



PART OF ELEIVING GROUP

Joint stock company Mogo

Unified registration number LV50103541751

Consolidated interim unaudited condensed financial statement

for the six month period
ended 30 june 2022

Riga, 2022

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General information

Name of the Parent Company	mogo								
Legal status of the Parent Company	JSC								
Unified registration number, place and date of registration	50103541751, Latvia, 03.05.2012								
Registered office	Skanstes street 52, Riga, Latvia								
Shareholders	<div>30.06.2022.</div> <table><tr><td>Eleving Stella JSC (Mogo Eastern Europe JSC) from 01.09.2021</td><td>98%</td></tr><tr><td>Eleving Luna JSC (Mogo Baltics and Caucasus JSC) till 31.08.2021.</td><td>98%</td></tr><tr><td>Other</td><td>2%</td></tr><tr><td>TOTAL</td><td>100%</td></tr></table>	Eleving Stella JSC (Mogo Eastern Europe JSC) from 01.09.2021	98%	Eleving Luna JSC (Mogo Baltics and Caucasus JSC) till 31.08.2021.	98%	Other	2%	TOTAL	100%
Eleving Stella JSC (Mogo Eastern Europe JSC) from 01.09.2021	98%								
Eleving Luna JSC (Mogo Baltics and Caucasus JSC) till 31.08.2021.	98%								
Other	2%								
TOTAL	100%								
Ultimate parent company	Eleving Group S.A. (Mogo Finance S.A.), Luxembourg								
Board Members	Krišjānis Znotiņš - Chairman of the Board from 17.08.2020. Aivis Lonskis - Member of the Board from 17.08.2020 till 31.05.2022.								
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.								
Subsidiaries	Renti JSC, Latvia (100%)								
Financial period	1 January - 30 June 2022								
Previous financial period	1 January - 30 June 2021								
Previous balance date	31 December 2021								

Management report

26 August 2022

The Directors of the Group present the report on the consolidated financial statements for the six month period ended 30 June 2022. All the figures are presented in EUR (euro).

General information

JSC mogo (hereinafter – the Parent company) and its subsidiary JSC Renti (together - The Group) are between leading companies in Latvia in used car leasing/long term rent for private individuals in terms of number of items. The Group provides quick and convenient car financing and rent services through more than 210 partners (professional 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 continued to serve its existing customers, ensure stable new sales and service and development operations provided to JSC Renti and related company JSC Primero finance. Services include full cycle from product development to customer service and debt collection activities.

Since December 2021 JSC Renti offers used car long term rent only for cars already acquired or returned back from rent by customers, thus not increasing total car stock available to customers. In June 2022 decision was made to stop offering new long term rent agreements to customers and focus on customer portfolio rundown, through natural amortization and active car purchase offering to customers.

At the same time in December 2021 JSC Renti have launched new car subscription service Renti plus. Offering was tested, adjusted and active sales campaigns launched since March 2022. Offering is developed following the Latvian market demand, as well as the developments of customer behaviour and trends in Europe and worldwide. Renti plus offers new car subscription service to private individuals and legal entities with possibility to have all car related services included in monthly subscription fee (insurance, maintenance works, tyre change, etc.) for any period of 1-36 months. JSC Renti purchase the brand new cars and make them available for customer rentals immediately. The offer to the clients is provided in a form of 3 subscription service levels which are flexible and represent different customer needs. Subscription types and cars available are displayed on www.rentiplus.lv. New subscription product is planned to become the core JSC Renti offering to its customers at the same time decreasing portfolio of used car long term rent.

With changing offerings to customers and Group focus, websites have been adjusted accordingly to support improvements in customer journey. Updated websites: www.mogo.lv (mogo financing products), www.renti.lv (Renti used car rent customer support), www.autotev.lv (car sales platform for Renti cars) and www.rentiplus.lv (Renti plus car subscription offering).

The Group complies with local laws relating to environmental protection.

Mission, vision and values

Mission

Make personal mobility easily accessible to all residents of Latvia while being united in love for the car.

Values

- Courage - We see challenge in everything that gets in our way and growth in what we do. Change is our driving force, and we expect it with our heads held high. We say yes to every turn by showing strength and courage!
- Energy - We strive for success and excellence. We enjoy the process and the challenges in our path, but our results are the thing that matters. Our victories give us spirit and energy for the future!
- Ambition - We take full responsibility for our actions and decisions and we encourage others to do the same. The initiative allows us to move forward rather than react passively. Although the road may be winding, purposefulness takes us forward!
- Love - Our business is based on love for the work we do and the customers we serve. We create opportunities that provide mobility, because we understand the desire to love a car.

Operations and Financial Results

Total revenue of the Group including net interest on financial products and income from long term rent services reached 3.7 million euro (21% decrease compared to 2021 6 months). Net profit of the Group amounted to 1.2 million euro (65% decrease compared to 2021 6 months, a year with highest net profit since inception).

Total assets as of 30 June 2022 amounted to 60 million (9% increase from December 2021). At 30 June 2022 loan and lease portfolio reached 6.5 million euro (12% increase compared to 31 December 2021), whereas car fleet experienced a minor decrease to 10.5 million euro (from 10.7 million at the end of 2021).

Net profit decrease comparing to 6 months 2021 is mainly driven by not executing performing portfolio sales transactions, which in respective period in 2021 generated 1.5 million euro income. Additionally derecognition of financial guarantees and VAT accruals reversals added additional profit of 471 thousand euros during 6 months 2021. Strategy of performing portfolio sales remains active. At the same time financing provided to related entities increased from 35 million euros at the end of 2021 to 38 million euro at 30 June 2022, thus stressing Groups importance in Eleving group structure.

Further operational improvements in customer service were implemented, enabling us to serve our customers more efficiently. Efficiency improvements in combination with rental fleet amortization decrease allowed to decrease administrative expenses by 17%, reaching 2.5 million euros in 6 months 2022. Car sale processes continued to improve, what enabled to decrease loss from car sales by 8% comparing to 6 months 2021. Quality improvement of loans to customers and rental portfolio in combination with smaller amounts of one off unperforming portfolio sale have helped to decrease impairment level from 311 thousand euro in 6 months 2021 to 250 thousand euro writebacks in 6 months 2022.

