 094	1 290 290
Transfer to Stage 1	32 960	(24 048)	(8 912)	-
Transfer to Stage 2	(21 140)	30 715	(9 575)	-
Transfer to Stage 3	(20 488)	(22 817)	43 305	-
Impairment for new financial assets acquired	3 279	1 649	8 135	13 063
Reversed impairment for settled receivables	(66 839)	(5 674)	(7 700)	(80 213)
Reversed impairment for written off receivables	(25 989)	(28 643)	(467 505)	(522 137)
Net remeasurement of loss allowance	(103 955)	52 381	294 512	242 938
Balance at 31 December (reclassified)	**121 025**	**101 562**	**721 354**	**943 941**

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

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

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

	Minimum lease payments		Minimum lease payments	
	EUR	%	EUR	%
	31.12.2020	31.12.2020	31.12.2019	31.12.2019
Finance lease receivables			(reclassified)	(reclassified)
Stage 1	2 556 602	69%	4 356 399	74%
Stage 2	329 679	9%	505 764	9%
Stage 3	803 613	22%	1 007 336	17%
TOTAL, GROSS:	**3 689 894**	**100%**	**5 869 499**	**100%**

	Minimum lease payments	Change during the period		Minimum lease payments
	EUR	EUR	%	EUR
	31.12.2020			31.12.2019
Finance lease receivables				(reclassified)
Stage 1	2 556 602	(1 799 797)	-41%	4 356 399
Stage 2	329 679	(176 085)	-35%	505 764
Stage 3	803 613	(203 723)	-20%	1 007 336
TOTAL, GROSS:	**3 689 894**	**(2 179 605)**	**-37%**	**5 869 499**

	Impairment allowance		Impairment allowance	
	EUR	%	EUR	%
	31.12.2020	31.12.2020	31.12.2019	31.12.2019
Impairment allowance on finance lease receivables			(reclassified)	(reclassified)
Stage 1	47 606	6%	121 025	13%
Stage 2	41 811	6%	101 562	11%
Stage 3	654 012	88%	721 354	76%
TOTAL, ALLOWANCE:	**743 429**	**100%**	**943 941**	**100%**

19. Finance Lease Receivables (continued)

	Impairment allowance	Change during the period		Impairment allowance
	EUR	EUR	%	EUR
	31.12.2020			31.12.2019
Impairment allowance on finance lease receivables				(reclassified)
Stage 1	47 606	(73 419)	-61%	121 025
Stage 2	41 811	(59 751)	-59%	101 562
Stage 3	654 012	(67 342)	-9%	721 354
TOTAL, ALLOWANCE:	**743 429**	**(200 512)**	**-21%**	**943 941**

	Minimum lease payments	Present value of minimum lease payments	Minimum lease payments	Present value of minimum lease payments
	EUR	EUR	EUR	EUR
	31.12.2020.	31.12.2020.	31.12.2019.	31.12.2019.
Finance lease receivables			(reclassified)	(reclassified)
Up to one year	2 417 908	1 551 062	3 832 205	2 291 757
Years 2 through 5 combined	3 145 113	1 983 123	5 611 581	3 460 945
More than 5 years	197 081	155 709	137 791	116 797
TOTAL, GROSS:	**5 760 102**	**3 689 894**	**9 581 577**	**5 869 499**

	31.12.2020.	31.12.2019.
	EUR	EUR
Unearned finance income		(reclassified)
Up to one year	866 846	1 550 651
Years 2 through 5 combined	1 161 990	2 140 433
More than 5 years	41 372	20 994
TOTAL, GROSS:	**2 070 208**	**3 712 078**

	31.12.2020.	31.12.2019.
	EUR	EUR
Finance lease receivables		(reclassified)
Non-current finance lease receivables	2 138 832	3 568 392
Current finance lease receivables	1 449 159	2 141 345
Accrued interest	101 903	159 762
TOTAL, GROSS:	**3 689 894**	**5 869 499**

	31.12.2020.	31.12.2019.
	EUR	EUR
Movement in impairment allowance		(reclassified)
Impairment allowance as at 01 January	943 941	1 290 290
Impairment loss recognized during the year	177 739	503 652
Elimination of impairment allowance due to cession of receivables	(378 251)	(850 001)
Impairment allowance as at 31 December	**743 429**	**943 941**

	Non-Current	**Current**	**Non-Current**	**Current**
	31.12.2020.	31.12.2020.	31.12.2019.	31.12.2019.
			(reclassified)	(reclassified)
Finance lease receivables, net	EUR	EUR	EUR	EUR
Finance lease receivables	2 138 832	1 449 159	3 568 392	2 141 345
Accrued interest	-	101 903	-	159 762
Fees paid and received upon lease disbursement	(44 320)	(30 029)	(84 205)	(51 609)
Impairment allowance	(94 747)	(648 682)	(198 334)	(745 607)
	1 999 765	**872 351**	**3 285 853**	**1 503 891**

Information regarding the reclassifications and corrections made in the financial statements is disclosed in Note 2.

As of 31 December 2020 part of the gross finance lease portfolio in the amount of EUR 324 595 was pledged in favour of the JSC Citadele bank as collateral for the credit line (31 December 2019: EUR 556 939)

Transactions with peer-to-peer platforms

Agreements are offered with buy back guarantee, which means that all risks of such agreements remain with the Group and in case of client default the Group has the liability to repay the whole remaining principal and accrued interest to P2P investor. By using the same platform the Group also offer loans without buy back guarantee, which means that all risks related to client default were transferred to P2P investor. Portions of agreements purchased by investors therefore are considered as financial assets eligible for derecognition from the Group statement of financial position.

19. Finance Lease Receivables (continued)

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

	31.12.2020.	31.12.2019.
Non-current	EUR	EUR
Finance lease receivable	5 596	29 656
Associated liabilities	(5 596)	(29 656)
NET POSITION:	**-**	**-**
Current	EUR	EUR
Finance lease receivable	4 058	16 978
Associated liabilities	(4 058)	(16 978)
NET POSITION:	**-**	**-**
Total gross portfolio derecognized from Group's financial assets	9 654	46 634
Total associated liabilities	(9 654)	(46 634)
TOTAL NET POSITION:	**-**	**-**

As at end of reporting year 0.3% of all gross portfolio was purchased by P2P investors without buyback guarantee (0.8% in 2019).

20. 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.

	2020				2019
					(reclassified)
	EUR	EUR	EUR	EUR	EUR
Loans and advances to customers	Stage 1	Stage 2	Stage 3	TOTAL	TOTAL
Not past due	7 093 209	248 512	224 089	7 565 810	14 027 088
1-30	1 218 232	457 412	56 599	1 732 243	3 674 063
31-60	-	293 215	75 764	368 979	644 273
>60	-	-	1 713 889	1 713 889	1 766 490
TOTAL, GROSS:	**8 311 441**	**999 139**	**2 070 341**	**11 380 921**	**20 111 914**

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

	2020			
	EUR	EUR	EUR	EUR
Loans and advances to customers	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2020 (reclassified)	16 263 860	1 583 838	2 264 216	20 111 914
Transfer to Stage 1	443 158	(381 254)	(61 904)	-
Transfer to Stage 2	(731 461)	757 670	(26 209)	-
Transfer to Stage 3	(839 788)	(332 186)	1 171 974	-
New financial assets acquired	1 114 243	41 745	81 453	1 237 441
Receivables settled	(2 093 092)	(151 673)	(116 746)	(2 361 511)
Receivables written off	(4 429 680)	(348 866)	(778 672)	(5 557 218)
Receivables partially settled	(1 415 799)	(170 135)	(463 771)	(2 049 705)
Balance at 31 December 2020	**8 311 441**	**999 139**	**2 070 341**	**11 380 921**

	2019			
	EUR	EUR	EUR	EUR
Loans and advances to customers	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2019 (reclassified)	26 806 794	2 255 287	3 228 054	32 290 135
Transfer to Stage 1	690 108	(549 725)	(140 383)	-
Transfer to Stage 2	(1 269 079)	1 335 273	(66 194)	-
Transfer to Stage 3	(1 111 248)	(387 355)	1 498 603	-
New financial assets acquired	2 421 921	94 988	53 045	2 569 954
Receivables settled	(6 399 584)	(224 285)	(66 285)	(6 690 154)
Receivables written off	(2 041 305)	(731 962)	(1 814 024)	(4 587 291)
Receivables partially settled	(2 833 747)	(208 383)	(428 600)	(3 470 730)
Balance at 31 December 2019 (reclassified)	**16 263 860**	**1 583 838**	**2 264 216**	**20 111 914**

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

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

20. Loans and advances to customers (continued)

	2020			
	EUR	EUR	EUR	EUR
Impairment allowance	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2020 (reclassified)	584 503	358 256	1 640 117	2 582 876
Transfer to Stage 1	97 362	(75 710)	(21 652)	-
Transfer to Stage 2	(32 241)	41 343	(9 102)	-
Transfer to Stage 3	(33 861)	(78 878)	112 739	-
Impairment for new financial assets acquired	30 325	9 335	47 736	87 396
Reversed impairment for settled receivables	(81 798)	(36 269)	(80 214)	(198 281)
Reversed impairment for written off receivables	(155 423)	(93 046)	(574 955)	(823 424)
Net remeasurement of loss allowance	(177 914)	21 212	495 368	338 666
Balance at 31 December 2020	**230 953**	**146 243**	**1 610 037**	**1 987 233**

	2019			
	EUR	EUR	EUR	EUR
Impairment allowance	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2019 (reclassified)	1 102 120	275 224	2 075 014	3 452 358
Transfer to Stage 1	103 420	(58 115)	(45 305)	-
Transfer to Stage 2	(65 662)	87 024	(21 362)	-
Transfer to Stage 3	(53 302)	(46 317)	99 619	-
Impairment for new financial assets acquired	154 194	43 209	33 487	230 890
Reversed impairment for settled receivables	(241 732)	(24 234)	(39 513)	(305 479)
Reversed impairment for written off receivables	(105 237)	(102 680)	(1 190 528)	(1 398 445)
Net remeasurement of loss allowance	(309 298)	184 145	728 705	603 552
Balance at 31 December 2019 (reclassified)	**584 503**	**358 256**	**1 640 117**	**2 582 876**

