mogo

PART OF ELEVING GROUP

Consolidated annual report

for the year ended
31 december 2022

Joint stock company Mogo
Unified registration number LV50103541751

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

Together with independent auditor's report

Riga, 2023

CONTENTS

General information

Name of the Parent Company	mogo	
Legal status of the Parent Company	JSC	
Unified registration number, place and date of registration	50103541751, Latvia, 03.05.2012	
Registered office	Skanstes street 52, Riga, Latvia	
Shareholders		31.12.2022
	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. Krišjānis Znotiņš - Member of the Board from 14.03.2019. till 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 year	1 January - 31 December 2022	
Previous financial year	1 January - 31 December 2021	
Auditors	SIA “BDO ASSURANCE” Commercial licence No. 182 Kaļķu iela 15-3B, Riga, Latvia, LV-1050 Certified auditor in charge Raivis Jānis Jaunkalns Certificate No. 237	

Management Report for the Group

20 April 2023

General information

JSC mogo (hereinafter – the Parent company) and its subsidiary JSC Renti (together - The Group) specialize in used car financing and other mobility solutions such as long-term rent and car subscription services. The Group provides quick and convenient car financing and rental services through more than 220 partners (professional car sellers), Group's product websites, Group's car portals, and at onsite customer service center located strategically at the Road Traffic Safety Directorate (CSDD) premises.

During 2022, the Parent company continued to serve its existing customers, achieved stable sales volumes, and provided full-cycle services, from product design and development to customer service and debt collection to JSC Renti and related business entity JSC Primero Finance.

Since July 2022, JSC Renti made a strategic and well-considered decision to discontinue its long-term car rental service while still continuing to serve its existing customer base and offering to buy out leased cars.
The company also offered used car sales, including cars returned from long-term rental contracts. During the year cars available for sale have decreased from 250 to 150. The apparent reduction in the portfolio is the logical and sequential result of the decisions taken, and it contributes to the net profit of the Group and reduced administrative and impairment costs. Information about long-term rent is available at www.renti.lv, while cars for sale are listed at www.autotev.lv

In December 2021, JSC Renti launched a new car subscription service - Renti plus, which was actively marketed throughout 2022. The new product was developed following the Latvian market demand and the changes in people's mobility habits and trends in the global car financing and mobility scene. Year after year, a growing proportion of consumers are coming to the conclusion that one does not need to own a car to have a car. It is this change that has motivated the new product concepts. The concept is based on a call to provide a subscription-based product of brand-new cars for clients searching for immediate mobility solutions. The primary audience of the product is private individuals and legal entities. Renti plus offer stands out with the option to include all car-related services in the monthly subscription fee (insurance, maintenance works, tyre change, etc.) for 1 to 36 months. In addition, the customer can withdraw from the service without any financial consequences. Upon cancellation, the contracts expire with the outstanding payment for the respective month the service was used. The offer to the clients is provided in three flexible subscription levels that represent different customer needs. Subscription types and cars available are displayed on www.rentiplus.lv. At the end of the year, over 100 cars were rented through the car subscription. These services, through which customers are offered brand-new cars, are also reducing the average CO2 intensity and general pollution levels. By providing new and environmentally friendly products and educating customers about more sustainable mobility decisions, products provide not only an economic benefit but also a positive environmental impact.

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 a healthy challenge in everything that stands in our way and the growth in what we do. Change is our driving force, and we embrace 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 factor that matters. Our victories give us spirit and energy for the future!
▪ Ambition - We take full responsibility for our actions and decisions and 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 our work and the customers we serve. We create opportunities that provide mobility because we understand the desire to own a car.

Operations and Financial Results

Total revenues of the Group, including net interest on financial products and income from long-term rental services, reached 11.4 million euros (a 16% decrease compared to 2021). The net profit of the Group amounted to 3.8 million euros (a 32% decrease compared to 2021).

Total assets as of 31 December 2022 amounted to 55 million (same level as December 2021). At the end of 2022 gross value of the loan and lease portfolio reached 3.8 million euros (a 36% decrease compared to 31 December 2021), whereas the car fleet amounted to 7.8 million euros (from 10.7 million in 2021).

Group's net profit has decreased mainly due to the Parent company performing portfolio sale transactions in previous years. Meanwhile, JSC Renti finished the year with a positive net profit for the first time since its inception. New loan issuances have been stable, decreasing only by 4% compared to 2021, while used car imports in Latvia decreased by 13% in 2022 compared to 2021. Parent company still earned from servicing related party JSC Primero finance and executed a performing portfolio sale transaction in the nominal amount of 3.5 million euros. Other operating income has decreased by 39%, reaching 1.5 million euros. The main impact was 692 thousand euros lower financial guarantee derecognition income. The Group has reduced rental fleet maintenance costs, driving a 38% decrease in other operating expenses.
Decreasing portfolio and increased efficiency helped reduce administrative expenses by 19% (from 5.6 million euros in 2021 to 4.6 million euros in 2022), going together with a 17% decrease in salary costs.
The Group continued to fund related entities, increasing financing from 35.1 million euros at the end of 2021 to 39.8 million euros at the end of 2022, thus stressing the Company's importance in the Eleving group structure.

Further operational improvements in the customer service and partner account management processes were implemented, enabling us to serve our customers more efficiently. Group continued improving car sales processes, which generated 231-thousand-euro profit from car sales compared to a 112-thousand-euro loss in 2021. Decreasing portfolio and stable customer payment discipline have helped to reduce the impairment level from 1.8 million euros in 2021 to 261 thousand euros in 2022.