In 2022, the Group continued its operations in order to accomplish its mission – make personal mobility easily accessible to all residents of Latvia while being united in love for the car. Some of developments planned for 2021 to increase automation level and improve customer journey were postponed due to uncertainty caused by COVID 19 and accessibility of IT resources. Postponed developments are picked up and prioritized for 2022. Improvements would have positive effect on the clients of the Group as well those serviced for JSC Primero Finance. Main target in automation field includes instant decision for customers. MTPL insurances in cooperation with AAS Balta are being offered to customers adding to monthly payments.

Management report (continued)

The Group proceeded with various digital and offline marketing campaigns in order to promote the brand visibility and strengthen the Group brand awareness and recognition. Special focus was on new Renti plus car subscription product launch and further promotion. Marketing investments have been almost doubled, reaching 129 thousand euro in 6 months 2022.

Other information

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

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 that closely follow latest developments in regulatory and legal environment developments.

Financial risks

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

Liquidity risk

The Group controls its liquidity by managing the amount of funding it attracts through peer-to-peer platforms, which provides management greater flexibility to manage the level of borrowings and available cash balances. Also the Group manages its longer term liquidity need and financing activities by issuing bonds.

Credit risks

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

The key areas of credit risk policy cover lease granting process (including solvency check of the lessee), monitoring methods, as well as decision making principles. The Group uses financed vehicles as collaterals to significantly reduce credit risks.

The Group operates by applying a clear set of finance lease and loan granting criteria. These criteria includes assessing the credit history of the customer, means of lease and loan 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 a lease monitoring process that 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, sufficient provisions are being made.

The Group does not have a significant credit risk exposure to any single third party counterparty, but is exposed to risks to group of counterparties having similar characteristics.

The future development of the Group

The Group's management plans to continue investing in process of automation and digitalization, creating seamless digital experience to customers. The main focus areas in 2022 will be to develop the newly launched rental subscription product Renti plus, continue ensuring stable portfolio quality and providing improved customer experience for the Group's offered products and related party servicing.

In 2022, many significant sanctions have been imposed by European Union and various countries on Russia and Belarus, certain Russian and Belarusian companies, companies in other jurisdictions, officials, businessmen and other physical persons in connection with the ongoing war in Ukraine, which began on 24 February, 2022. Imposed sanctions and restrictions and military actions create the economic uncertainty in the World and in Latvia. The full impact of the sanctions and restrictions and military actions on the Group's operations in 2022 cannot be fully predicted. Inflation in 2022 at the end of June have reached 19.3% according to central statistics bureau. Group have prepared different tools and solutions to help overcome short and mid term financial difficulties if such would arise to customers. Group's customers are local private individuals with income generating sources in Latvia, loans and long term rent are secured with passenger cars. It is expected that events described will not materially affect the Group companies' operations both directly and indirectly. Group's assumption is based on available information at the time of signing the financial statements, and the impact of future events on the Group's future operations may differ from Group's assessment.

Subsequent events

The share capital of the Parent company is EUR 425 000 and consists of 425 000 shares. The par value of each share is EUR 1. All the shares are fully paid.

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

Signed on behalf of the Group on 26 August 2022 by:

Krišjānis Znotiņš, Chairman of the Board

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

Statement of Management Responsibility

26 August 2022

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 30 June 2022, results of operations and cash flows for the six month period ended 30 June 2022.

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 26 August 2022 by:

Krišjānis Znotiņš, Chairman of the Board

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Consolidated Financial Statements

Consolidated Statement of Profit and Loss and Other Comprehensive Income

		01.01.2022.-30.06.2022. EUR	01.01.2021.-30.06.2021. EUR
Interest revenue	4	3 188 308	3 574 387
Interest expense	5	(2 169 910)	(2 343 619)
Net interest income		1 018 398	1 230 768
Income from car rent	6	2 688 874	3 423 966
Fee and commission related to finance lease activities and rent contracts	7	169 625	316 471
Impairment expense	8	252 133	(311 363)
Net gain/(loss) from de-recognition of financial assets measured at amortized cost	9	(202 554)	1 371 791
Expenses related to peer-to-peer platforms services		(45 572)	(69 023)
Net gain/(loss) from car sales	10	(494 787)	(536 074)
Selling expense	11	(129 627)	(68 957)
Administrative expense	12	(2 501 499)	(3 021 440)
Other operating income	13	749 178	1 263 460
Other operating expense	14	(238 251)	(253 026)
Net foreign exchange result		(57 034)	-
Profit before tax		1 208 884	3 346 573
Net profit for the period		1 208 884	3 346 573

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

1 208 884 3 370 564

Profit is attributable to:

Equity holders of the Parent Company

1 184 706 3 279 642

Non-controlling interests

24 178 66 931

Net profit for the year

1 208 884 3 346 573

Other comprehensive loss is attributable to:

Equity holders of the Parent Company

1 184 706 3 303 153

Non-controlling interests

24 178 67 411

Comprehensive income for the year

1 208 884 3 370 564

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

Signed on behalf of the Group on 26 August 2022 by:

Krišjānis Znotiņš, Chairman of the Board

Laura Bunkša, Chief accountant

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Consolidated Statement of Financial Position

ASSETS		30.06.2022.	31.12.2021.
		EUR	EUR
NON-CURRENT ASSETS			
Intangible assets			
Other intangible assets	15	-	-
Total intangible assets		-	-
Tangible assets			
Rental fleet	16	10 496 251	10 699 741
Right-of-use assets	16	839 474	707 505
Property and equipment	15	36 842	50 925
Leasehold improvements	15	2 584	3 804
Total tangible assets		11 375 151	11 461 975
Non-current financial assets and lease receivables			
Finance lease receivables	17	2 662 755	2 004 863
Loans and advances to customers	18	2 565 305	2 447 696
Loans to related parties	21	36 856 118	35 101 118
Other investments		-	20
Trade receivables from related parties		290 343	512 164
Total non-current financial assets and lease receivables		42 374 521	40 065 861
TOTAL NON-CURRENT ASSETS		53 749 672	51 527 836
CURRENT ASSETS			
Receivables and other current assets			
Finance lease receivables	17	492 865	462 314
Loans and advances to customers	18	791 622	963 524
Loans to related parties	21	2 120 524	-
Trade receivables from related parties		759 578	868 127
Trade receivables		286 476	326 297
Prepaid expense		120 041	86 329
Other receivables		524 204	40 639
Contract assets		544 701	471 061
Cash and cash equivalents		638 961	403 812
Total receivables and other current assets		6 278 972	3 622 103
Assets held for sale		30 149	32 117
Total assets held for sale		30 149	32 117
TOTAL CURRENT ASSETS		6 309 121	3 654 220
TOTAL ASSETS		60 058 793	55 182 056