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

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

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

	EUR	%	EUR	%
	31.12.2020.	31.12.2020.	31.12.2019.	31.12.2019.
Loans and advances to customers			(reclassified)	(reclassified)
Stage 1	8 311 441	73%	16 263 860	81%
Stage 2	999 139	9%	1 583 838	8%
Stage 3	2 070 341	18%	2 264 216	11%
TOTAL, GROSS:	**11 380 921**	**100%**	**20 111 914**	**100%**

		Change during the period		
	EUR	EUR	%	EUR
	31.12.2020.			31.12.2019.
Loans and advances to customers				(reclassified)
Stage 1	8 311 441	(7 952 419)	-49%	16 263 860
Stage 2	999 139	(584 699)	-37%	1 583 838
Stage 3	2 070 341	(193 875)	-9%	2 264 216
TOTAL, GROSS:	**11 380 921**	**(8 730 993)**	**-43%**	**20 111 914**

		Impairment allowance		Impairment allowance
	EUR	%	EUR	%
	31.12.2020.	31.12.2020.	31.12.2019.	31.12.2019.
Impairment allowance on loans and advances to customers			(reclassified)	(reclassified)
Stage 1	230 953	12%	584 503	23%
Stage 2	146 243	7%	358 256	14%
Stage 3	1 610 037	81%	1 640 117	63%
TOTAL, ALLOWANCE:	**1 987 233**	**100%**	**2 582 876**	**100%**

20. Loans and advances to customers (continued)

	Impairment allowance	Change during the period		Impairment allowance
	EUR	EUR	%	EUR
	31.12.2020.			31.12.2019.
Impairment allowance on loans and advances to customers				(reclassified)
Stage 1	230 953	(353 550)	-60%	584 503
Stage 2	146 243	(212 013)	-59%	358 256
Stage 3	1 610 037	(30 080)	-2%	1 640 117
TOTAL, ALLOWANCE:	**1 987 233**	**(595 643)**	**-23%**	**2 582 876**

	Minimum loan payments	Present value of minimum loan payments	Minimum loan payments	Present value of minimum loan payments
	EUR	EUR	EUR	EUR
	31.12.2020.	31.12.2020.	31.12.2019.	31.12.2019.
Loans and advances to customers			(reclassified)	(reclassified)
Up to one year	6 876 843	4 361 318	12 910 597	7 049 263
Years 2 through 5 combined	10 389 693	6 553 564	20 661 485	12 425 422
More than 5 years	571 415	466 039	800 320	637 229
TOTAL, GROSS:	**17 837 951**	**11 380 921**	**34 372 402**	**20 111 914**

	31.12.2020.	31.12.2019.
	EUR	EUR
Unearned finance income		(reclassified)
Up to one year	2 515 525	5 861 334
Years 2 through 5 combined	3 836 129	8 236 063
More than 5 years	105 376	163 091
TOTAL, GROSS:	**6 457 030**	**14 260 488**

	EUR	EUR
Loans and advances to customers		(reclassified)
Non-current loans and advances to customers	7 019 602	13 054 203
Current loans and advances to customers	4 032 307	6 532 948
Accrued interest	329 012	524 763
TOTAL, GROSS:	**11 380 921**	**20 111 914**

	31.12.2020.	31.12.2019.
	EUR	EUR
Movement in impairment allowance		(reclassified)
Impairment allowance as at 01 January	2 582 876	3 452 358
Impairment loss recognized during the year	825 171	1 812 640
Elimination of impairment allowance due to cession of receivables	(1 420 814)	(2 682 122)
Impairment allowance as at 31 December	**1 987 233**	**2 582 876**

	Non-Current	**Current**	**Non-Current**	**Current**
	31.12.2020.	31.12.2020.	31.12.2019.	31.12.2019.
	EUR	EUR	EUR	EUR
Loans and advances to customers, net			(reclassified)	(reclassified)
Loans and advances to customers	7 019 602	4 032 307	13 054 203	6 532 948
Accrued interest	-	329 012	-	524 763
Fees paid upon loan disbursement	75 116	43 149	139 517	72 522
Fees received upon loan disbursement	(254 581)	(146 241)	(524 387)	(265 067)
Impairment allowance	(386 260)	(1 600 973)	(768 821)	(1 814 055)
	6 453 877	**2 657 254**	**11 900 512**	**5 051 111**

Information regarding the reclassifications and corrections made in the financial statements is disclosed in Note 2.

As of 31 December 2020 part of the gross loan portfolio in the amount of EUR 997 441 was pledged in favour of the JSC Citadele bank as collateral for the credit line (31 December 2019: EUR 1 867 339)

21. Investment in debt securities

The following table shows investments in securities that are designated at FVOCI.

	31.12.2020.	31.12.2019.
	EUR	EUR
Investment in Mogo Finance S.A issued bonds	609 000	-
TOTAL:	**609 000**	**-**

In 2020, the Group bought bonds from the ultimate parent company with the aim of decreasing the Group's net debt position. Bonds were purchased with a nominal value of EUR 700 000 and a fixed rate of 9.5% with maturity date 10.07.2022.

None of investments were disposed during 2020 and there were no transfers of any cumulative revaluation gain or loss. The change in fair value on these investments was 23 991 EUR for the year ended 31 December 2020 and recognised in fair value reserves and other comprehensive income.

22. Assets held for sale

	31.12.2020.	31.12.2019.
Other non-current assets held for sale, net	EUR	EUR
Repossessed collateral	62 640	195 978
	62 640	**195 978**

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

23. Trade receivables from related parties

	31.12.2020.	31.12.2019.
	EUR	EUR
Cession receivables from related parties non-current	187 315	-
Cession receivables from related parties, current	277 853	-
Receivables from related parties	77 769	73 874
TOTAL:	**542 937**	**73 874**

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

2020	Non-current recievables from related parties		Current recievables from related parties				
	Without delay	**Total Non-current recievables**	Without delay	1-30	31-90	> 90 days	**Total current recievables**
Receivables from cession	187 315	187 315	277 853	-	-	-	277 853
Receivables for commissions	-	-	77 769	-	-	-	77 769
Total trade receivables	**187 315**	**187 315**	**355 622**	**-**	**-**	**-**	**355 622**

As at year end ECLs for recievables from cession to related parties are assessed based on expected settlement. The management has performed an assessment of the receivables from the related party, and concluded there is no significant credit risk increase. Accordingly, no ECL is recognized as at the end of the reporting period (2019: EUR 0 as well).

24. Prepaid Expense

	31.12.2020.	31.12.2019.
	EUR	EUR
Prepaid Mintos service fee	32 634	77 273
Other prepaid expenses	82 359	34 322
TOTAL:	**114 993**	**111 595**

25. Trade receivables

	31.12.2020.	31.12.2019.
	EUR	EUR
Receivables from rent services	389 129	142 920
Receivables from cession	14 350	439 130
Receivables from commissions	17 313	105
TOTAL:	**420 792**	**582 155**

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

2020	current	1-30	31-90	> 90 days	**Total**
Receivables for rent services	94 452	103 981	66 354	871 444	1 136 231
Receivables from cession	14 350	-	-	-	14 350
Receivables for commissions	17 208	-	-	105	17 313
Total trade receivables	**126 010**	**103 981**	**66 354**	**871 549**	**1 167 894**
Total ECL calculated for rent services	(1 728)	(7 868)	(14 870)	(722 636)	(747 102)

25. Trade receivables (continued)

2019	current	1-30	31-90	> 90 days	Total
Receivables for rent services	15 601	85 709	26 965	135 461	263 736
Receivables from cession	439 130	-	-	-	439 130
Receivables for commissions	-	-	-	105	105
Total trade receivables	**454 731**	**85 709**	**26 965**	**135 566**	**702 971**
Total ECL calculated for rent services	(465)	(9 770)	(7 387)	(103 194)	(120 816)

As at year end ECLs for recievables from cession and receivables from commisions are assessed based on expected settlement. The management has performed an assessment of the receivables and concluded there is no significant credit risk increase. Receivables at year end were settled shortly after end of reporting period. Accordingly, no ECL is recognized as at the end of the reporting period (2019: EUR 0 as well).

For rent receivables in 2020 year ECL recognized in amount of EUR 747 102. (2019: EUR 120 816). To assess ECL for rent contacts the Group applies the same model as for finance lease portfolio and respectively benchmarks PD and LGD to the same portfolio.
Stable credit history for rent contracts is insufficient and should also be evaluated with elevated uncertainty due to effect from COVID-19 outbreak. Benchmarking ensures the most accurate estimation of ECL for rent contacts, as historical behaviour of rent portfolio is similar to finance lease portfolio. Additionally rent portfolio has the same or very similar to financial lease portfolio operational processes.

26. Other receivables

	31.12.2020. EUR	31.12.2019. EUR
Receivable for attracted funding through P2P platform (Note 31)*	242 474	-
Advances paid for goods and services	8 754	35 290
Security deposit for office lease (more information in Note 18)	22 179	24 965
Overpaid corporate income tax	-	13 260
Overpaid personal income tax	-	3 294
Other debtors	20 554	66 044
TOTAL:	**293 961**	**142 853**

*Due to more loans put in P2P platform at the 31 December 2020 opposite 31 December 2019, the Group has receivables from P2P platform at 31 December 2020. Due to more repurchased loans from P2P platform the Group has payables to P2P platform on 31 December 2019. See Note Note 34.

27. Contract assets

	31.12.2020. EUR	31.12.2019. EUR
Contract assets from rent services	274 954	205 566
Contract assets from related parties	95 994	18 684
TOTAL:	**370 948**	**224 250**

Majority of the invoices are issued after the year end and receivables from these invoices are paid, except for 51 791 EUR (2019: nil) representing the contract asset from related party JSC Primero Finance as a result of revenue variable consideration recognition.

The Group assesses material amounts recovery individually. The Group's management decides on the performance assessment on an individual basis, reflecting the possibility of obtaining information on a particular contract asset and a significant increase in the credit risk of that particular contract asset. As at year end ECLs are as well assessed based on the expected settlements. The contract assets, which are settled shortly after end of reporting period, have no ECL recognised. The management has performed an assessment of the contract assets and concluded there is no significant credit risk increase. Accordingly, no ECL is recognized as at the end of the reporting period (2019: EUR 0 as well).