Historical gross underperforming lease and rent portfolios in the amount of 2.3 million euro were sold through forward flow transactions and one-off cession tenders. The Group's balance sheet was cleaned, slightly positively affecting the profit and loss statement.

In 2022, the Group continued its operations to accomplish its mission – make personal mobility accessible to all residents of Latvia while being united in love for the car. Investments in the customer journey automation process continued during 2022 and have a clear set of priorities for 2023. The Group continued offering MTPL insurance in cooperation with AAS Balta to its customers with the option of adding it to monthly payments.
Improvements have a positive effect on the Group's clients and those serviced for JSC Primero Finance.

The Group proceeded with various digital and offline marketing campaigns to promote brand exposure and strengthen the Group's brand awareness and recognition. In the marketing activities, the main focus was set on Renti plus subscription product to position it in the local market and gain leads.

Management report for the Group (continued)

Other information

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

Legal risks

Legal risks are mainly derived from regulatory changes, which the Group successfully manages with the help of an in-house legal department and external legal advisors that closely follow the latest developments in regulatory and legal environment developments.

See Note 39 for further information.

Financial risks and risk management

The Group's activities expose it to a variety of financial risks: market risk, credit risk, and liquidity risk. The Group's overall risk management focuses on minimizing potential adverse effects on the Group's financial performance.

In 2022, numerous significant sanctions were imposed by the European Union and other countries on Russia and Belarus, specific economic sectors and companies of the respective countries, officials, businesspeople, and other physical persons connected with the ongoing war in Ukraine.
The full impact of the sanctions, restrictions, and military actions on the Group's operations in 2023 cannot be fully predicted. However, the Group is committed to continuing the risk management strategy adopted in 2022, including greater diversification of funding structure. Group's management believes that the sanctions and restrictions imposed and military actions after the date of the financial statements will not materially affect the Group's 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.
Rising inflation has not harmed Group's customer debt service discipline. Various government support initiatives have been introduced to compensate for the impact of rising energy prices on private individuals. However, Group monitors the situation closely and has several instruments introduced for customers to overcome short-term financial difficulties.
It is expected that customer debt service discipline will remain stable in 2023.

Liquidity risk

The Group controls its liquidity by managing the amount of funding it attracts through peer-to-peer marketplace platforms for loans, which provides the management with greater flexibility to manage the level of borrowings and available cash balances. Also, the Group manages its longer-term liquidity needs by obtaining funding from international capital markets, in particular by issuing JSC mogo Bonds.

Credit risks

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

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

The Group operates by applying a clear set of finance lease and loan granting criteria. These criteria include 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 customer.

When the lease agreement has been signed, the Group monitors the lease object and the customer's solvency. The Group has developed a lease monitoring process that helps 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 made.

The Group does not have a significant credit risk exposure to any single counterparty but is exposed to risks to the group of counterparties having similar characteristics.
See Note 39 for more information.

The future development of the Group

The Group's management plans to continue investing in process automation and digitalization, creating a seamless experience for customers. The main focus areas in 2023 will be to continue ensuring stable portfolio quality and providing improved customer experience for the Group's offered products and related party servicing.

The Group's corporate governance statement for 2022 is prepared according with the requirements of the Financial Instruments Market Law part 3 of article 56.2 and is available to the public electronically on the Nasdaq Baltic webpage www.nasdaqbaltic.com.

The share capital of the Parent company is EUR 425 000 and consists of 425 000 shares as at 31 December 2022. The par value of each share is EUR 1. All the shares are fully paid.

Signed on behalf of the Group on by:

Krišjānis Znotiņš, Chairman of the Board

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Statement of Management Responsibility

20 April 2023

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

Management of the Group declares that in accordance with the information in their possession, consolidated financial statements have been prepared in accordance with accounting transaction documentation and with the International Financial Reporting Standards as adopted by EU and give a true and fair view of the Group's assets, liabilities, financial position as at 31 December 2022, results of operations and cash flows for the year ended 31 December 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 20 April 2023 by:

Krišjānis Znotiņš, Chairman of the Board

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Consolidated Financial Statements

Consolidated Statement of Profit and Loss and Other Comprehensive Income

		2022	2021
		EUR	EUR
Interest revenue	4	6 369 377	6 951 645
Interest expense	5	(4 321 130)	(4 517 067)
Net interest income		**2 048 247**	**2 434 578**
Income from car rent	6	5 010 676	6 543 201
Fee and commission related to finance lease activities and rent contracts	7	304 193	651 031
Impairment expense	8	(261 497)	(1 847 759)
Net gain/(loss) from de-recognition of financial assets measured at amortized cost	9	972 962	2 072 246
Expenses related to peer-to-peer platforms services	10	(78 233)	(126 554)
Revenue from car sales	11	3 499 816	3 777 225
Cost of sales of cars	11	(3 942 070)	(3 889 443)
Selling expense	12	(216 317)	(154 229)
Administrative expense	13	(4 580 670)	(5 636 788)
Other operating income	14	1 482 571	2 415 400
Other operating expense	15	(393 225)	(639 596)
Net foreign exchange result		(62 734)	(42 379)
Profit before tax		**3 783 719**	**5 556 933**
Net profit for the period		**3 783 719**	**5 556 933**
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		**3 783 719**	**5 580 924**
Profit is attributable to:			
Equity holders of the Parent Company		3 708 045	5 445 794
Non-controlling interests		75 674	111 139
Net profit for the year		**3 783 719**	**5 556 933**
Other comprehensive loss is attributable to:			
Equity holders of the Parent Company		3 708 045	5 469 306
Non-controlling interests		75 674	111 618
Comprehensive income for the year		**3 783 719**	**5 580 924**