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Laura Bunkša, Chief accountant

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Consolidated Statement of Financial Position

EQUITY AND LIABILITIES		30.06.2022.	31.12.2021.
EQUITY		EUR	EUR
Share capital		425 000	425 000
Foreign currency translation reserve		1	1
Other reserves		(2 033 039)	(2 197 084)
Retained earnings		16 702 826	15 518 120
brought forward		15 518 120	10 072 326
for the period		1 184 706	5 445 794
Total equity attributable to equity holders of the Parent Company		15 094 788	13 746 037
Non-controlling interests		345 586	321 408
TOTAL EQUITY		15 440 374	14 067 445
LIABILITIES			
Non-current liabilities			
Liabilities for issued debt securities	19	28 757 103	29 205 008
Funding attracted through peer-to-peer platforms	19	5 150 704	4 770 954
Lease liabilities for right-of-use assets	19	698 647	590 475
Loans from related parties		-	1 705 000
Loans from banks	19	1 979 054	-
Total non-current liabilities		36 585 508	36 271 437
Provisions for financial guarantees		1 599 541	2 008 420
Other provisions		159 975	140 053
Total provisions for liabilities and charges and financial guarantees		1 759 516	2 148 473
Current liabilities			
Funding attracted through peer-to-peer platforms	19	1 178 040	1 024 814
Loans from banks	19	3 333 210	-
Lease liabilities for right-of-use assets	19	155 530	128 051
Prepayments and other payments received from customers		436 783	164 287
Payables to related companies		54 033	5 344
Trade payables		503 665	162 974
Corporate income tax payable		-	6 493
Taxes payable		170	105 653
Other liabilities	20	292 581	771 595
Accrued liabilities		319 383	325 490
Total current liabilities		6 273 395	2 694 701
TOTAL LIABILITIES		44 618 419	41 114 611
TOTAL EQUITY AND LIABILITIES		60 058 793	55 182 056

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Krišjānis Znotiņš, Chairman of the Board
Laura Bunkša, 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 01.01.2021.	5 000 000	(23 511)	1	(4 085 406)	13 095 232	13 986 316	271 481	14 257 797
Profit for the reporting year	-	-	-	-	3 279 642	3 279 642	66 931	3 346 573
Other comprehensive income/(loss)	-	23 511	-	-	-	23 511	480	23 991
Total comprehensive income for the period	-	23 511	-	-	3 279 642	3 303 153	67 411	3 370 564
Decrease in fair value of the guarantees due to non-substantial modifications	-	-	-	69 031	-	69 031	-	69 031
Balance at 30.06.2021.	5 000 000	-	1	(4 016 375)	16 374 874	17 358 500	338 892	17 697 392
Balance at 01.01.2022.	425 000	-	1	(2 197 084)	15 518 120	13 746 037	321 408	14 067 445
Profit for the reporting year	-	-	-	-	1 184 706	1 184 706	24 178	1 208 884
Total comprehensive income for the period	-	-	-	-	1 184 706	1 184 706	24 178	1 208 884
Decrease in fair value of the guarantees due to non-substantial modifications	-	-	-	164 045	-	164 045	-	164 045
Balance at 30.06.2022.	425 000	-	1	(2 033 039)	16 702 826	15 094 788	345 586	15 440 374

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

Signed on behalf of the Group on 26 August 2022 by:

Krišjānis Znotiņš, Chairman of the Board
Laura Bunkša, Chief accountant

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Consolidated Statement of Cash Flows

		01.01.2022.-30.06.2022. EUR	01.01.2021.-30.06.2021. EUR
Cash flows to/from operating activities			
Profit before tax from continuing operations		1 208 884	3 346 573
Adjustments for:			
Amortization and depreciation	15, 16	1 058 914	1 311 184
Interest expense	5	2 169 910	2 343 619
Interest income	4	(3 188 308)	(3 574 387)
Disposals of rental fleets		(76 267)	551 151
Disposals of property, equipment and intangible assets		109	-
Impairment expense	8	(252 133)	311 363
Financial guarantees		(301 868)	(662 259)
Operating profit before working capital changes		619 241	3 627 244
Decrease/ (increase) in finance lease receivables, loans and advances to customers, trade and other receivables		(918 593)	2 289 410
Increase in advances received and trade payables and guarantees		715 820	64 697
Cash generated to/from operations		416 468	5 981 351
Interest received		1 047 982	3 601 862
Interest paid		(1 868 373)	(2 571 411)
Corporate income tax paid		(8 258)	(2 599)
Net cash flows to/from operating activities		(412 181)	7 009 203
Cash flows to/from investing activities			
Purchase of property and equipment and other intangible assets	15, 16	(203 727)	(5 974)
Purchase of rental fleets	16	(2 116 747)	(2 441 790)
Proceeds from sales of rental fleet		1 763 636	1 768 206
Investment in securities		-	(418 950)
Proceeds from securities		-	1 051 941
Loan repayments received from related parties		9 767 000	13 129 500
Loans to related parties		(11 522 000)	(21 870 501)
Net cash flows to/from investing activities		(2 311 838)	(8 787 568)
Cash flows to/from financing activities			
Proceeds from borrowings		10 075 808	43 763 895
Repayments for borrowings		(7 048 894)	(42 028 791)
Repayment of liabilities for right-of-use assets		(67 746)	(41 017)
Net cash flows to/from financing activities		2 959 168	1 694 087
Change in cash		235 149	(84 277)
Cash at the beginning of the year		403 812	160 318
Cash at the end of the year		638 961	76 041

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

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Krišjānis Znotiņš, Chairman of the Board
Laura Bunkša, 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 Eleveling Group S.A. (Luxembourg). The ultimate beneficiary owner of mogo JSC is Aigars Kesenfelds (36,904%). 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	
					30.06.2022.	31.12.2021.
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.

The Consolidated financial statements of 2022 has been approved by decision of the board on 26 August 2022.