28. Cash and cash equivalents

	31.12.2020. EUR	31.12.2019. EUR
Cash at bank	160 318	321 183
Cash on hand*	-	55 384
TOTAL:	**160 318**	**376 567**

This financial asset is not impaired as of 31.12.2020. (31.12.2019.: 0 EUR).

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

The Group has not created ECL allowances for cash and cash equivalents on the basis that placements with banks are of short term nature and the lifetime of these assets under IFRS 9 is so short that the low probability of default would result in immaterial ECL amounts (2019 EUR 0).

29. Share capital

The share capital of the Parent company is EUR 5 000 000 and consists of 5 000 000 shares. The par value of each share is EUR 1. All the shares are fully paid.
There were no movements in the Share capital caption during the 2020 year the same as well in 2019. Dividends weren't distributed in 2020, the same as 2019.
The Group has currency revaluation reserve amount 1 EUR, due to switch from Latvian Lats to EUR.
The were no movements on the Share capital caption during the year.
The fair value reserve comprises the cumulative net change in fair value of debt securities at FVOCI until the assets are derecognised or reclassificed.

	Share capital
Opening balance as at 1 January 2019	**5 000 000**
Subscriptions	-
Redemptions	-
Closing balance as at 31 December 2019	**5 000 000**
Opening balance as at 1 January 2020	**5 000 000**
Subscriptions	-
Redemptions	-
Closing balance as at 31 December 2020	**5 000 000**

30. Other provisions

During financial year 2016, the Parent company adjusted its VAT returns for the periods from 2014 to 2016 which resulted in additional input VAT. The same approach is applied also for all periods until 31.12.2020. However, there is uncertainty of possible recovery of those input VAT and as a result possible VAT liabilities might arise. Due to this, the Parent company recognizes a provision at the amount of the declared input tax as at 31.12.2020. EUR 333 608 (at 31.12.2019 EUR 365 495).

	31.12.2020.	31.12.2019.
Provision for possible VAT liabilities*	333 608	365 495
Provision for possible penalties	99 314	127 176
TOTAL:	**432 922**	**492 671**

*Provision for possible taxes and duties are calculated based on rates applied by tax body of Republic of Latvia and discounted with rate of 0.51% (2019: 0.72%) for estimated litigation process period of remaining of 3 years. The provisions are made for VAT possible liabilities.

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

Changes in other provisions	31.12.2019.	Provisions for current year	Reversed provisions*	Unwinding of discount	**Total increase/ (decrease) in provisions**	Increase in VAT libilities	31.12.2020.
Provision for possible VAT liabilities in Latvia	365 495	17 991	(124 486)	4 344	**(102 151)**	70 264	333 608
Provision for possible penalties in Latvia	127 176	26 003	(55 376)	1 511	**(27 862)**	-	99 314
TOTAL:	**492 671**	**43 994**	**(179 862)**	**5 855**	**(130 013)**	**70 264**	**432 922**

*During the financial year 2020 the Company has reversed the provision for possible VAT liabilities and penalties in Latvia for the period January to November 2017 due to the expiry of the statute of limitations in accordance with national legislation.

Changes in other provisions	31.12.2018.	Provisions for current year	Reversed provisions*	Unwinding of discount	**Total increase/ (decrease) in provisions**	Increase in VAT libilities	31.12.2019.
Provision for possible VAT liabilities in Latvia	279 137	40 393	-	5 824	**46 217**	40 141	365 495
Provision for possible penalties in Latvia	169 890	5 513	(70 698)	3 545	**(61 640)**	18 926	127 176
TOTAL:	**449 027**	**45 906**	**(70 698)**	**9 369**	**(15 423)**	**59 067**	**492 671**

*During the financial year 2019 the Company has reversed the provision for possible VAT penalties liabilities in Latvia for the previous provisions period by changing the fine calculation estimates.

31. Borrowings

Non-current

	Interest rate per annum (%)	Maturity	31.12.2020. EUR	31.12.2019. EUR
Liabilities for issued debt securities				
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% - 14%	31.12.2026.	10 662 288	9 441 150
Liabilities acquisition costs for funding attracted through peer-to-peer platform			(33 116)	(77 782)
		TOTAL:	**10 629 172**	**9 363 368**
Other borrowings				
Loans from related parties	3%	27.02.2023	-	290 306
Loans from banks [6)]	8%	30.04.2021	-	2 106 840
		TOTAL:	**-**	**2 397 146**
Lease liabilities for right-of-use assets				
Lease liabilities for right-of-use assets - premises[4)]	2.74-2.86%	up to 5 years	549 750	733 354
Lease liabilities for right-of-use assets - vehicles[4)]	2.74-2.86%	>1 year - < 5 year	437 110	444 385
		TOTAL:	**986 860**	**1 177 739**
		TOTAL NON CURRENT BORROWINGS:	**11 616 032**	**42 997 496**

Current

	Interest rate per annum (%)	Maturity	31.12.2020. EUR	31.12.2019. EUR
Liabilities for issued debt securities				
Bonds 20 million EUR notes issue[1)]	10-12%	31.03.2021.	17 166 000	-
Bonds 10 million EUR notes issue[2)]	10-12%	31.03.2021.	6 963 000	-
Bond additional interest accrual [5)]			367 626	-
Bonds acquisition costs			(16 511)	-
		TOTAL:	**24 480 115**	**-**
Funding attracted through peer-to-peer platforms				
Funding attracted through peer-to-peer platforms[3)]	8-14%	31.12.2026.	2 895 677	5 107 459
Accrued interest for funding attracted through peer-to-peer platforms			60 521	71 884
		TOTAL:	**2 956 198**	**5 179 343**
Loans from related parties				
Accrued interest for loans from related parties	3%	27.22.2023.	-	7 403
		TOTAL:	**-**	**7 403**
Lease liabilities for right-of-use assets				
Lease liabilities for right-of-use assets - premises[4)]	2.64%	up to 1 years	151 844	201 600
Lease liabilities for right-of-use assets - vehicles[4)]	2.64%	up to 1 years	-	3 826
		TOTAL:	**151 844**	**205 426**
Other borrowings				
Loans from banks [6)]	8%	30.04.2021	1 189 618	-
Loans from banks [7)]	8%	26.02.2021.	500 000	-
Accrued interest for loans from banks			208	-
		TOTAL:	**1 689 826**	**-**
		TOTAL CURRENT BORROWINGS:	**29 277 983**	**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.

The Group has raised a total of EUR 17 166 000 as at 31 December 2020 (20 000 000 EUR at 31 December 2019). In 2020, the Group bought back its own issued bonds with the aim of decreasing the Group's net debt position.

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.

The Group has raised a total of EUR 6 963 000 as at 31 December 2020 (10 000 000 EUR at 31 December 2019). In 2020, the Group bought bonds back its own issued bonds with the aim of decreasing the Group's net debt position.

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 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.

On March 1, 2021, through public offering JSC “mogo” successfully issued secured corporate bond (LV0000802452) in the amount of EUR 30 million, which from March 31, 2021 are included in the regulated market – the Baltic Bond List of “Nasdaq Riga” stock exchange and 71.4% of issued both emissions are refinanced.

For more information see Note 43.

31. Borrowings (continued)

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 2020 than in December 2019.

4) The Group has entered into several lease agreements for office premises and branches as well as several vehicle rent agreements. (Note 2 section IFRS 16: Leases). During the reporting year, the Group closed its branches except for the branch in the "Road Traffic Safety Directorate", as a result almost all branch lease agreements were terminated, also vehicles rent agreements were terminated in the financial year.

5) The item represents accrued interest, which is to be paid at the maturity of the bonds, therefore the accrued interest is classified as long term in 2019 and short term in 2020.

6) On 2nd August 2019 JSC "Citadele banka" granted to JSC “mogo” the credit line in the amount of EUR 1.4 million (31.12.2019.: EUR 3 millions) for refinancing of existing indebtedness. Maturity of agreement is 30th April 2021.

7) On 29 December 2020 JSC "Signet Bank" granted to JSC “mogo” the credit in the amount of EUR 500 000. Maturity of agreement - February 2021. The loan principal and accrued interest were repaid in February 2021.

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

	31.12.2020.	31.12.2019.
	EUR	EUR
(Payable)/ Receivable from attracted funding through P2P platform (Note 26,34)	242 474	(478 206)
TOTAL:	**242 474**	**(478 206)**

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

	31.12.2020.	31.12.2019.
	EUR	EUR
Accrued for expenses from attracted funding through peer-to-peer platform (Note 35)	7 026	11 257
TOTAL:	**7 026**	**11 257**

Changes in liabilities	31.12.2019	Incoming cash flow	Outgoing cash flow	Other	31.12.2020.
Funding attracted through peer-to-peer platforms	14 548 609	6 978 033	(10 047 231)	2 078 554*	13 557 965
Lease liabilities for Right-of-use assets	1 383 165	-	(121 190)	(123 271)	1 138 704
Liabilities for issued debt securities	30 000 000	6 305 000	(12 176 000)	-	24 129 000
Loans from related parties	290 306	-	(290 306)	-	-
Loan from bank	2 106 840	11 053 000	(11 470 222)	-	1 689 618
TOTAL BORROWINGS PRINCIPAL:	**48 328 920**	**24 336 033**	**(34 104 949)**	**1 955 283**	**40 515 287**

*Other movement in Funding attracted through peer-to-peer platforms is related with the offsetting of mutual debts by companies on a weekly basis to each other without cash flow.