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

Signed on behalf of the Group on 20 April 2023 by:

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

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Consolidated Statement of Financial Position

ASSETS		31.12.2022.	31.12.2021.
NON-CURRENT ASSETS		**EUR**	**EUR**
Intangible assets			
Other intangible assets	**16**	-	-
Total intangible assets		**-**	**-**
Tangible assets			
Rental fleet	**17**	7 781 771	10 699 741
Right-of-use assets	**17, 18**	753 253	707 505
Property and equipment	**17**	25 979	50 925
Leasehold improvements	**17**	1 989	3 804
Total tangible assets		**8 562 992**	**11 461 975**
Non-current financial assets and lease receivables			
Finance lease receivables	**19**	1 699 997	2 005 856
Loans and advances to customers	**20**	1 370 742	2 448 219
Loans to related parties	**35**	39 744 773	35 101 118
Other investments	**36**	-	20
Sublease receivables from related parties	**21**	614 170	-
Trade receivables from related parties	**22**	134 987	512 164
Total non-current financial assets and lease receivables		**43 564 669**	**40 067 377**
TOTAL NON-CURRENT ASSETS		**52 127 661**	**51 529 352**
Receivables and other current assets			
Finance lease receivables	**19**	331 371	482 348
Loans and advances to customers	**20**	413 455	974 094
Loans to related parties	**35**	85 187	-
Sublease receivables from related parties	**21**	160 407	-
Trade receivables from related parties	**22**	478 147	868 127
Trade receivables	**24**	241 218	326 297
Prepaid expense	**23**	135 907	86 329
Other receivables	**25**	28 102	40 636
Contract assets	**26**	512 567	471 061
Cash and cash equivalents	**27**	664 743	403 812
Total receivables and other current assets		**3 051 104**	**3 652 704**
TOTAL CURRENT ASSETS		**3 051 104**	**3 652 704**
TOTAL ASSETS		**55 178 765**	**55 182 056**

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Signed on behalf of the Group on 20 April 2023 by:

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Laura Bunkša, Chief accountant

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Consolidated Statement of Financial Position

EQUITY AND LIABILITIES

EQUITY		**31.12.2022. EUR**	**31.12.2021. EUR**
Share capital	**28**	425 000	425 000
Foreign currency translation reserve	**28**	1	1
Other reserves	**38**	(376 472)	(2 197 084)
Retained earnings		18 852 028	15 518 120
brought forward		15 143 983	10 072 326
for the period		3 708 045	5 445 794
Total equity attributable to equity holders of the Parent Company		18 900 557	13 746 037
Non-controlling interests		389 447	321 408
TOTAL EQUITY		**19 290 004**	**14 067 445**
LIABILITIES			
Non-current liabilities			
Liabilities for issued debt securities	**30**	28 886 905	29 205 008
Funding attracted through peer-to-peer platforms	**30**	1 538 227	4 770 954
Lease liabilities for right-of-use assets	**18, 30**	1 327 561	590 475
Loans from related parties	**30**	-	1 705 000
Loan from banks	**30**	1 599 999	-
Total non-current liabilities		**33 352 692**	**36 271 437**
Provisions for financial guarantees	**38**	108 238	2 008 420
Other provisions	**29**	164 647	140 053
Total provisions for liabilities and charges and financial guarantees		**272 885**	**2 148 473**
Current liabilities			
Funding attracted through peer-to-peer platforms	**30**	341 751	1 024 814
Loans from banks	**30**	438 200	-
Lease liabilities for right-of-use assets	**18, 30**	341 305	128 051
Prepayments and other payments received from customers	**31**	244 020	164 287
Payables to related companies	**35**	3 904	5 344
Trade payables		111 850	162 974
Corporate income tax payable		6 021	6 493
Taxes payable	**32**	78 767	105 653
Other liabilities	**33**	404 776	771 595
Accrued liabilities	**34**	292 590	325 490
Total current liabilities		**2 263 184**	**2 694 701**
TOTAL LIABILITIES		**35 888 761**	**41 114 611**
TOTAL EQUITY AND LIABILITIES		**55 178 765**	**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	-	-	-	-	5 445 794	5 445 794	111 139	5 556 933
Other comprehensive income	-	23 511	-	-	-	23 511	480	23 991
Total comprehensive income for the period	-	23 511	-	-	**5 445 794**	**5 469 305**	**111 619**	**5 580 924**
Guarantee derecognition (Note 38)	-	-	-	4 085 406	(3 022 906)	1 062 500	(61 692)	1 000 808
Share capital decrease	(4 575 000)	-	-	-	-	(4 575 000)		(4 575 000)
Issue of financial guarantees (Note 38)	-	-	-	(3 312 896)	-	(3 312 896)		(3 312 896)
Decrease in fair value of the guarantees due to non-substantial modifications (Note 38)	-	-	-	1 115 812		1 115 812		1 115 812
Balance at 31.12.2021.	**425 000**	**-**	**1**	**(2 197 084)**	**15 518 120**	**13 746 037**	**321 408**	**14 067 445**
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	-	-	-	-	3 708 045	3 708 045	75 674	3 783 719
Total comprehensive income for the period	-	**-**	-	-	**3 708 045**	**3 708 045**	**75 674**	**3 783 719**
Guarantee derecognition (Note 38)	-	-	-	1 656 566	(374 136)	1 282 430	(7 635)	1 274 794
Decrease in fair value of the guarantees due to non-substantial modifications (Note 38)	-	-	-	164 046	-	164 046	-	164 046
Balance at 31.12.2022.	**425 000**	**-**	**1**	**(376 472)**	**18 852 028**	**18 900 557**	**389 447**	**19 290 004**