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 period ended 30 June 2022 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 2022 till 30 June 2022. Accounting policies and methods are consistent with those applied in the previous years, except as described below.

The management does not use segmental approach to operational decision-making. All of the Company's economic activities are carried out in one geographical segment - Latvia. The Company is developing loan servicing business line, however, it is considered to not yet material enough to be disclosed separately in the standalone financial statements as at the reporting period end.

Going concern

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

b) 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.

Adoption of new and revised standards and interpretations

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

- COVID-19-Related Rent Concessions (Amendment to IFRS 16);
- Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16);
- Cost of Fulfilling a Contract (Amendments to IAS 37).
- Reference to Conceptual Framework (Amendments to IFRS3).
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16). 37).

c) Other standards

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

- IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts.
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2).
- Definition of Accounting Estimate (Amendments to IAS 8).

d) 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 30 June 2022. 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.

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

If the Group loses control over a subsidiary, it:

- Derecognizes the related assets (including goodwill) and liabilities of the subsidiary;
- Derecognizes the carrying amount of any non-controlling interests;
- Derecognizes the cumulative translation differences recorded in equity;
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment retained;
- Recognizes any surplus or deficit in 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.

2. Summary of significant accounting policies (continued)

d) Significant accounting policies (continued)

Licenses and other intangible assets

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

Other intangible assets mainly consists of acquired computer software products.

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

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

Property and equipment

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

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

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

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

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 7 years.

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.

2. Summary of significant accounting policies (continued)

d) Significant accounting policies (continued)

Financial assets (continued)

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) 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.

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 2022 or 2021.

2. Summary of significant accounting policies (continued)

d) Significant accounting policies (continued)

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)

d) Significant accounting policies (continued)

Derecognition of financial assets and finance lease receivables (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.

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)

d) Significant accounting policies (continued)

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.

*During 2021 the Group decreased usage of TDRs significantly, however due uncertain pandemic development and stricter restrictions and lockdowns remaining, it was decided to extend TDR program till December 2022.

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 instead 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:

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

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.

2. Summary of significant accounting policies (continued)

d) Significant accounting policies (continued)

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

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.

In 2021 for vehicle rental product (trade receivables / rent receivables) the Group changed the benchmarked general approach and estimates ECL based on simplified approach. Simplified approach for ECL calculation is justified by product nature – for trade receivables provision matrix can be applied. A provision matrix is nothing more than applying the relevant loss rates to the trade receivable balances outstanding.

The Group do not consider forward looking macro-economic factor for vehicle rental product, as for short term trade receivables the determination of forward-looking economic scenarios is less significant given that over the credit risk exposure period a significant change in economic conditions may be unlikely, and historical loss rates might be an appropriate basis for the estimate of expected future losses.

To use provision matrix, approach the Group determine grouping for receivables based on delay days and debt collection strategy, as debt collection process triggers important milestones that affect recoverability of the receivable, and apply discounted historical recovery rates for each bucket separately.

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.

2. Summary of significant accounting policies (continued)

d) Significant accounting policies (continued)

Financial liabilities (continued)

Treatment of non-substantial modifications

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

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

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

Derecognition

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

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

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.

2. Summary of significant accounting policies (continued)

d) Significant accounting policies (continued)

Finance lease – Group as lessor (continued)

Initial measurement

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

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

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

Prepayments and other payments received from customers are recorded in 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.

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:

- Periods covered by an option to extend the lease if the Group is reasonably certain to exercise that option; and
- 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.

2. Summary of significant accounting policies (continued)

d) Significant accounting policies (continued)

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.

Initial recognition exemptions applied

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

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

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

(a) Short term leases

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

(b) Leases of low-value assets

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

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

3. Significant accounting judgments, estimates and assumptions

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:

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) and
- 2) fair value less costs of disposal (FVLCD) - for assets with inactive lease agreements.

VIU is the present value of the future cash flows expected to be derived from an asset or cash-generating unit, both from its continuing use and ultimate disposal. In assessing VIU, the estimated future cash flows are discounted to their present value using a weighted average cost of capital (WACC) rate which is 13.52%. 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 FVLCD method. Assumptions applied for determination of the FVLCD of assets are based on making a reliable estimate of the price at which a transaction to sell the asset would take place between market participants at the measurement date under current market conditions and on available data from historical sales transactions. 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 30 June 2022 and 31 December 2021 the Group recognised impairment of rental fleet see Note 16. Sensitivity analysis of the residual value of the leased fleet is disclosed in Note 16.

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 uses 12 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 impairment model. Impairment change is modelled given expected future changes of macroeconomic factors' (hereinafter macro model). In 2021 the Group changed Hierarchical Bayes model approach to simplified approached based on relation analysis between changes in input variables and changes in PD and the Group expert's opinion. 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).

The model includes indicators which, based on the Group experts' opinion and used practice in industry, might have a significant impact on finance products default rates. Such indicators are also widely used by banking and non-banking industry across the world. The model assumes relation between changes in macro indicators and Stage 1 PD change. If there is strong correlation between Stage 1 PD and macro indicator change then used linear regression equation to determine the impact on PD due to macro indicator changes. If there is no visible correlation between Stage 1 PD and macro indicators change then impact on PD is evaluated based on qualitative analysis of available data and reasonable experts' assumptions.

To take into account possible economic fluctuations and uncertainty, three scenarios are considered and used for final calculation to arrive at weighted average probability:

1. base case scenario - based on actual data and forecasts by external source.
2. worst case scenario - based on expert judgement of potential worsening of macroeconomic indicators.
3. best case scenario - based on expert judgement of potential improvement of macroeconomic indicators.

Worse and best scenario is obtained from base scenario increasing or decreasing base scenario by confidence interval of given macro indicator forecast. Confidence intervals are available for each macroeconomic indicator forecast and are easy to read from the graph. Each scenario also has a specific probability of occurring. The Group applies 15% probability for worst-case scenario and only 5% for best-case.

To obtain final effect on PD from macro indicator change, applied weights for each macro indicator and the final result is taken as a weighted average of macro indicator PD effect. Weights are changed based on their significance in affecting default rate overall. Considering model main assumptions, the Group's experts evaluate historical relationship and chooses weights for each country individually. For Latvia weights are the following: UR – 48%, IR – 48% and GDP – 5%.

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 2022.