Changes in liabilities	31.12.2019	Incoming cash flow	Outgoing cash flow	Calculated for the financial year	31.12.2020.
Additional bond interest accrual	299 203	-	(9 967)	78 390	367 626
Bonds acquisition costs	(239 960)	-	-	223 449	(16 511)
Bonds interest expenses	-	-	(2 838 225)	2 838 225	-
Accrued interest for financing received from P2P investors	71 884	-	(1 174 640)	1 163 277	60 521
Funding attracted through peer-to-peer platforms acquisition costs	(77 782)	-	(9 275)	53 941	(33 116)
Interest expenses for loans to related parties	7 403	-	(14 488)	7 085	-
Interest expenses from right-of-use assets	-	-	(34 520)	34 520	-
Interest expenses from loan from bank	-	-	(149 973)	150 181	208
TOTAL INTEREST LIABILITIES:	**60 748**	**-**	**(4 231 088)**	**4 549 068**	**378 728**
TOTAL BORROWINGS:	**48 389 668**	**24 336 033**	**(38 336 037)**	**6 504 351**	**40 894 015**

Changes in liabilities	01.01.2019.	Incoming cash flow (reclassified)	Outgoing cash flow (reclassified)	Other (reclassified)	31.12.2019.
Funding attracted through peer-to-peer platforms	13 661 817	13 940 874	(14 820 224)	1 766 142*	14 548 609
Lease liabilities for Right-of-use assets**	90 567	-	(192 785)	1 485 383	1 383 165
Liabilities for issued debt securities	30 000 000	6 346 083	(6 346 083)	-	30 000 000
Loans from non related parties	-	1 490 000	(1 490 000)	-	-
Loans from related parties	-	-	-	290 306	290 306
Loan from bank	-	5 364 050	(3 257 210)	-	2 106 840
TOTAL BORROWINGS PRINCIPAL:	**43 752 384**	**27 141 007**	**(26 106 302)**	**3 541 831**	**48 328 920**

*Other movement in Funding attracted through peer-to-peer platforms is related with the offsetting of mutual debts by companies on a weekly basis to each other without cash flow.

**Significant increase in lease liabilities for right-of-use assets is related to the lease agreement from 12.12.2018 for the Company's new office Skanstes street 52 rent from 11.09.2019.

31. Borrowings (continued)

Changes in liabilities	01.01.2019.	Incoming cash flow (reclassified)	Outgoing cash flow (reclassified)	Calculated for the financial year (reclassified)	31.12.2019.
Additional bond interest accrual	182 493	-	(14 279)	130 989	299 203
Bonds acquisition costs	(274 247)	-	(330 355)	364 642	(239 960)
Bonds interest expenses	-	-	(3 020 780)	3 020 780	-
Accrued interest for financing received from P2P investors	70 513	-	(1 766 289)	1 767 660	71 884
Funding attracted through peer-to-peer platforms acquisition costs	(185 180)	-	(22 099)	129 497	(77 782)
Interest expense from loans from non-related parties	-	-	(5 377)	5 377	-
Interest expense from loans from related parties	-	-	(6 301)	13 704	7 403
Interest expenses from right-of-use assets	-	-	(18 509)	18 509	-
Interest expenses from loan from bank	-	-	(96 990)	96 990	-
TOTAL INTEREST LIABILITIES:	**(206 421)**	**-**	**(5 280 979)**	**5 548 148**	**60 748**
TOTAL BORROWINGS:	**43 545 963**	**27 141 007**	**(31 387 281)**	**9 089 979**	**48 389 668**

32. Prepayments and other payments received from customers

	31.12.2020. EUR	31.12.2019. EUR
Unallocated payments received*	15 760	17 648
Overpayments from historical customers	34 614	27 687
Customer overpayments from rent services	119 731	109 256
Received deposits from rent customers	7 740	9 530
TOTAL:	**177 845**	**164 121**

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

Advances received from customers are shown under finance lease receivables and loans and advances to customers in year 2020 and 2019. See Note 19 and Note 20.

33. Taxes payable

	31.12.2020. EUR	31.12.2019. EUR
Social security contributions	73 543	58 105
Personal income tax	50 911	4 423
VAT	154 502	30 637
Other taxes	-	10
TOTAL:	**278 956**	**93 175**

34. Other liabilities

	31.12.2020. EUR	31.12.2019. EUR
Payable for attracted funding through P2P platform*	-	478 206
Payable for received payments from customers of the related parties	315 566	222 358
Liabilities against employees for salaries	68 052	80 185
Other liabilities	9 159	-
TOTAL:	**392 777**	**780 749**

* On 2020 year-end the Group has receivables from P2P platform in revers to 2019 year-end when the Group had payables to P2P platform. For more information see Note 31.

35. Accrued liabilities

	31.12.2020. EUR	31.12.2019. EUR
Accrued liabilities for services received	118 044	66 814
Accrued liabilities for management services from related parties	132 437	123 715
Accrued unused vacation	92 809	112 779
Accruals for bonuses	69 073	31 023
Accrued expenses from attracted funding through peer-to-peer platform (Note 31)	7 026	11 257
TOTAL:	**419 389**	**345 588**

36. Related parties disclosures

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

Transactions with related parties for years 2020 and 2019 were as follows:	2020	2019
	EUR	EUR
Services provided		
- Revenue from recharging expenses (Note 14)*	**411 504**	**243 459**
- JSC Mogo Baltics and Caucasus	19 957	45 122
*- HUB***	126 028	118 430
- Other related companies	265 519	79 907
- Other services provided	**451 470**	**59 425**
*- HUB***	169	-
- Client acquisition services and other services provided for other related companies	451 301	59 425
Services received		
- Management services (Note 13)****	**1 016 444**	**926 956**
- JSC Mogo Baltics and Caucasus	293 239	706 672
*- HUB***	723 205	220 284
- Other services received***	**43 048**	**131 934**
*- HUB***	11 702	4 796
- JSC Mogo Baltics and Caucasus	2 063	2 057
- JSC Longo Latvia	12 649	124 092
- Other related companies	16 634	989
Assets	**76 291**	**1 613 590**
- Purchase of rental fleet from JSC Longo Latvia	56 591	1 336 840
*- Purchase of fixed assets from HUB***	-	515
- Purchase of rental fleet and fixed assets from other related	19 700	710
- Repossessed collaterals sold to JSC Longo Latvia 1)	-	275 525
Acquired vehicles for sale through finance leases	**-**	**202 900**
- Cars from JSC Longo Latvia 2)	-	202 900
Interest costs	**41 093**	**385 590**
- Mogo Finance S.A.	41 093	373 911
- Other related companies	-	11 679
Interest income (Note 4)	**3 222 910**	**2 127 395**
- Mogo Finance S.A.	2 715 262	2 127 395
- Other related companies	507 648	-
Cession income (Note 9) 3)	**734 275**	**-**
- Other related companies	734 275	-

* When another party is involved in providing goods or services to the Group's customers, the Group considers that in these transactions it acts as an agent. (Note 3, 14).

** HUB - under HUB there are disclosed the Group's related parties JSC Mogo Balkans and Central Asia, JSC Mogo Eastern Europe JSC, JSC Mogo Africa, JSC Mogo Consumer Finance and JSC Mogo Car Finance.

*** Other services received - include car dealership commissions (that form part of net finance lease receivable). It also includes recharging expenses from related parties.

**** Management services - include non deductible VAT

1) The Group has sold repossessed vehicles from customers with terminated agreements to related party Longo Latvia JSC (related party till 02.03.2020). Sales proceeds reduces the respective customer's debt towards the Group and is recorded as a reduction in financial lease receivable upon sales.

2) The Group has acquired vehicles from related party Longo Latvia JSC (related party till 02.03.2020) and these vehicles were sold to customers through finance lease (Note 19). No gain or loss occurred on these transactions.

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

Receivables from related companies

Non-current	Interest rate per annum (%)	Maturity		31.12.2020. EUR	31.12.2019. EUR
Loan receivable from Mogo Finance S.A.*	12.50	April 2023		23 173 036	24 298 800
Loan receivable from Mogo Car Finance JSC**	12.50	September 2024		5 159 729	-
Current					
Accrued interest from Mogo Finance S.A. loan*				246 530	-
			TOTAL:	**28 579 295**	**24 298 800**

* In 2017 the Group has signed the loan agreement with Mogo Finance S.A. Loan agreement allows both parties to agree on flexible loan payout and loan repayment arrangement with maximum loan amount of 30 million EUR with maturity date 27.04.2023. and fixed interest rate 12.5%. There is no security for this loan.

** On 9 April 2020 the Group signed loan agreement with Mogo Car Finance JSC for credit line of 15 million EUR with maturity date 24 September 2024 and fixed interest rate 12.5%. There is no security for this loan.

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

2020	Stage 1	Stage 2	Stage 3	**Total**
Loan receivable from related companies	28 579 295	-	-	28 579 295

Loan receivables from related parties inherently are subject to the Group's credit risk. Therefore, a benchmarked PD rate was based on Standard & Poor's corporate statistics studies. The LGD has been assessed considering the related parties' financial position.
As a result no ECLs are recognized for the loan receivable from related parties (2019: EUR nil).

36. Related parties disclosures (continued)

	31.12.2020.	31.12.2019.
Current	EUR	EUR
Receivables from related companies	542 937	73 874
TOTAL:	**542 937**	**73 874**
TOTAL RECEIVABLES:	**29 122 232**	**24 372 674**

Aging of receivables from related companies is disclosed in Note 23.

Payables and other liabilities to related companies

	31.12.2020.	31.12.2019.
	EUR	EUR
Other liabilities to Primero Finance JSC (see Note 34)	315 566	222 358
Payables to Mogo Baltics and Caucasus JSC	-	126 296
Payables to other related companies	-	28 325
TOTAL:	**315 566**	**376 979**

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

37. Other investments

		31.12.2020.	31.12.2019.
	Shareholding	EUR	EUR
Investments in Mogo IFN (Romania)	0.01%	20	20
Investments in LLC Mogo Belarus	0.01%	6	6
	TOTAL:	**26**	**26**

Equity investments are classified and measured as Equity instruments designated at fair value through OCI. The Group elected to classify irrevocably its equity investments under this category as it intends to hold these investments for the foreseeable future.