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

Signed on behalf of the Group on 20 April 2023 by:

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

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Consolidated Statement of Cash Flows

		2022	2021
Cash flows to/from operating activities		**EUR**	**EUR**
Profit before tax from continuing operations		3 783 719	5 556 933
Adjustments for:			
Amortization and depreciation	**16, 17**	1 972 256	2 503 566
Interest expense	**5**	4 321 130	4 517 067
Interest income	**4**	(6 369 377)	(6 951 645)
Disposals of rental fleets		692 265	1 087 247
Disposals of property, equipment and intangible assets		7 663	(1 808)
Impairment expense	**8**	261 497	1 847 759
Financial guarantees	**38**	(524 077)	(1 216 319)
Rental fleet expected credit loss		692 265	138 405
Operating profit before working capital changes		**4 837 341**	**7 481 204**
Decrease/ (increase) in finance lease receivables, loans and advances to customers, trade and other receivables		(786 966)	3 460 381
Increase in advances received and trade payables and guarantees		1 161 067	908 551
Cash generated to/from operations		**5 211 443**	**11 850 137**
Interest received		4 526 745	7 909 945
Interest paid		(3 748 207)	(4 609 724)
Corporate income tax paid		(8 916)	-
Net cash flows to/from operating activities		**5 981 065**	**15 150 358**
Cash flows to/from investing activities			
Purchase of property and equipment and other intangible assets	**16, 17**	(203 728)	(681 495)
Purchase of rental fleets	**17**	(2 609 972)	(3 534 554)
Proceeds from sales of rental fleet		3 565 493	3 858 845
Investment in securities		-	632 991
Loan repayments received from related parties		23 447 000	47 576 632
Loans to related parties		(25 455 000)	(54 790 502)
Net cash flows to/from investing activities		**(1 256 207)**	**(6 938 083)**
Cash flows to/from financing activities			
Proceeds from borrowings	**30**	11 460 542	45 193 118
Repayments for borrowings	**30**	(15 735 177)	(47 536 108)
Payments for borrowings acquisition costs	**30**	-	(927 439)
Repayment of liabilities for right-of-use assets	**30**	(189 292)	(123 353)
Share capital decrease		-	(4 575 000)
Net cash flows to/from financing activities		**(4 463 927)**	**(7 968 781)**
Change in cash		**260 931**	**243 494**
Cash at the beginning of the year		403 812	160 318
Cash at the end of the year	**27**	**664 743**	**403 812**

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

Signed on behalf of the Group on 20 April 2023 by:

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 Eleving Group S.A. (Luxembourg). The ultimate beneficiary owner of mogo JSC is Aigars Kesenfelds (38,1319%). 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	
					2022	**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.

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

The Consolidated financial statements of 2022 have been approved by decision of the Board of Directors on 20 April 2023.

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

2. Summary of significant accounting policies

a) Basis of preparation

These consolidated financial statements as of and for the year ended 31 December 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 31 December 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 developed loan servicing business line in 2022, 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) Reclassification of comparative indicators

As at 31 December 2022, the Company identified that the line "Assets held for sale" was misstated in the 2021 financial statements. The Company has identified that these transactions should rather be presented in accordance with the requirements of IFRS 9. They have therefore been reclassified from "Assets held for sale" to "Finance lease receivables" and "Loans and advances to customers" in the statement of financial position, with a corresponding impact recognised on the balances shown in notes 19 and 20. As the reclassification had no impact on the Company's key performance indicators, it is considered immaterial and no statement of financial position as at 1 January 2022 is presented.

		Balance at 31.12.2021 in annual report for 2021	**Reclassifications**	**Balance at 31.12.2021 after restatement**
Statement of financial position - Assets				
Assets held for sale		32 117	(32 117)	-
Finance lease receivables (long term)		2 004 863	993	2 005 856
Finance lease receivables (short term)		462 314	20 031	482 345
Loans and advances to customers (long term)		2 447 696	523	2 448 219
Loans and advances to customers (short term)		963 524	10 570	974 094
	TOTAL:	**5 910 514**	**-**	**5 910 514**

Due to reclassification of assets held for sale, the information in finance lease receivables (Note 19) and loans and advances to customers disclosure (Note 20) have been reclassified.

c) Changes in accounting policy disclosures and presentation

The accounting policies adopted are consistent with those of the previous financial year except for the following amended IFRSs which have been adopted by the Group as of 1 January 2021.

IFRS 16: Leases

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

The effect is reflected in Note 14 and Note 18.

Adoption of new and revised standards and interpretations

The following amendments are effective for the period beginning 1 January 2022:

• Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37);
• Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16);
• Annual Improvements to IFRS Standards 2018-2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41); and
• References to Conceptual Framework (Amendments to IFRS 3).