Result of the macro model is then applied to stage 1 PDs for each month close starting from December 2021. Macro outlook is updated in a consistent manner once per quarter in year 2022.

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, cessations and legal process are followed.

- Renewed leases (restored payments capacity after termination) also affect the LGD rate by incorporating recovered cash after renewal of the agreement and comparing it to the exposure at default of the agreements subsequently renewed, implying the cure rate. Cure rate from renewals is calculated over a three-year period. For the 30 June 2022 impairment purposes 82.53% (31.12.2021.: 82.53%) 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 30 June 2022, 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 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, Eleving Group S.A. The Group would incur loss in case Eleving Group S.A. defaults on obligations towards its bondholders. Accordingly, PD of Eleving Group S.A. is determined based on Eleving Group 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 Eleving Group 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.

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 16).

These lease agreements have a non-cancellable term of 18 months and an optional term of up to 60 months (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 13) 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 22.

4. Interest revenue

	01.01.2022.-30.06.2022. EUR	01.01.2021.-30.06.2021. EUR
Interest income from finance lease receivables	439 006	569 593
Interest income from intercompany loans	2 182 905	1 983 632
Interest income from loans and advances to customers	566 397	1 021 162
TOTAL:	3 188 308	3 574 387

The Group has earned less interest income from finance lease receivables and loans and advances to customers mainly due to portfolio cessions.

5. Interest expense

	01.01.2022.-30.06.2022. EUR	01.01.2021.-30.06.2021. EUR
<i>Interest expenses on financial liabilities measured at amortized cost:</i>		
Interest expense on issued bonds	1 814 008	1 755 573
Interest expenses for loans from P2P platform investors	244 276	526 499
Interest expenses for lease liabilities	22 447	13 008
Interest expenses for loans from banks	73 889	48 539
Other interest expenses for loans from related parties	15 290	-
TOTAL:	2 169 910	2 343 619

6. Income from car rent

	01.01.2022.-30.06.2022. EUR	01.01.2021.-30.06.2021. EUR
Revenue from operating lease*	2 688 874	3 423 966
TOTAL:	2 688 874	3 423 966

*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

	01.01.2022.-30.06.2022. EUR	01.01.2021.-30.06.2021. EUR
Revenue from contracts with customers recognised point in time:		
Gross income from debt collection activities	72 438	191 560
Gross expenses from debt collection activities	(106 801)	(120 574)
Net debt collection income:	(34 363)	70 986
Income from penalties received	128 369	160 869
Commissions income	242	855
Commissions and fees income from rent contracts*	75 377	83 761
TOTAL:	169 625	316 471

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

8. Impairment expense

	01.01.2022.-30.06.2022. EUR	01.01.2021.-30.06.2021. EUR
Change in impairment in finance lease (see Note 17)	28 323	(270 894)
Change in impairment in loans and advances to customers (see Note 18)	(149 035)	(578 961)
Change in impairment in rental fleet (see Note 16)	(339 092)	(55 890)
Change in impairment in rent receivables	(72 564)	237 207
Written off debts	280 235	979 901
TOTAL impairment expenses:	(252 133)	311 363

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

	01.01.2022.-30.06.2022. EUR	01.01.2021.-30.06.2021. EUR
Financial lease		
Income arising from cession of financial lease receivables to related parties	-	352 807
Loss arising from cession of financial lease receivables to related parties	-	(788)
TOTAL:	-	352 019
Financial lease		
Income arising from cession of financial lease receivables to non related parties	173 955	3 473
Loss arising from cession of financial lease receivables to non related parties	(355 348)	(25 019)
TOTAL:	(181 393)	(21 546)
Loans and advances to customers		
Income arising from cession of loans and advances to customers receivables to related parties	-	1 112 530
TOTAL:	-	1 112 530
Loans and advances to customers		
Income arising from cession of loans and advances to customers receivables to non related parties	17 758	7 679
Loss arising from cession of loans and advances to customers receivables to non related parties	(38 919)	(78 891)
TOTAL:	(21 161)	(71 212)
Net gain/ (loss) arising from cession of financial lease and loans, advances to customers receivables and rent contracts	TOTAL:	TOTAL:
	(202 554)	1 371 791

10. Revenue from car sales

	01.01.2022.-30.06.2022. EUR	01.01.2021.-30.06.2021. EUR
Revenue from contracts with customers recognized point in time:		
Income from sale of vehicles	1 812 949	1 768 206
TOTAL:	1 812 949	1 768 206
Expenses from contracts with customers recognized point in time:		
Expenses from sale of vehicles	(2 307 736)	(2 304 280)
TOTAL:	(2 307 736)	(2 304 280)
Total Net revenue/(loss) from contracts with customers recognized point in time:	(494 787)	(536 074)

11. Selling expense

	01.01.2022.-30.06.2022. EUR	01.01.2021.-30.06.2021. EUR
TV and radio marketing expenses	29 142	7 019
Marketing services (include out-of-home advertising)	50 908	18 765
Online advertising	42 748	36 165
Total marketing expenses	122 798	61 949
Other selling expenses	6 829	7 008
TOTAL:	129 627	68 957

Marketing costs have increased during the reporting period due to the promotion of the Group's new product Renti Plus.

12. Administrative expense

	01.01.2022.-30.06.2022.	01.01.2021.-30.06.2021.
	EUR	EUR
Employees' salaries	699 303	769 140
Amortization and depreciation	1 070 762	1 311 188
Management fee	498 921	637 421
Professional services	59 288	61 877
Credit database expenses	28 225	55 323
IT services	45 179	42 587
Disposal expenses from right-of-use assets	-	42 154
Office and branches' maintenance expenses	41 796	37 217
Recruitment fees	6 673	-
Business trips	84	-
Communication expenses	6 016	10 139
Other personnel expenses	13 618	9 470
Low value equipment expenses	576	2 175
Bank commissions	11 828	14 738
Other administration expenses	19 230	28 011
TOTAL:	2 501 499	3 021 440

13. Other operating income

	01.01.2022.-30.06.2022.	01.01.2021.-30.06.2021.
	EUR	EUR
Commission for client acquisition	282 229	231 046
Income from service fee	96 615	175 529
Income recognised from amortization of financial guarantee	301 868	662 259
Change in provisions for possible VAT liabilities and penalty	-	110 214
Other operating income	68 466	84 412
TOTAL:	749 178	1 263 460

14. Other operating expense

	01.01.2022.-30.06.2022.	01.01.2021.-30.06.2021.
	EUR	EUR
Penalty fees	13	-
Rental fleet maintenance costs*	169 184	229 869
Change in provisions for possible VAT liabilities and penalty	19 921	-
Other operating expenses	49 133	23 157
TOTAL:	238 251	253 026

*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.