38. Commitments and contingencies

Starting from 9 July 2018 Mogo Finance S.A. and its Subsidiaries (including Mogo JSC) entered into several pledge agreements with Greenmarck Restructuring Solutions GmbH, establishing pledge over shares of the Subsidiaries, pledge over present and future loan receivables of the Subsidiaries, pledge over trademarks of the Subsidiaries, general business pledge over the Subsidiaries, pledge over primary bank accounts if feasible, in order to secure Mogo Finance S.A. obligations towards bondholders deriving from Mogo Finance S.A. bonds. Subsequently additional pledgors were added who became material (Subsidiaries with net loan portfolio of more than EUR 7 500 000) according to terms and conditions of the bonds. The value of the assets pledged in accordance with the commercial pledge agreement concluded with Greenmarck Restructuring Solutions GmbH is estimated to be 55.7 million EUR as of 31/12/2020 (55.5 million EUR as of 31/12/2019).

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

On 26 February 2018 the Group entered into a surety agreement with Ardshinbank CJSC and Mogo LLC, in order to secure Mogo LLC obligations towards Ardshinbank CJSC deriving from loan agreement concluded between Ardshinbank CJSC and Mogo LLC on 26 February 2018, with a maximum liability not exceeding the principal amount EUR 1 000 000. As described in the Note 43 below, the surety agreement has been prolonged till 2022.

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

On 31 July 2019 mogo JSC has concluded a Commercial pledge with JSC Citadele banka by virtue of which certain receivables of mogo JSC are pledged in favor of JSC Citadele banka in order to secure mogo JSC, mogo OU and UAB mogo LT obligations towards JSC Citadele banka under the Credit line agreement of 8 July 2019. As of 31 December 2020 part of the gross finance lease portfolio in the amount of EUR 1.3 million was pledged in favor of the Citadele bank as collateral for the credit line (31 December 2019: EUR 2,4 millions).

The credit facility terms have been updated after the reporting period, see Note 43.

On 5 December 2017 mogo JSC entered into a commercial pledge agreement with Mintos Finance Estonia OU, in order to secure mogo JSC obligations towards Mintos Finance Estonia OU deriving from Cooperation agreement on issuance of loans No. 36/2017-L, dated 5 December 2017. The Group pledged gross receivables in amount of 14 932 745 EUR (31.12.2019.: 9 094 031 EUR).

On 29 December 2020 mogo JSC has concluded a Commercial pledge with JSC Signet bank by virtue of which certain bonds of mogo JSC are pledged in favor of JSC Signet bank in order to secure mogo JSC obligations towards JSC Signet bank under the loan agreement of 29 December 2020. As of 31 December 2020 part of the Group's issued bonds in the amount of EUR 1.1 million were pledged in favor of the JSC Signet bank as collateral for the loane (31 December 2019: nil)

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

38. Commitments and contingencies (continued)

Based on customer's complaint, on 13 November 2020 Consumer rights protection centre (hereinafter -PTAC) has started an administrative case against the Parent Company for applying debt collection expense reimbursment repeatedly in the amount of 17 EUR for each time consumer was delaying regular payment more than 10 days, which PTAC declares being excesssive.

The debt collection expense reimbursment to the late paying customers has been applied since 2015, reviewed by PTAC in the letter to the Parent Company dated April 2018, while the other letter suggesting to review above mentioned practice has been received in December 2019. The Management of the Group believes, that the application of the debt collection expense reimbursment on top of the late payment penalty is not prohibited by law, if supported by the costs caused to the Parent Company, therefore the Parent Company did not violate the laws. As at the date of reporting, following the recent discussions with PTAC, the Management of the Company assessed the potential outcomes of the matter.

The PTAC ruling, based on part 8 of article 15 of the Law on Prohibition of the Unlawful Commercial Practice, could result in various measures, including requesting to stop applying the debt collection expense reimbursement practice in the future (which has been implemented already by the Parent Company as of 31 March 2021) or requesting the Parent Company to additionally paying the fine up to 100'000 EUR.

Ruling may come into force only if the Parent Company will not reach agreement with PTAC. As at the financial statement reporting date the Parent Company has not yet reached a mutual agreement with PTAC neither on clear outcome nor obligation amount, if any. It is likely that the Group will be exposed to a financial impact, however, it is not possible to measure it reliably, therefore the Management did not account for any provision in the financial statements as at 31 December 2020.

Externally imposed capital requirements

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

Main requirements are listed below:

mogo JSC Bonds

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

1) To maintain positive amount of equity at all times;

2) To maintain Net Debt/Equity (total liabilities minus cash against equity) indicator at certain level.

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

Cooperation agreement with P2P platform

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

The Group is subject to additional financial covenants relating to its attracted funding through P2P platform. The Group is regularly monitoring respective indicators and ensures that covenants are satisfied. The Group is in compliance with these covenants at 31 December 2020 and 31 December 2019.

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

39. Provisions for financial guarantees

	2020	2019
Effect on other reserves	EUR	EUR
	Other reserves	**Other reserves**
Outstanding as at 1 January	**(4 769 833)**	**(1 066 590)**
Fair value of the newly issued guarantees	-	(113 133)
Net result of original guarantee derecognition and recognition of modified guarantee (3), (4)	-	(3 590 110)
Decrease in fair value of the guarantees due to non-substantial modifications	684 427	-
Outstanding as at 31 December	**(4 085 406)**	**(4 769 833)**
Effect on provisions for financial guarantees	**Financial guarantees**	**Financial guarantees**
Outstanding as at 1 January	**4 315 492**	**948 263**
Fair value of the newly issued guarantees	-	113 133
Increase/(decrease) in expected credit losses (3)	-	996 797
Decrease in fair value of the guarantees due to non-substantial modifications (5)	(684 428)	(264 411)
Amortized as income prior to modifications	-	(133 017)
Outstanding provisions for guarantees before modifications	**3 631 064**	**1 660 765**
Fair value of the guarantees subsequent to modification (4)	-	4 518 489
Net result of original guarantee derecognition and recognition of modified guarantee (4)	-	(2 857 724)
Outstanding provisions for guarantees		
Fair value of the guarantees subsequent to modification	**3 631 064**	**4 518 489**
Amortised as income subsequent to modifications	(1 644 583)	(202 997)
Outstanding as at 31 December	**1 986 481**	**4 315 492**
Financial guarantee in favor of bondholders of Mogo Finance S.A.	1 970 256	4 240 919
Financial guarantee in favor of Ardshinbank	16 225	74 573
Total	**1 986 481**	**4 315 492**
Total recognized as income (Note 14)	**(1 644 583)**	**(336 014)**

39. Provisions for financial guarantees (continued)

(1) On 9 July 2018 the Parent company entered a financial guarantee agreement issued in favor of bondholders of Mogo Finance S.A. The subsidiary also joined this financial guarantee agreement in May 2019. The guarantee was issued to secure Mogo Finance S.A. exposure after issuing corporate bonds, ISIN XS1831877755 (as of 31 December 2020 the total nominal value of bonds is EUR 100 million; as of 31 December 2019 - EUR 100 million), which are listed on the Open Market of the Frankfurt Stock Exchange. Under the guarantee agreement the Parent and subsidiary company irrevocably guarantees the payment of Mogo Finance S.A. liabilities towards its bondholders in case of default of Mogo Finance S.A. under the provisions of bond prospectus.
The Group did not receive compensation for the guarantee provided. Fair value of financial guarantee is recognized as liability and as a distribution of equity under “Other reserves”. The amount of the financial guarantee liability is amortized to income in accordance with IFRS 15 principle (Note 14) on straight line basis till bond maturity, which is July 2022.

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

As described in the Note 43 below, the surety agreement has been prolonged till 2022.

(3) An increase in credit losses in 2019 was identified and measured for guarantees. It is related to the change in the estimated discount rate applied by the Group. In 2019, the discount rate was applied based on the received Fitch B- credit rating. In 2019 this increase was recognized in the income statement, which was offset by the derecognition of the subsequent guarantee, as explained (4). During 2020 there was no change in credit losses.

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

Change is deemed substantial as it increases the guarantee limit. Accordingly, the original guarantee is derecognized (including reversed profit and loss charge as described in (3)). In 2019 net difference between the original guarantee provision book value and the fair value of the modified financial guarantee of 4 518 489 EUR is 2 857 724 EUR and is recognized as an increase in guarantee provision. In 2019 notional capital distribution recognized through Other reserves as a result of substantial guarantee modification represents the result of derecognition of original guarantee prior to credit risk increase and recognition of new guarantee of 4 518 489 EUR - i.e. 3 590 110 EUR.

(5) In 2020, the amount of the provisions for financial guarantees decreased by EUR 684 428 (2019: EUR 264 411) due to insignificant changes in the guarantee - changes in the PD rate and Net exposure value.

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

After initial recognition, the liability under the guarantee is measured at the higher of the amount initially recognized less cumulative amortization recognized through linear amortization and an ECL provision. ECL provision for financial guarantee is a Stage 1 exposure as described in Note 3. The ECL for the guarantees issued by the Group is lower than their carrying amount as at 31 December 2020 and therefore no ECL were recognised (2019.: nil).

40. Financial risk management

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

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 risks are mainly derived from regulatory changes, which the Group successfully manages with the help of in-house legal department and external legal advisors, which assist in addressing any current or future regulatory developments that might have an impact on Group’s business activities.

See further information on regulatory matters in Note 38.

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

Regulatory risks
The Group’s operations are subject to regulation by a variety of consumer protection, financial services and other state authorities, including, but not limited to, laws and regulations relating to consumer loans and consumer rights protection, debt collection and personal data processing.

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

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

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

40. Financial risk management (continued)

Market risks

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

Financial risks

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

Interest rate risk

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

Capital risk management

The Group considers both equity capital as well as borrowings a part of overall capital risk management strategy. The Group manages its capital to ensure that it will be able to continue as going concern. In order to maintain or adjust the capital structure, the Group may attract new credit facilities, issue bonds, borrow in P2P platform, increase its share capital or sell the assets to reduce the debt. The management of the borrowings is driven by monitoring and complying the lender imposed covenants as well as planning the further borrowing needs to ensure business development of the Group.

The Group monitors equity capital on the basis of the capitalization ratio as defined in Eurobond prospectus. This ratio is calculated as Net worth (the sum of paid in capital, retained earnings, reserves and shareholder loan) divided by Net Loan portfolio. During the reporting period the Group has complied with all externally imposed equity capital requirements to which it is subject as stated in Note 38. The Group has several other covenants to comply with due to the bonds issued and funds borrowed in P2P platform - Group has complied with all of them during the reporting period.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group controls its liquidity risk by managing the amount of funding it attracts through P2P platforms, which provide management greater flexibility to manage the level of borrowings and the cash levels. In addition, it issues bonds and attracts external credit facilities.