These amendments to various IFRS standards are mandatorily effective for reporting periods beginning on or after 1 January 2022. See the applicable notes for further details on how the amendments affected the Group.

Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)

IAS 37 defines an onerous contract as a contract in which the unavoidable costs (costs that the Group has committed to pursuant to the contract) of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

The amendments to IAS 37.68A clarify, that the costs relating directly to the contract consist of both:
• The incremental costs of fulfilling that contract- e.g., direct labour and material; and
• An allocation of other costs that relate directly to fulfilling contracts: e.g., Allocation of depreciation charge on property, plant and equipment used in fulfilling the contract.

The Group, prior to the application of the amendments, did not have any onerous contracts.

As a result of the amendments, certain other directly related costs have now been included by the Group in determining the costs of fulfilling the contracts. The Group has therefore recognised an additional onerous contract provision as at 1 January 2022.

In accordance with the transitional provisions, the Group applies the amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application) and has not restated its comparative information.
The effect of adoption of the IAS 37 amendments as at 1 January 2022 (increase/(decrease)) is disclosed.

Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)

The amendment to IAS 16 prohibits an entity from deducting from the cost of an item of PP&E any proceeds received from selling items produced while the entity is preparing the asset for its intended use (for example, the proceeds from selling samples produced during the testing phase of a manufacturing facility after it is being constructed but before start of commercial production). The proceeds from selling such samples, together with the costs of producing them, are now recognised in profit or loss.

These amendments had no impact on the year-end consolidated financial statements of the Group as there were no sales of such items produced by property, plant and equipment made available for use on or after the beginning of the earliest period presented.

Annual Improvements to IFRS Standards 2018-2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 & IAS 41)

• IFRS 1: Subsidiary as a First-time Adopter (FTA)
• IFRS 9: Fees in the '10 per cent' Test for Derecognition of Financial liabilities
• IAS 41: Taxation in Fair Value Measurements

References to Conceptual Framework (Amendments to IFRS 3)

In May 2020, the IASB issued amendments to IFRS 3, which update a reference to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.

d) New standards, interpretations and amendments not yet effective

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the Group has decided not to adopt early.

The following amendments are effective for the period beginning 1 January 2023:

• Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2);
• Definition of Accounting Estimates (Amendments to IAS 8); and
• Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12).

The following amendments are effective for the period beginning 1 January 2024:

• IFRS 16 Leases (Amendment – Liability in a Sale and Leaseback)
• IAS 1 Presentation of Financial Statements (Amendment – Classification of Liabilities as Current or Non-current)
• IAS 1 Presentation of Financial Statements (Amendment – Non-current Liabilities with Covenants)

The Group is currently assessing the impact of these new accounting standards and amendments. The Group does not believe that the amendments to IAS 1 will have a significant impact on the classification of its liabilities, as the conversion feature in its convertible debt instruments is classified as an equity instrument and therefore, does not affect the classification of its convertible debt as a non-current liability.

The Group does not expect any other standards issued by the IASB, but not yet effective, to have a material impact on the group.

The following is a list of other new and amended standards which, at the time of writing, had been issued by the IASB but which are effective in future periods. The amount of quantitative and qualitative detail to be given about each of the standards will depend on each entity's own circumstances.
• IFRS 17 Insurance Contracts (effective 1 January 2023) - In June 2020, the IASB issued amendments to IFRS 17, including a deferral of its effective date to 1 January 2023.

e) Significant accounting policies

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Parent company (mogo JSC) and its subsidiary as at 31 December 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 subsidary, it:
- Derecognizes the related assets (including goodwill) and liabilities of the subsidiary;
- Derecognizes the carrying amount of any non-controlling interests;
- Derecognizes the cumulative translation differences recorded in equity;
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment retained;
- Recognizes any surplus or deficit in other comprehensive income;
- Reclassifies the Group's share of components previously recognized in other comprehensive income to statement of comprehensive income or retained earnings, as appropriate.

Business combinations

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

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

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

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

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

Licenses and other intangible assets

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

Other intangible assets mainly consists of acquired computer software products.

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

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

Property and equipment

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

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

2. Summary of significant accounting policies (continued)

e) Significant accounting policies (continued)

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

Financial assets

Financial instruments – initial recognition

Date of recognition

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

Initial measurement of financial instruments

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

Classification of financial assets

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

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

Business model assessment

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective - the risks that affect the performance of the business model (and the financial assets held within that business model) and the way those risks are managed. The expected frequency, value and timing of sales are also important aspects of the Group's assessment.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realized in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.
The assessed business model is with the intention to hold financial assets in order to collect contractual cash flows.

SPPI test

As a second step of its classification process the Group assesses, where relevant, the contractual terms of the financial assets to identify whether they meet the SPPI test. Financial assets subject to SPPI testing are loans and advances to customers (including financial assets arising from sales and leaseback transactions, as discussed in a separate section of this note) and loans to related parties that solely include payments of principal and interest. 'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortization of the premium/discount). The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk.

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

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

2. Summary of significant accounting policies (continued)

e) Significant accounting policies (continued)

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 recognized 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.

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.

2. Summary of significant accounting policies (continued)

e) Significant accounting policies (continued)

Derecognition of financial assets and finance lease receivables (continued)

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.

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).

2. Summary of significant accounting policies (continued)

e) Significant accounting policies (continued)

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.