15. Intangible assets

	Licenses	Other intangible assets	Total intangible assets
Cost	50 590	65 800	116 390
Accumulated amortization	(50 590)	(51 248)	(101 838)
As at 1 January 2021	-	14 552	14 552
2021			
Additions	-	-	-
Disposals (cost)	-	-	-
Reclassification	(11 920)	-	(11 920)
Amortization charge	-	(14 552)	(14 552)
Disposals (amortization)	-	-	-
Cost	38 670	65 800	104 470
Accumulated amortization	(38 670)	(65 800)	(104 470)
As at 31 December 2021	-	-	-

15. Intangible assets (continued)

	Licenses	Other intangible assets*	Total intangible assets
2022			
Amortization charge	-	-	-
Cost	38 670	65 800	104 470
Accumulated amortization	(38 670)	(65 800)	(104 470)
As at 30 June 2022	-	-	-

Amortization costs are included in Note 12 - 'Administrative expense'.

16. 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	17 581 455	196 366	-	19 283	1 416 090	-	1 416 090	19 213 194
Accumulated depreciation and impairment	(3 031 671)	(113 205)	-	(12 961)	(235 834)	-	(235 834)	(3 393 671)
As at 1 January 2021	14 549 784	83 161	-	6 322	1 180 256	-	1 180 256	15 819 523
2021								
Additions	3 534 554	15 132	-	-	666 363	-	666 363	4 216 049
Disposals (cost)	(6 123 063)	(255)	-	-	(1 172 495)	-	(1 172 495)	(7 295 813)
Depreciation charge	(2 300 100)	(49 169)	-	(2 518)	(137 220)	-	(137 220)	(2 489 007)
Disposals (depreciation)	1 176 971	2 056	-	-	170 601	-	115 080	1 349 628
Impairment	(138 405)	-	-	-	-	-	-	(138 405)
Cost	14 992 946	211 243	-	19 283	909 958	-	909 958	16 133 430
Accumulated depreciation and impairment	(4 293 205)	(160 318)	-	(15 479)	(202 453)	-	(202 453)	(4 671 455)
As at 31 December 2021	10 699 741	50 925	-	3 804	707 505	-	707 505	11 461 975
2022								
Additions	2 116 747	330	-	-	203 397	-	203 397	2 320 474
Disposals (cost)	(2 478 783)	(988)	-	-	-	-	-	(2 479 771)
Depreciation charge	(971 959)	(14 307)	-	(1 220)	(71 428)	-	(71 428)	(1 058 914)
Disposals (depreciation)	791 413	882	-	-	-	-	-	792 295
Impairment	339 092	-	-	-	-	-	-	339 092
Cost	14 630 910	210 585	-	19 283	1 113 355	-	1 113 355	15 974 133
Accumulated depreciation impairment	(4 134 659)	(173 743)	-	(16 699)	(273 881)	-	(273 881)	(4 598 982)
As at 30 June 2022	10 496 251	36 842	-	2 584	839 474	-	839 474	11 375 151

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

As at 30 June 2022 management has assessed residual values for rental fleet and as a result impairment allowance reversal in amount of EUR (339 092) was recognized. As at 31 December 2021 reporting period additional impairment allowance was recognised in amount of EUR 138 405.

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 with impairment indications would equal to EUR 1 825 214 and an additional impairment of EUR 2 816 would need to be recognized.

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

Comparable information about Rental fleet for the 6 month period in 2022 and 6 month period 2021 are:

	6 month 2022 EUR	6 month 2021 EUR
Cost	14 992 946	17 581 455
Accumulated depreciation impairment	(4 293 205)	(3 031 671)
As at 01 January 2022	10 699 741	14 549 784
Additions	2 116 747	2 441 790
Disposals (cost)	(2 478 783)	(2 842 499)
Depreciation charge	(971 959)	(1 199 054)
Disposals (depreciation)	791 413	523 142
Impairment*	339 092	55 890
Cost	14 630 910	17 180 746
Accumulated depreciation impairment	(4 134 659)	(3 651 693)
As at 30 June 2022	10 496 251	13 529 053

* Rental fleet impairment allowance on 30 June 2022 is EUR 323 197 (30 June 2021: EUR 467 994).

17. Finance Lease Receivables

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

	30.06.2022.				31.12.2021.
	EUR	EUR	EUR	EUR	EUR
<i>Finance lease receivables</i>	Stage 1	Stage 2	Stage 3	TOTAL	TOTAL
Not past due	2 607 967	56 894	34 122	2 698 982	2 264 696
1-30	459 557	100 255	5 452	565 264	308 943
31-60	0	127 096	9 634	136 730	105 317
>60	0	0	297 909	297 909	281 483
TOTAL, GROSS:	3 067 523	284 245	347 117	3 698 885	2 960 440

	30.06.2022.		31.12.2021.	
	EUR		EUR	
<i>Finance lease receivables</i>				
Non-current finance lease receivables		2 862 101		2 171 376
Current finance lease receivables		760 153		730 687
Accrued interest		76 631		58 377
TOTAL, GROSS:		3 698 885		2 960 440

	30.06.2022.		31.12.2021.	
	EUR		EUR	
<i>Movement in impairment allowance</i>				
Impairment allowance as at 01 January		394 318		743 429
Impairment loss recognized during the year		92 794		89 211
Elimination of impairment allowance due to cession of receivables		(64 471)		(438 322)
Impairment allowance as at period end		422 641		394 318

	Non-Current	Current	Non-Current	Current
	30.06.2022.	30.06.2022.	31.12.2021.	31.12.2021.
<i>Finance lease receivables, net</i>	EUR	EUR	EUR	EUR
Finance lease receivables	2 862 101	760 153	2 171 377	730 687
Accrued interest	-	76 631	-	58 377
Fees paid and received upon lease disbursement	(95 310)	(25 314)	(74 034)	(24 912)
Impairment allowance	(104 036)	(318 605)	(92 480)	(301 838)
	2 662 755	492 865	2 004 863	462 314

18. 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.