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

There is a significant gap between the up to 1 year maturity assets and liabilities, which is mainly driven by the maturity of the bonds. As discussed in the Note 43, the Parent Company has managed to issue the new 30 million euros 3-year maturity bond, which, accompanied by the increase borrowing limits from the bank, have sufficiently covered the contractual cash flows disbalance, observed as at the reporting period end. Since the Group's financial year 2021 results are foreseen to be profitable, the management believes the liquidity risk is well minimised as at a reporting date.

		Contractual cash flows				
	Carrying value	**On demand**	**Up to 1 year**	**1-5 years**	**More than 5**	**Total**
As at 31.12.2020.	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**
Assets						
Cash and cash equivalents	160 318	160 318	-	-	-	**160 318**
Loans and advances to customers	9 111 131	-	6 876 843	10 389 693	571 415	**17 837 951**
Loans to related parties	28 579 295	-	3 788 126	33 968 595	-	**37 756 721**
Investment securities	609 000	-	63 022	569 969	-	**632 991**
Trade receivables from related paries	542 937	-	355 621	187 171	145	**542 937**
Trade receivables	420 792	-	7 574 515	22 660 554	1 094 075	**31 329 144**
Finance lease receivables	2 872 116	-	2 417 908	3 145 113	197 081	**5 760 102**
Total financial assets	42 295 589	160 318	21 076 035	70 921 095	1 862 716	**94 020 164**

		Contractual cash flows				
	Carrying value	**On demand**	**Up to 1 year**	**1-5 years**	**More than 5**	**Total**
As at 31.12.2020.	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**
Liabilities						
Funding attracted through peer-to-peer platforms	(13 585 370)	-	(3 794 367)	(12 540 618)	(54 130)	**(16 389 115)**
Liabilities for issued debt securities	(24 480 115)	-	(25 230 115)	-	-	**(25 230 115)**
Provisions for financial guarantees	(1 986 481)	-	-	(1 986 481)	-	**(1 986 481)**
Loan from banks	(1 689 826)	-	(1 728 007)	-	-	**(1 728 007)**
Lease liabilities for right-of-use assets	(1 138 704)	-	(151 844)	(437 110)	(549 750)	**(1 138 704)**
Other liabilities	(1 401 017)	-	(1 401 017)	-	-	**(1 401 017)**
Total financial liabilities	(44 281 513)	-	(32 305 350)	(14 964 209)	(603 880)	**(47 873 439)**
Net financial assets / (liabilities)	(1 985 924)	160 318	(11 229 315)	55 956 886	1 258 836	**46 146 725**

40. Financial risk management (continued)

		Contractual cash flows				
	Carrying value	On demand	Up to 1 year	1-5 years	More than 5	Total
As at 31.12.2019.	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**
Assets						
Cash and cash equivalents	376 567	376 567	-	-	-	**376 567**
Loans and advances to customers	16 951 623	-	12 910 597	20 661 485	800 320	**34 372 402**
Loans to related parties	24 298 800	-	2 915 856	34 018 320	-	**36 934 176**
Trade receivables from related paries	73 874	-	73 874	-	-	**73 874**
Trade receivables	582 155	-	582 155	-	-	**582 155**
Finance lease receivables	4 789 744	-	3 832 205	5 611 581	137 791	**9 581 577**
Total financial assets	47 072 763	376 567	20 314 687	60 291 386	938 111	**81 920 751**

		Contractual cash flows				
	Carrying value	On demand	Up to 1 year	1-5 years	More than 5	Total
As at 31.12.2019.	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**
Liabilities						
Funding attracted through peer-to-peer platforms	(14 542 711)	-	(6 008 887)	(10 372 942)	(488 654)	**(16 870 483)**
Liabilities for issued debt securities	(30 059 243)	-	(3 000 000)	(31 799 203)	-	**(34 799 203)**
Provisions for financial guarantees	(4 315 492)	-	-	(4 315 492)	-	**(4 315 492)**
Loan from banks	(2 106 840)	-	(2 331 570)	-	-	**(2 331 570)**
Loan from related parties	(297 709)	-	(8 709)	(309 176)	-	**(317 885)**
Lease liabilities for right-of-use assets	(1 383 165)	-	(205 426)	(1 177 739)	-	**(1 383 165)**
Other liabilities	(1 567 254)	-	(1 567 254)	-	-	**(1 567 254)**
Total financial liabilities	(54 272 414)	-	(13 121 846)	(47 974 552)	(488 654)	**(61 585 052)**
Net financial assets / (liabilities)	(7 199 651)	376 567	7 192 841	12 316 834	449 457	**20 335 699**

Credit risk

The Group is exposed to credit risk through its finance lease receivables, loans and advances to customers, trade and other receivables, as well as cash and cash equivalents. Maximum credit risk exposure is represented by the gross carrying value of the respective financial assets.

The key areas of credit risk policy cover lease granting process (including solvency check of the lease), monitoring methods, as well as decision making principles. The Group uses financed vehicles as collaterals to significantly reduce credit risks, and provides loans in amount of no more than 85% of the market values of the collateral.

	31.12.2020.	31.12.2019.
Finance lease receivables	3 689 894	5 869 499
Loans and advances to customers	11 380 921	20 111 914
Loans to related parties	28 579 295	24 298 800
Investment in securities	609 000	-
Contract assets	370 948	224 250
Trade and other receivables	1 257 690	798 882
Cash and cash equivalents	160 318	376 567
TOTAL:	**46 048 066**	**51 679 912**

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

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

At the end of the rent contract the customer has three options: return the car to the Group, agree on further vehicle rent or buy it out. In the case when customer is breaking the contract and not willing neither return the car, nor buy it back, the Group starts repossession process. The Group has dedicated repossession team (skilled personnel equipped with robust processes) to handle the process. Additionally, at the moment when vehicles are rented out, the Group installs GPS trackers, which are of huge help during the repossession process. If in early stages of the rent contract the Group suspects any fraudulent activities, then repossession process can start before the end of the contract. Just a few contracts have reached the end of its term, however, based on available data the Group demonstrates high recovery rates.

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

Excessive risk concentration

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

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

Capital risk management

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

41. Fair value of financial assets and liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:
- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.
The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:
- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

Instruments within Level 1 include highly liquid cash and cash equivalent assets and standard derivative financial instruments traded on the stock exchange.

Instruments within Level 2 include assets, for which no active market exists, such as over the counter financial instruments that are traded outside the stock exchange, bonds. Bonds fair value is observable in Frakfurt Stock Exchange/ Nasdaq Riga Stock Exchange public information.

Instruments within Level 3 include loans and finance lease receivables, other trade receivables, current and non-current borrowings and trade and other trade payables.
Fair value of finance lease receivables and loans and advances to customers is determined using discounted cash flow model consisting of contractual lease and loan cash flows that are adjusted by expectations about possible variations in the amount and timings of cash flows using methodology consistent with the expected credit loss determination as at 31 December 2020 to determine the cash flows expected to be received net of impairment losses. The pre-tax weighted average cost of capital (WACC) of the entity holding the respective financial assets is used as the basis for the discount rate. The WACC is based on the actual estimated cost of equity and cost of debt that reflect any other risks relevant to the leases and loans that have not been taken into consideration by the impairment loss adjustment described above and also includes compensation for the opportunity cost of establishing a similar lease or loan. An additional 1.5% is added to the discount rate as an adjustment to consider service costs of the portfolio that are not captured by the cash flow adjustments.
The annual discount rate was determined as 13,59% (2019.: 13.46%). Impairment loss is estimated by applying PD and LGD rates, which are in line with ECL methodology described under 'The calculation of ECLs' (Note 2).

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

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

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

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

	Carrying value	Fair value	Carrying value	Fair value
	31.12.2020.	31.12.2020.	31.12.2019.	31.12.2019.
Financial assets measured at fair value:	EUR	EUR	EUR	EUR
Investment securities	609 000	609 000	-	-
Financial assets not measured at fair value:				
Loans to related parties	28 332 765	28 332 765	24 298 800	24 298 800
Finance lease receivables	2 872 116	4 122 209	4 789 744	6 945 024
Loans and advances to customers	9 111 131	12 767 295	16 951 623	21 783 136
Trade receivables from related paries	542 937	542 937	73 874	73 874
Trade receivables	420 792	420 792	582 155	582 155
Other receivables	293 961	293 961	142 853	142 853
Cash and cash equivalents	160 318	160 318	376 567	376 567
Total assets for which fair value is disclosed	**42 343 020**	**47 249 277**	**47 215 616**	**54 202 409**

	Carrying value	Fair value	Carrying value	Fair value
	31.12.2020.	31.12.2020.	31.12.2019.	31.12.2019.
Liabilities for which fair value is disclosed	EUR	EUR	EUR	EUR
Liabilities for issued debt securities	24 480 115	23 566 794	30 059 243	30 000 000
Funding attracted through peer-to-peer platforms	13 585 370	13 585 370	14 542 711	14 542 711
Loans from banks	1 689 826	1 689 826	2 106 840	2 106 840
Trade payables	128 887	128 887	83 725	83 725
Other liabilities	1 272 130	1 272 130	1 538 394	1 538 394
Total liabilities for which fair value is disclosed	**41 156 328**	**40 243 007**	**48 330 913**	**48 271 670**

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

The table below specified analysis by fair value levels as at 31 December 2020 (based on their carrying amounts):

Assets at fair value	Level 1 31.12.2020. EUR	Level 2 31.12.2020. EUR	Level 3 31.12.2020. EUR	Level 1 31.12.2019. EUR	Level 2 31.12.2019. EUR	Level 3 31.12.2019. EUR
Loans to related parties	-	-	28 332 765	-	-	24 298 800
Finance lease receivables	-	-	2 872 116	-	-	4 789 744
Loans and advances to customers	-	-	9 111 131	-	-	16 951 623
Investment in debt securities	-	609 000	-	-	-	-
Trade receivables from related paries	-	-	542 937	-	-	73 874
Trade receivables	-	-	420 792	-	-	582 155
Other receivables	-	-	293 961	-	-	142 853
Cash and cash equivalents	160 318	-	-	376 567	-	-
Total assets at fair value	**160 318**	**609 000**	**41 573 702**	**376 567**	**-**	**46 839 049**

Liabilities at fair value	Level 1 31.12.2020. EUR	Level 2 31.12.2020. EUR	Level 3 31.12.2020. EUR	Level 1 31.12.2019. EUR	Level 2 31.12.2019. EUR	Level 3 31.12.2019. EUR
Liabilities for issued debt securities	-	24 480 115	-	-	30 059 243	-
Funding attracted through peer-to-peer platforms	-	-	13 585 370	-	-	14 542 711
Loans from banks	-	-	1 689 826	-	-	2 106 840
Trade payables	-	-	128 887	-	-	83 725
Other liabilities	-	-	1 272 130	-	-	1 538 394
Total liabilities at fair value	**-**	**24 480 115**	**16 676 213**	**-**	**30 059 243**	**18 271 670**

42. Segment information

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

1) Financing activities. This is the major segment of the Group representing entity performing financing activities;

2) Renting activities. This is the major segment of the Subsidiary representing entity performing renting activities.