The first years of this decade have heralded a particularly disruptive period in human history. The return to a "new normal" following the COVID-19 pandemic was quickly disrupted by the outbreak of war in Ukraine, ushering in a fresh series of crises in food and energy – triggering problems that decades of progress had sought to solve. Majority of Group Countries returned to "older" risks as inflation, cost-of-living crises, widespread social unrest, geopolitical confrontation which negatively impacted Group's operations and caused increase in credit risk.

Analyzing and evaluating Group's responses to such non-standard situations in past, management decided to keep and maintain introduced during Covid-19 pandemic so-called TDR (temporary debt restructuring) program. Forbearance tools (TDR and restructuring, i.e., change of the original payment schedule) is almost the only feasible solution to reduce financial burden on customers crisis 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.

Following the crisis situation Group's management might decide to activate TDR program for certain market for defined period (from 3 to 6 months). In mentioned situation – 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.

2. Summary of significant accounting policies (continued)

e) Significant accounting policies (continued)

Temporary debt restructuring (TDR) and other forbearance tools:

1.Alternative schedule (AS) – a temporary reduction of monthly payment, typically not more than 50%. Customers use this option for several, e.g. 3- 6 months in row.

2.Extension – is a payment holiday for 1 month. Customer pays extension fee (in some cases free extensions are possible) and returns to the original schedule in next 1-3 months.

3.Restructurings – permanent amendment of the schedule (term end increase, monthly payment decrease, interest decrease).

TDR is granted upon customer's request. Customer is on TDR program if he complies with agreed terms (no SICR is recognized). If terms are breached customer returns to the original schedule and his credit risk is assessed as per actual DPD.

The calculation of ECLs

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

Key elements of the model are, as follows:

• PD The Probability of Default is an estimate of the likelihood of default over a 12 month or lifetime horizon (time horizon depends on ECL type - i.e. 12mECL or LTECL). The Default distribution vector (DDV) is the estimate of the time to default, more specifically it provides distribution of PD over the course of a 12 month or lifetime horizon.

• EAD The Exposure at Default is an estimate of the exposure at a future default date, considering expected changes in the exposure after the reporting date, including repayments, whether scheduled by contract or otherwise.

• LGD The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the cash flows due at the moment of default and those that the lender would expect to receive, including from the realization of any collateral and deducting expenses related to cash collections or collateral realization processes. It is usually expressed as a percentage of the defaulted balance.

• Lifetime period is estimated as average remaining contractual term of respective portfolio.

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

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

ECL=EAD*PD*LGD*[DDV]

Given that DDV is a multidimensional vector (generally 12 or 13 dimensions but can be shorter if representative historical data is available for a shorter period) it is aggregated into one value before multiplication - [DDV]. DDV aggregated value is obtained as follows:

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

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

• Stage 1: The 12mECL is calculated. The Group calculates the 12mECL allowance using 12 months (or shorter if lifetime of the product is less than 12 months or representative historical data is available for a shorter period) PDs and DDV over the 12-month horizon. These 12-month default probabilities are applied to an estimated EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR using DDV, in this way incorporating time to default into model.

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

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

Write off of unrecoverable debts

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

Impairment of financial assets other than loans and advances

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

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

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 2022 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.

2. Summary of significant accounting policies (continued)

e) Significant accounting policies (continued)

Impairment for loans to related parties

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

Impairment of cash and cash equivalents

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

Financial guarantees

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

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

Financial liabilities

Initial recognition and measurement

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

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

Subsequent measurement

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

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

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

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

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

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

- Loans and borrowings

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

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

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

Modification of financial liabilities

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

Treatment of non-substantial modifications

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

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

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

2. Summary of significant accounting policies (continued)

e) Significant accounting policies (continued)

Financial liabilities (continued)

Derecognition

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

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

Offsetting of financial instruments

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

Provisions for financial guarantees and accounting through Other reserves

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

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

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

Finance lease – Group as lessor

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

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

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

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

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

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

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

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

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

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

2. Summary of significant accounting policies (continued)

e) 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) in accordance with IFRS 15.

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

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

Operating lease – Group as lessor

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

Group as lessee

Lease liability

Initial recognition

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

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

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

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

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

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

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

Subsequent measurement

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

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

2. Summary of significant accounting policies (continued)

e) 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.

Sale and leaseback transactions

The Group also engages in financing of vehicles already owned by the customers. Under such leaseback transactions the Group purchases the underlying asset and then leases it back to the same customer. Vehicle serves as a collateral to secure all leases. The Group applies the requirements for determining when a performance obligation is satisfied in IFRS 15 to determine whether the transfer of an asset is accounted for as a sale of that asset. If the transfer of an asset by the seller-lessee does not satisfy the requirements of IFRS 15 to be accounted for as a sale of the asset, the buyer-lessor shall not recognise the transferred asset and shall recognise a financial asset equal to the transfer proceeds. It shall account for the financial asset as loans and advances to customers by applying IFRS 9.

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

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

Cash and cash equivalents

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

Vacation pay reserve

Vacation pay reserve is calculated based on Latvian legislation requirements.

2. Summary of significant accounting policies (continued)
e) Significant accounting policies (continued)

Other investments

Equity investments at FVTOCI

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

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

Debt instruments at FVOCI

The Group classifies debt instruments at FVOCI when both of the following conditions are met:
— The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets;
— The contractual terms of the financial asset meet the SPPI test.