	30.06.2022.				31.12.2021.
	EUR	EUR	EUR	EUR	EUR
<i>Loans and advances to customers</i>	Stage 1	Stage 2	Stage 3	TOTAL	TOTAL
Not past due	2 601 111	91 053	64 826	2 756 990	2 924 394
1-30	570 583	151 398	15 896	737 877	668 243
31-60	0	127 098	9 844	136 943	81 428
>60	0	0	492 878	492 878	656 827
TOTAL, GROSS:	3 171 694	369 549	583 445	4 124 688	4 330 891

	30.06.2022.		31.12.2021.	
	EUR		EUR	
<i>Loans and advances to customers</i>				
Non-current loans and advances to customers		2 783 209		1 652 966
Current loans and advances to customers		1 233 646		2 258 047
Accrued interest		107 833		419 878
TOTAL, GROSS:		4 124 688		4 330 891

	30.06.2022.		31.12.2021.	
	EUR		EUR	
<i>Movement in impairment allowance</i>				
Impairment allowance as at 01 January		802 358		1 987 233
Net impairment loss for the year		60 095		88 100
Net impairment elimination due to cession of receivables		(209 130)		(1 272 975)
Impairment allowance as at period end		653 323		802 358

18. Loans and advances to customers (continued)

	Non-Current 30.06.2022. EUR	Current 30.06.2022. EUR	Non-Current 31.12.2021. EUR	Current 31.12.2021. EUR
Loans and advances to customers, net				
Loans and advances to customers	2 783 209	1 233 646	2 677 925	1 546 681
Accrued interest	-	107 833	-	106 282
Fees paid upon loan disbursement	58 293	25 838	37 707	21 779
Fees received upon loan disbursement	(137 584)	(60 984)	(112 069)	(64 727)
Impairment allowance	(138 613)	(514 711)	(155 867)	(646 491)
	2 565 305	791 622	2 447 696	963 524

19. Borrowings

Non-current

	Interest rate per annum (%)	Maturity	30.06.2022. EUR	31.12.2021. EUR
Liabilities for issued debt securities				
Bonds 30 million EUR notes issue ¹⁾	11%	31.03.2024.	29 242 000	29 859 000
Bond additional interest accrual ⁴⁾			54 056	29 753
Bonds acquisition costs			(538 953)	(683 744)
		TOTAL:	28 757 103	29 205 009
Funding attracted through peer-to-peer platforms				
Funding attracted through peer-to-peer platforms ²⁾	10.68%*	31.12.2028.	5 183 397	4 797 494
Liabilities acquisition costs for funding attracted through peer-to-peer platform			(32 693)	(26 541)
		TOTAL:	5 150 704	4 770 953
Other borrowings				
Loans from related parties	12%	18.10.2026	-	1 705 000
Loans from banks ⁷⁾	2.9%+3M EURIBOR	30.06.2027	1 979 054	-
		TOTAL:	1 979 054	1 705 000
Lease liabilities for right-of-use assets				
Lease liabilities for right-of-use assets - premises ³⁾	2.14-2.96%	up to 5 years	698 647	153 365
Lease liabilities for right-of-use assets - premises ³⁾	2.14-2.96%	>1 year - < 5 year	-	437 110
		TOTAL:	698 647	590 475
		TOTAL NON CURRENT BORROWINGS:	36 585 508	36 271 437

Current

	Interest rate per annum (%)	Maturity	30.06.2022. EUR	31.12.2021. EUR
Funding attracted through peer-to-peer platforms				
Funding attracted through peer-to-peer platforms ²⁾	10.68%*	31.12.2028.	1 146 836	997 446
Accrued interest for funding attracted through peer-to-peer platforms			31 204	27 368
		TOTAL:	1 178 040	1 024 814
Lease liabilities for right-of-use assets				
Lease liabilities for right-of-use assets - premises ³⁾	2.14-2.96%	up to 1 years	155 530	128 051
		TOTAL:	155 530	128 051
Other borrowings				
Loans from banks ⁵⁾	7.5%+6M EURIBOR	30.09.2023	2 865 097	-
Loans from banks ⁷⁾	2.9%+3M EURIBOR	30.06.2027	468 113	-
		TOTAL:	3 333 210	-
		TOTAL CURRENT BORROWINGS:	4 666 780	1 152 865

1) 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 are issued at par, have a maturity of three years and carry a fixed coupon of 11% per annum, paid monthly in arrears. The bonds were offered to existing Mogo JSC bondholders and other retail and institutional investors from the Baltic region.

2) Attracted funding from P2P platform is transferred to Group's bank accounts once per week. In 2022 reporting period The Group put in P2P platform more loans as opposed to reporting period in 2021 year when more loans were repurchased than placed.

3) 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 2021 the Company signed new office rent agreement with related company JSC Eleving Vehicle Finance for period till August 2029.

19. Borrowings (continued)

4) 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 2022 and short term in 2021.

5) On 2nd August 2019 JSC "Citadele banka" granted to JSC "mogo" (Latvia), JSC "mogo LT" (Lithuania) and JSC "mogo" (Estonia) the credit line up to EUR 10 million at the cost of 6M EURIBOR + 8% for refinancing of existing indebtedness. The agreement has been amended in April 2022 by determining the credit line limit to EUR 12 million and changing the interest rate to 6M EURIBOR + 7.5% or 6M EURIBOR + 8% depending on the amount. Maturity of agreement is 30th September 2023.

6) On 15 December 2021 JSC Eleving Vehicle Finance granted to JSC mogo the credit in the amount of EUR 5 000 000. Maturity of agreement - October 2026. Credit line was not used during reporting period.

7) In 2021 the Group has received available finance lease funding from Citadele leasing to purchase new vehicles to serve Renti AS (Latvia) operations. By the 30 June 2022, the Group has used EUR 2 447 166 from it's available funding.

* weighted average rate

20. Other liabilities

	30.06.2022. EUR	31.12.2021. EUR
Payable for attracted funding through P2P platform*	-	397 736
Payable for received payments from customers of the related parties	232 419	305 856
Liabilities against employees for salaries	56 563	63 205
Other liabilities	3 599	4 797
TOTAL:	292 581	771 594

*Due to more loans put in P2P platform at the 30 June 2022 opposite 31 December 2021, the Group has receivables from P2P platform at 30 June 2022. Due to more repurchased loans from P2P platform the Group has payables to P2P platform on 31 December 2021.