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

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

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

No revenue from transactions with a single external customer or counterparty amounted to 10% or more of the Group's total revenue in 2020 or 2019.

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

Segment information for the period ended on 31 December 2020 is presented below:

Period ended 31.12.2020.	Interest income	Interest expenses	Impairment expense and the net result from derecognition of financial assets	Other operating income	Other operating expense	Corporate income tax	Segment profit/ (loss) for the period	Total assets	Total liabilities
Financing	10 465 330	(4 127 633)	(526 360)	2 817 681	(2 187 829)	-	6 441 189	49 674 747	34 818 776
Renting	6 539	(1 012 795)	(1 045 842)	10 983 161	(10 372 995)	-	(1 441 932)	16 274 874	17 439 670
Total segments	10 471 869	(5 140 428)	(1 572 202)	13 800 842	(12 560 824)	-	4 999 257	65 949 621	52 258 446
Adjustments and eliminations	(591 360)	591 360	-	(463 204)	1 029 826	-	566 622	(6 977 389)	(7 544 011)
Consolidated	9 880 509	(4 549 068)	(1 572 202)	13 337 638	(11 530 998)	-	5 565 879	58 972 232	44 714 435

Period ended 31.12.2019.	Interest income	Interest expenses	Impairment expense and the net result from derecognition of financial assets	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
Renting	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	(5 891 590)	(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	(5 548 148)	(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.

	2020	2019

42. Segment information

Revenue		EUR	EUR
External customers (interest income and other income)		23 218 147	22 637 172
Elimination of intragroup interest income and other operating income		1 054 564	(140 548)
	TOTAL:	**24 272 711**	**22 496 624**

	31.12.2020. EUR	31.12.2019. EUR
Reconciliation of profit		
Segment profit	4 999 257	5 970 485
Elimination of intragroup interest income	(591 360)	(319 144)
Elimination of intragroup interest expenses	591 360	343 442
Elimination of intragroup income from dealership commissions	(417 787)	(1 797 549)
Elimination of intragroup income from service fee	(415 850)	-
Elimination of intragroup other income/(expenses)	1 400 259	722 641
Consolidated profit for the period	5 565 879	4 919 875
Reconciliation of assets		
Segment operating assets	65 949 621	68 233 635
Elimination of intragroup loans	(5 620 212)	(3 653 212)
Elimination of other intragroup receivables	(1 357 177)	(1 728 991)
Total assets	58 972 232	62 851 432
Reconciliation of liabilities		
Segment operating liabilities	52 258 446	59 151 544
Elimination of intragroup borrowings	(5 620 212)	(3 653 212)
Elimination of other intragroup accounts payable	(1 923 799)	(678 382)
Total liabilities	44 714 435	54 819 950

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

43. Events after reporting period

Since the last day of the reporting year several significant events took place:

1) On February 19, 2021 the Group has concluded cession agreement to strengthen Group's liquidity, the Group has concluded a leasing portfolio sale with a nominal amount of 4.1 million euros. As part of the transaction, the Group is expected to receive a total remuneration of up to 5.5 million euros with a maturity due date – February, 2027.

2) On March 1, 2021, through public offering JSC “mogo” successfully issued secured corporate bond (LV0000802452) in the amount of EUR 30 million, which from March 31, 2021 are included in the regulated market – the Baltic Bond List of “Nasdaq Riga” stock exchange.

The notes, with minimum subscription amount of EUR 1’000, are issued at par, have a maturity of 3 years and carry a fixed coupon of 11% per annum, paid monthly in arrears. The bonds were offered to existing Mogo bondholders and other retail and institutional investors from the Baltic region. The public offering consisted of two parts – subscription by new investors and exchange offer to existing bondholders, which has been comfortably oversubscribed with more than 840 investors participating in the offering.

Allocation results are as follows:

Investors	Nominal amount (% of issue size)	Number of investors
Existing bondholders	71.4%	181
New investors	28.6%	662

Geographic breakdown:

Country:	Nominal amount (% of issue size)
Latvia	73.30%
Estonia	17.70%
Lithuania	0.30%
Other	8.60%
TOTAL:	100%

Due to existing bondholders’ exchange to newly issued bonds, the LV0000801363 issue size was decreased to EUR 5 979 000 and LV0000880029 decreased to EUR 2 602 000 and both bond issues were repaid in full on maturity date – March 31, 2021.

3) On March 3, 2021 the Group has concluded credit line, issued by JSC Citadele banka, agreement amendment, increasing the credit facility limit from 3.7 mEUR to 8 mEUR, where the final settlement date is 30 September 2021.

4) On 2nd March 2021 the Company has signed the amendment of the surety agreement with Ardshinbank CJSC and Mogo LLC (Georgia), designed to secure Mogo LLC obligations towards Ardshinbank CJSC deriving from loan agreement concluded between Ardshinbank CJSC and Mogo LLC. The secured loan amount is 1.2 million USD, with an interest of 10% annually and maturity 2 March, 2022.

As of the last day of the reporting year until the date of signing these consolidated financial statements there have been no other events requiring adjustment of or disclosure in the consolidated financial statements or Notes thereto.

Signed on behalf of the Group on 21 April 2021 by:

Krišjānis Znotiņš, Chairman of the Board
Aivis Lonskis, Member of the Board
Jolanta Ziedone, Chief accountant

THIS DOCUMENT HAS BEEN SIGNED WITH A SECURE ELECTRONIC SIGNATURE AND IT HAS A TIME-STAMP

KPMG Baltics AS
Vesetas iela 7
Riga, LV-1013
Latvia

T: + 371 67038000
kpmg.com/lv
kpmg@kpmg.lv

Independent Auditors' Report

To the shareholder of JSC Mogo

Report on the Audit of the Consolidated Financial Statements

Our Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of JSC Mogo ("the Company") and its subsidiaries ("the Group") set out on pages 7 to 57 of the accompanying consolidated Annual Report, which comprise:

- the consolidated statement of financial position as at 31 December 2020,
- the consolidated statement of profit or loss and other comprehensive income for the year then ended,
- the consolidated statement of changes in equity for the year then ended,
- the consolidated statement of cash flows for the year then ended, and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of JSC Mogo and its subsidiaries as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Basis for Opinion

In accordance with the 'Law on Audit Services' of the Republic of Latvia we conducted our audit in accordance with International Standards on Auditing adopted in the Republic of Latvia (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibility for the Audit of the Consolidated Financial Statements* section of our report.

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) and independence requirements included in the 'Law on Audit Services' of the Republic of Latvia that are relevant to our audit of the consolidated financial statements in the Republic of Latvia. We have also fulfilled our other professional ethics responsibilities and objectivity requirements in accordance with the IESBA Code and the 'Law on Audit Services' of the Republic of Latvia.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

We have determined the matters described below to be the key audit matters to be communicated in our report.

Impairment allowance for finance lease receivables, loans and advances to customers	
The gross amount of finance lease receivables as at 31 December 2020: EUR 3 690 (31 December 2019: EUR 5 869 thousand); reversal of impairment allowances on finance lease receivables recognised in 2020: EUR 201 thousand (in 2019: EUR 346 thousand); total impairment allowance as at 31 December 2020: EUR 743 thousand (31 December 2019: EUR 944 thousand). *The gross amount of loans and advances to customers as at 31 December 2020: EUR 11 381 thousand (31 December 2019: EUR 20 112 thousand); reversal of impairment allowances on loans and advances to customers recognised in 2020: EUR 596 thousand (in 2019: EUR 869 thousand); total impairment allowance as at 31 December 2020: EUR 1 987 thousand (31 December 2019: EUR 2 583 thousand).* *We refer to the consolidated financial statements: Note 2 and Note 3 (accounting policy), Notes 7, 18 and 19 (financial disclosures).*	
Key audit matter	*How we addressed the key audit matter*
Finance lease receivables, and loans and advances to customers, collectively ("exposures"), represent approximately 22% of the Group's assets as at 31 December 2020. Related impairment allowances represent the Management Board's best estimate of the expected credit losses associated with those exposures at the reporting date. The Group estimates impairment allowances under the expected credit losses (ECLs) model of IFRS 9, considering multiple scenarios. In the process, the exposures are assigned to one of three stages. Stage 1 and Stage 2 loans are performing exposures, with Stage 2 exposures being those where a significant increase in credit risk since origination ("SICR") has been observed. Stage 3 loans are non-performing exposures. The ECLs for all are determined collectively, by applying modelling techniques, based on the historical pattern of losses and changes in the exposures' risk characteristics, adjusted by relevant forward-looking information. Key parameters within the model include those in respect of Probability of Default ("PD"), Loss Given Default ("LGD") and Exposure at Default ("EAD").	Our procedures in the area included, among others: • inspecting the Group's ECL methodology and assessing its compliance with the relevant requirements of the financial reporting standards. As part of the above, we challenged whether the level of the methodology's sophistication is appropriate based on an assessment of the entity-level and portfolio-level factors; • testing selected key controls over the approval and recording of lease receivables and loans, and also those over the management review and approval of the key ECL model inputs and outcomes; • assisted by our own information technology (IT) specialists, testing the application and general IT controls related to the ECL estimation process, data flows between source systems and calculation of days past due; • assisted by our own financial risk management specialists, independently assessing the forward-looking information used in the ECL

Timely identification of exposures with significant increase in credit risk and those credit impaired also requires significant management judgment. Due to the above factors, and further alleviated in the current uncertain economic environment as a result of COVID-19 pandemic, we consider the area to be associated with a significant risk of material misstatement, which requires our increased attention in the audit. As such, we determined it to be a key audit matter.	model, by means of corroborating inquiries of the Management Board and inspection of publicly available information; • challenging the LGD, PD and EAD parameters in the model, by inspecting the Group's experience studies, assessing any changes thereto in 2020 and making related inquiries of the Management Board and relevant credit risk personnel; • assessing the appropriateness of the Group's staging of exposures, including identification of exposures with SICR. Considering COVID-19 pandemic outbreak impact and the related increase in granted forbearances and payment holidays we also challenged the identification of SICR for exposures that have been subject to any of the forbearance options offered by the Group. As part of the procedure, we also tested the appropriateness of the impairment rates applied in the model for exposures in a given stage; • critically assessing the reasonableness of the ECL allowances, including both the share of the gross non-performing exposure in total gross exposure and the non-performing loans provision coverage; • assessing the adequacy of the Group's disclosures on the loss allowances and credit risk management in the notes to the consolidated financial statements.