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

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

Transactions with peer-to-peer platforms

Background

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

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

Assignment agreements are of two types:

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

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

Receivables and payables from/to P2P platform

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

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

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

Funding attracted through peer-to-peer platform

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

Liabilities to investors are recognized in statement of financial position caption Funding attracted through peer-to-peer platform (Note 30) and are treated as loans received.

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

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

2. Summary of significant accounting policies (continued)

e) Significant accounting policies (continued)

Assignments with recourse rights (buy back guarantee)

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

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

Assignments without recourse rights (no buy back guarantee)

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

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

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

Reserves

Foreign currency translation reserve

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

Fair value reserve

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

Other reserves

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

Provisions

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

Contingencies

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

Share-based payments

Equity-settled transactions

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

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

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

Income and expenses

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

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

The effective interest rate method

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

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

2. Summary of significant accounting policies (continued)

e) Significant accounting policies (continued)

Income and expenses (continued)

Income from cession of bad debt

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

Expenses related to attracting funding

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

Revenue and expenses from contracts with customers

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

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

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

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

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

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

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

In the year 2022 and 2021 the Group did not enter into contracts with rights of return, financing components, non cash considerations or consideration payable to customer.

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

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

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

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

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

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

Fee and commission income and expenses (Note 7)

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

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

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

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

2. Summary of significant accounting policies (continued)

e) Significant accounting policies (continued)

Revenue from car sales (Note 11)

Sale of motor vehicles (point in time)

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

Other operating income (Note 14)

Revenue from client acquisition (point in time)

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

Variable consideration revenue from client acquisition (point in time)

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

The fee is paid on all concluded agreements with clients. The fee consists of two elements – fixed and variable. Fixed fee is set as % from total loan amount and is invoiced every month based on concluded agreement list for previous month. Variable fee part is an additional fee and is set as percentage dependant on the specific annual percentage rate (APR) threshold for each individual concluded agreement.
The fixed and variable part of client acquisition fee is calculated and invoiced monthly. The revenue from the fixed part of the fee is recognized at point in time as the corresponding performance obligations are satisfied, and there is no significant judgement applied to determine the transaction price or the satisfaction of the performance obligations.
The additional client acquisition fee is determined to be a variable consideration as it is based on the individual APR of each concluded agreement.

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

In the case of loan defaults, the parties agreed to measure the default loss. In the cases when not all outstanding debt has been covered after the collateral sale, the Group returns part (proportional to the uncovered debt) of the additional fee, which has been invoiced to JSC Primero Finance.
From the signing date to 31 December 2022 there were 215 default cases, and for 64 cases the additional fee had been returned (31 December 2021 there were 98 default cases, and for 30 cases the additional fee had been returned).
Revenue from variable and fixed parts are recognized in the statement of profit and loss and other comprehensive income and classified as client acquisition fee income, for detailed information see (Note 14).

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

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

Revenue from service fee (point in time):

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

Contract assets

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

At 31 December the Group has contract assets in its statement of financial position. See Note 26.

Trade receivables

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

These receivables are disclosed in balance sheet caption 'Trade receivables' (Note 24).

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

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Group performs under the contract. At 31 December 2022 the Group had no contract liabilities in its consolidated statement of financial position.

2. Summary of significant accounting policies (continued)

e) Significant accounting policies (continued)

Income taxes

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

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

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

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

Related parties

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

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

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

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

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

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

Dividend distribution

Dividend distribution to the shareholders of the Group is recognised as a liability and distribution of retained earnings in the consolidated financial statements in the period in which the dividends are approved by the shareholders. (Note 28)

Subsequent events

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

3. Significant accounting judgments, estimates and assumptions

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

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

Valuation of rental fleet

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

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

VIU is the present value of the future cash flows expected to be derived from an asset or cash-generating unit, both from its continuing use and ultimate disposal. In assessing VIU, the estimated future cash flows are discounted to their present value using a weighted average cost of capital (WACC) rate which is 13.52%. 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.

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

Valuation of rental fleet (continued)

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 scenario for CGU with the inactive lease agreement is (a) the probability the vehicle will be disposed of. The outcome of the probability-weighted scenario has been determined based on the Group's historical data.

According to management assessment, for the scenarios when the asset value is expected to be recovered through continuing use of rather than sale transaction, VUI method has been applied. For the scenarios when the asset carrying amount is expected to be recovered principally through disposal, the Group determines the residual value based on FVLCOD method. Assumptions applied for determination of the FVLCOD of assets are based on making a reliable estimate of the price at which a transaction to sell the asset would take place between market participants at the measurement date under current market conditions and on available data from historical sales transactions. In addition, management considers whether events after the reporting year indicate a decline in the sales prices of such assets. Costs of disposal are incremental costs directly attributable to the disposal of an asset or cash generating unit, excluding finance costs and income tax expense.

For assets an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of comprehensive income unless the asset is carried at a revaluated amount, in which case the reversal is treated as a revaluation increase. As at 31 December 2022 and 2021 the Group recognised impairment of rental fleet see Note 17. Sensitivty analysis of the residual value of the leased fleet is disclosed in Note 17.

Impairment of financial assets

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

The Probability of Default (PD)

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

In order to estimate PDs the Group utilises Markov chains methodology. This methodology employs statistical analysis of historical transitions between delinquency buckets to estimate the probability that loan will eventually end up in default state which is set as absorbing state.

The Group uses12 months continuous horizon window (or smaller if actual lifetime of the product is shorter or if representative historical data is available for a shorter period), and estimation over lifetime is defined as nth power of 12 months matrix (n-depends on the estimated lifetime, e.g., if lifetime is 36 months then n=3).