21. Loans to related parties

	Interest rate per annum (%)	Maturity	30.06.2022. EUR	31.12.2021. EUR
<i>Non-current</i>				
Loan receivable from related company ¹⁾	12.50	April 2023	955 000	700 000
Loan receivable from related company ²⁾	12.00	April 2023	8 827 118	8 827 118
Loan receivable from related company ³⁾	12.00	June 2026	8 144 000	7 934 000
Loan receivable from related company ⁴⁾	12.00	October 2026	17 640 000	17 640 000
Loan receivable from subsidiary company ⁵⁾	12.50	September 2024	1 290 000	-
<i>Current</i>				
Accrued interest from Eleving Group S.A. Loan			31 432	-
Accrued interest from Eleving Stella JSC Loan			2 068 561	-
Accrued interest from Eleving Vehicle Finance JSC Loan			20 531	-
TOTAL:			38 976 642	35 101 118

1) In 2017 the Company has signed the loan agreement with its ultimate Parent Company Eleving Group S.A. Loan agreement allows both parties to agree on flexible loan pay-out and loan repayment arrangement with maximum loan amount of 30 million EUR with maturity date 27.04.2023 and fixed interest rate 12.5%.

2) In 2021 the Company has signed the loan agreement with Parent Company Eleving Stella JSC Loan agreement allows both parties to agree on flexible loan pay-out and loan repayment arrangement with maximum loan amount of 9.12 million EUR with maturity date 27.04.2023 and fixed interest rate 12 %.

3) In 2021 the Company has signed the loan agreement with Parent Company Eleving Stella JSC Loan agreement allows both parties to agree on flexible loan pay-out and loan repayment arrangement with maximum loan amount of 30 million EUR with maturity date 21.06.2026 and fixed interest rate 12 %.

4) In 2017 the Company has signed the loan agreement with Parent Company Eleving Stella JSC Loan agreement allows both parties to agree on flexible loan pay-out and loan repayment arrangement with maximum loan amount of 17.64 million EUR with maturity date 13.10.2026 and fixed interest rate 12 %.

5) On 09.04.2020 the Company signed loan agreement with Eleving Vehicle Finance JSC for credit line of EUR 15 000 000 with maturity date 24.09.2024 and fixed interest rate 12.5%.

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

30.06.2022	Stage 1	Stage 2	Stage 3	Total
Loan receivable from ultimate Parent company	986 432	-	-	986 432
Loan receivable from related company	37 990 210	-	-	37 990 210
31.12.2021	Stage 1	Stage 2	Stage 3	Total
Loan receivable from ultimate Parent company	700 000	-	-	700 000
Loan receivable from related company	34 401 118	-	-	34 401 118

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 (2021: EUR nil).

22. 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 2022 or 2021.

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 6 month period ended on 30 June 2022 is presented below:

Period ended 30.06.2022.	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	3 542 296	(2 081 952)	(179 084)	769 441	(1 241 724)	-	808 977	53 090 575	37 796 252
Renting	3 943	(445 892)	228 661	4 764 565	(4 532 336)	-	18 941	11 973 120	11 643 572
Agent fee	-	-	-	282 229	-	-	282 229	41 793	324 022
<i>Total segments</i>	<i>3 546 239</i>	<i>(2 527 844)</i>	<i>49 577</i>	<i>5 816 235</i>	<i>(5 774 060)</i>	<i>-</i>	<i>1 110 147</i>	<i>65 105 488</i>	<i>49 763 846</i>
Adjustments and eliminations	(357 935)	357 935	-	(395 611)	494 343	-	98 732	(5 046 695)	(5 145 427)
Consolidated	3 188 304	(2 169 909)	49 577	5 420 624	(5 279 717)	-	1 208 879	60 058 793	44 618 419

Period ended 30.06.2021.	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	3 957 217	(2 082 099)	1 245 485	1 435 556	(1 397 196)	-	3 158 963	53 364 891	33 354 136
Renting	4 386	(648 736)	(185 057)	5 650 636	(5 134 973)	-	(313 744)	14 821 614	14 821 613
Agent fee	-	-	-	231 046	-	-	231 046	30 425	261 471
<i>Total segments</i>	<i>3 961 603</i>	<i>(2 730 835)</i>	<i>1 060 428</i>	<i>7 317 238</i>	<i>(6 532 169)</i>	<i>-</i>	<i>3 076 265</i>	<i>68 216 930</i>	<i>48 437 220</i>
Adjustments and eliminations	(387 216)	387 216	-	(545 135)	815 443	-	270 308	(6 009 893)	(6 280 201)
Consolidated	3 574 387	(2 343 619)	1 060 428	6 772 103	(5 716 726)	-	3 346 573	62 207 037	42 157 019

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.

22. Segment information (continued)

	6 month 2022	6 month 2021
Revenue	EUR	EUR
External customers (interest income and other income)	8 608 928	10 346 490
Elimination of intragroup interest income and other operating income	753 546	932 351
TOTAL:	9 362 474	11 278 841
	30.06.2022.	31.12.2021.
<i>Reconciliation of profit</i>	EUR	EUR
Segment profit	1 110 147	3 076 265
Elimination of intragroup interest income	(357 935)	(387 216)
Elimination of intragroup interest expenses	357 935	387 216
Elimination of intragroup income from service fee	(367 704)	(523 059)
Elimination of intragroup other income/(expenses)	466 436	793 367
Consolidated profit for the period	1 208 879	3 346 573
<i>Reconciliation of assets</i>		
Segment operating assets	65 105 488	68 216 930
Elimination of intragroup loans	(4 537 478)	(5 487 725)
Elimination of other intragroup receivables	(509 217)	(522 168)
Total assets	60 058 793	62 207 037
<i>Reconciliation of liabilities</i>		
Segment operating liabilities	49 763 846	48 437 220
Elimination of intragroup borrowings	(4 537 478)	(5 487 725)
Elimination of other intragroup accounts payable	(607 949)	(792 476)
Total liabilities	44 618 419	42 157 019

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

23. Events after reporting period

As of the last day of the reporting period 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 26 August 2022 by:

Krišjānis Znotiņš, Chairman of the Board
Laura Bunkša, Chief accountant

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