Interest income recognition

Interest income from finance lease receivables in 2020: EUR 1 397 thousand (in 2019: EUR 2 876 thousand); Interest income from loans and advances to customers in 2020: EUR 5 260 thousand (in 2019: EUR 10 106 thousand).

We refer to the consolidated financial statements: Note 2 (accounting policy), Note 4 (financial disclosures).

Key audit matter	*How we addressed the key audit matter*
Interest income represented 42% of the Group's total revenue for the year ended 31 December 2020. The calculation of interest income relies on the application of complex information technology systems, which process substantial amounts of data requiring frequent updates. In addition, interest income to be recognized is determined using the effective interest rate ("EIR") method. In making the determination, the Group applies a model whereby manual adjustments are made to the interest amounts calculated in an automated manner based on contractual interest rate, to reflect incremental costs incurred in securing the underlying lease and loan contracts in the measurement of the EIR and resulting interest income recognized in profit or loss. The above complexities increase the risk of a material error in the recognition of interest income and, because interest income represents one of the Group's key performance indicators, there is an inherent risk that the timing of recognition and the amounts recognized could be manipulated to meet specific targets or expectations. In the wake of the above factors, we considered interest income recognition to be associated with a significant risk of material misstatement due to both error and fraud. Therefore, the area required our increased attention in the audit and as such was determined to be a key audit matter.	Our procedures in the area included, among others: • obtaining understanding of and evaluating the Group's interest income recognition policies against the requirements of the relevant financial reporting standards; • testing the design and implementation of selected key controls within the interest recognition process, including those over application of appropriate contractual interest rates and other contractual terms in the interest income recognition process and review, and approval of manual accounting entries to measure EIR; • assisted by our own IT specialists. testing IT general controls and selected key process level controls for the systems supporting the automated element of the interest income calculation, using contractual (nominal) interest rates; • in respect of the internal reports and computations for manual adjustments to recognized interest income, testing the mathematical and logical accuracy of the reports and computations and, on a sample basis, tracing selected data inputs used in the reports, as follows: — commissions – by reference to supporting counterparty invoices; — interest rate implicit in the lease, principal outstanding at the year end and remaining lease term - by

	reference to the terms of the underlying finance lease and loan agreements; • examining whether the interest income-related disclosures in the consolidated financial statements appropriately include and describe the relevant quantitative and qualitative information required by the applicable financial reporting framework.

Impairment of rental fleet assets	
The carrying amount of rental fleet as at 31 December 2020: EUR 14 550 thousand (31 December 2019: EUR 13 492 thousand); change in impairment allowance recognized in 2020 EUR 96 thousand (in 2019 EUR 428 thousand) and impairment allowance as at 31 December 2020: EUR 524 thousand (31 December 2019: EUR 428 thousand). *We refer to the consolidated financial statements: Note 2 and 3 (accounting policy), Note 8 and 17 (financial disclosures).*	
Key audit matter	*How we addressed the key audit matter*
During 2020 the Group continues to expand its lease business for vehicles which led to further increase in rental fleet assets. Impairment indicators were identified as at 31 December 2020, and the Group estimated the recoverable amount of the entire portfolio of rental fleet assets and recognized an impairment loss at the above date. For the fleet assets expected to be recovered through future rentals, the recoverable amounts were estimated by the Group by reference to their value-in- use (under the discounted cash flow method). For the remaining assets, the recoverable amount was based on the assessment of their fair value less costs to sell. Determination of the assets' recoverable amounts requires making a number of assumptions and judgments, in particular those relating to discount rates used, future cash flows and residual values. In making the assessment, management needs to consider the impact of technological	Our procedures in the area included, among others: • evaluating against the requirements of the relevant financial reporting standards the Group's accounting policy for identification of impairment, and measurement and recognition of any impairment losses in respect of rental fleet assets; • testing the design and implementation of controls over impairment identification and recognition of any impairment losses in respect of rental fleet assets; • assisted by our own valuation specialists, challenging the reasonableness of the Group's key assumptions and judgments used in estimating the recoverable amount of fleet assets, including: - discount rate - by reference to interest rate implicit in the asset lease contract;

developments and changing laws and regulations affecting the residual values of vehicles. Due to the magnitude of the amounts involved and the complexity of the impairment assessment process, we consider the valuation of the rental fleet as a key audit matter.	- probabilities - evaluating the relevance of the input data and assessing reasonableness of probabilities matrix based on knowledge of the industry and the Group's business. • for a sample of assets expected to be recovered through rental, tracing the selected key inputs in the impairment model, such as the rental period, contractual payments and residual value to underlying operating lease contracts; • for a sample of assets expected to be recovered through disposal, comparing their fair value less cost to sell estimated by the Group to actual sales proceeds from transactions on terminated contracts; • assessing the appropriateness and completeness of impairment-related disclosures in the consolidated financial statements.

Reporting on Other Information

The Group's management is responsible for the other information. The other information comprises:

- Information about the Group, as set out on page 3 of the accompanying consolidated Annual Report,
- the Management Report, as set out on pages 4 to 5 of the accompanying consolidated Annual Report,
- the Statement on Management Responsibility, as set out on page 6 of the accompanying consolidated Annual Report,
- the Statement of Corporate Governance for 2020, as set out in separate statement provided by JSC Mogo management and available on the Nasdaq Baltic exchange website https://nas daqbaltic.com, JSC Mogo, section Reports.

Our opinion on the consolidated financial statements does not cover the other information included in the consolidated Annual Report, and we do not express any form of assurance conclusion thereon, except as described in the *Other Reporting Responsibilities in Accordance with the Legislation of the Republic of Latvia Related to Other Information* section of our report.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed and in light of the knowledge and understanding of the Group and its environment obtained in the course of our audit, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Other Reporting Responsibilities in Accordance with the Legislation of the Republic of Latvia Related to Other Information

In addition, in accordance with the 'Law on Audit Services' of the Republic of Latvia with respect to the Management Report, our responsibility is to consider whether the Management Report is prepared in accordance with the requirements of the 'Law on the Annual Reports and Consolidated Annual Reports' of the Republic of Latvia.

Based solely on the work required to be undertaken in the course of our audit, in our opinion, in all material respects:

- the information given in the Management Report for the financial year for which the consolidated financial statements are prepared is consistent with the consolidated financial statements; and
- the Management Report has been prepared in accordance with the requirements of the 'Law on the Annual Reports and Consolidated Annual Reports' of the Republic of Latvia.

In accordance with the 'Law on Audit Services' of the Republic of Latvia with respect to the Statement of Corporate Governance, our responsibility is to consider whether the Statement of Corporate Governance includes the information required in section 56.1, first paragraph, clause 3, 4, 6, 8 and 9, as well as section 56.2, second paragraph, clause 5, and third paragraph of the 'Financial Instruments Market Law' of the Republic of Latvia and if it includes the information stipulated in section 56.2 second paragraph, clause 1, 2, 3, 4, 7 and 8 of the 'Financial Instruments Market Law' of the Republic of Latvia.

In our opinion, the Statement of Corporate Governance includes the information required in section 56.1, first paragraph, clause 3, 4, 6, 8 and 9, as well as section 56.2, second paragraph, clause 5, and third paragraph of the 'Financial Instruments Market Law' of the Republic of Latvia and it includes the information stipulated in section 56.2 second paragraph, clause 1, 2, 3, 4, 7 and 8 of the 'Financial Instruments Market Law' of the Republic of Latvia.

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

Management is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs as adopted by the European Union and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibility for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on Other Legal and Regulatory Requirements

Other Reporting Responsibilities and Confirmations Required by the Legislation of the Republic of Latvia and the European Union when Providing Audit Services to Public Interest Entities

We were appointed by those charged with governance on 7 October 2020 to audit the consolidated financial statements of JSC Mogo for the year ended 31 December 2020. Our total uninterrupted period of engagement is 2 years, covering the periods ending 31 December 2019 to 31 December 2020.

We confirm that:

- our audit opinion is consistent with the additional report presented to the Audit Committee of the Group;
- as referred to in the paragraph 37.6 of the 'Law on Audit Services' of the Republic of Latvia we have not provided to the Group the prohibited non-audit services (NASs) referred to of EU Regulation (EU) No 537/2014. We also remained independent of the audited group in conducting the audit.

KPMG Baltics AS
Licence No. 55

Armine Movsisjana
Chairperson of the Board
Latvian Sworn Auditor
Certificate No. 178
Riga, Latvia
21 April 2021

Signature not validated

This is an English translation of the original Latvian. In the event of discrepancies between the two reports, the Latvian version prevails

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Digitally signed by ARMINE MOVSISJANA
Date: 2021.04.21 13:13:11 EEST