Exposures are grouped into buckets of days past due (DPD) loans/leases.

The Group uses 6 months (continuous horizon) transition window and estimation over lifetime is defined as nth power of 6 months matrix. The approach improves consistency of PD calculations, i.e., accounted for 6 months seasonality effect and smoothened volatile impact of the regular changes in the business processes. Calculations are applied at product level (leasing and secured loans vs unsecured loans). Exposures are grouped into buckets of days past due (DPD) loans/leases.

Forward-looking macroeconomic indicators model for portfolio impairment assessment

Guided by IFRS 9, the Group assesses forward looking information and incorporates it into an impairment model. Impairment change is modelled given expected future changes of macroeconomic factors. 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; thus, the macro model is expected to be updated once per quarter in 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.

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

Impairment of financial assets (continued)

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

- The sample used for LGD calculation consists of all the finance lease receivables that have been defaulted historically. If termination of the contract happens before default state is reached, then loan is considered defaulted (early default) and it is considered in LGD sample. Subsequent recoveries on such loans are monitored on a monthly basis. Recoveries from regular collections process, car sales, cessions and legal process are followed.
- Renewed leases (restored payments capacity after termination) also affect the LGD rate by incorporating recovered cash after renewal of the agreement and comparing it to the exposure at default of the agreements subsequently renewed, implying the cure rate. Cure rate from renewals is calculated over a four-year period. For the 31 December 2022 impairment purposes 90.4% (31.12.2021.: 82.5%) recovery rate for renewed cases was applied. Above described LGD rate is used for all portfolio groups except for unsecured portfolio. For unsecured portfolio LGD is estimated using triangular recovery matrix on all unsecured cases. Received recovery is discounted with effective interest rate depending on the number of months between the date account got unsecured status and the date when recovery was received. Given that majority of the car sales happen before unsecured status, the LGD for unsecured portfolio is significantly higher than for other buckets.

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

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

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

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

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

Financial guarantees
Fair value (FV) determination and initial recognition

The Group has elected to determine the FV of guarantee using valuation of expected loss approach. FV of guarantee is calculated as multiple of EAD, PD and LGD. EAD is determined based on the contractual guaranteed amount per guarantee agreement (Note 38) and considering Group's pro-rata share of the guaranteed amount estimated considering the total assets of guarantors (Group and other subsidiaries of Eleving Group S.A.) as at end of the reporting period included in the respective guarantee agreement.

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.

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

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.

SPPI assessment

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

In making the assessment, the Group considers:
- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse loans); and
- features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

Please refer to Note 2 for further detailed descriptions of the judgements made by management to assess whether regular loan, non-recourse loan and sale and leaseback financing arrangement contracts meet SPPI criteria.

Lease classification for rental fleet (Group as a lessor)

The Group has entered into vehicle leases on its rental fleet (Note 17). These lease agreements have a non-cancellable term of 18 month (6 month) 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 14 and Note 35) 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 41.

4. Interest revenue

	2022	2021
	EUR	EUR
Interest income from finance lease receivables	763 686	1 067 622
Interest income from intercompany loans calculated applying effective interest rate method	4 697 586	4 346 354
Interest income from loans and advances to customers calculated applying effective interest rate method	896 456	1 537 669
Interest income from right-of-use vehicle	11 649	-
TOTAL:	**6 369 377**	**6 951 645**

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

Gross and net earned interest are as follows:

	2022	2021
	EUR	EUR
Gross interest income	6 369 377	6 954 644
Interest derecognized due to derecognition of portfolio from the Group's assets*	-	(2 999)
TOTAL NET INTEREST:	**6 369 377**	**6 951 645**

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

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

5.Interest expense

	2022	2021
	EUR	EUR
Interest expenses on financial liabilities measured at amortized cost:		
Interest expense on issued bonds	3 605 030	3 551 695
Interest expenses for loans from P2P platform investors	443 993	826 391
Interest expenses for lease liabilities	86 197	23 988
Interest expenses for loans from banks	170 620	98 932
Other interest expenses for loans from related parties	15 290	16 061
TOTAL:	**4 321 130**	**4 517 067**

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

See Note 30 for additional information.

6. Income from car rent

	2022	2021
	EUR	EUR
Revenue from operating lease*	5 010 676	6 543 201
TOTAL:	**5 010 676**	**6 543 201**

*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

	2022	2021
Revenue from contracts with customers recognised point in time:	EUR	EUR
Income from penalties received	243 554	306 163
Commissions income	602	1 149
Commissions and fees income from rent contracts*	130 400	212 716
TOTAL:	**304 193**	**651 031**

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

8. Impairment expense

	2022 EUR	2021 EUR
Change in impairment in finance lease (see Note 19)	26 034	(349 111)
Change in impairment in loans and advances to customers (see Note 20)	(244 028)	(1 184 875)
Change in impairment in rental fleet (Note 17)	(524 996)	138 405
Change in impairment in rent recievables (Note 24)	(219 343)	(13 286)
Written off rental fleet	315 798	989 459
Written off debts	908 032	2 267 167
TOTAL impairment expenses:	**261 497**	**1 847 759**

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

	2022 EUR	2021 EUR
Financial lease		
Income arising from cession of financial lease receivables to related parties	2 200 814	7 460 201
Loss arising from cession of financial lease receivables to related parties	(1 726 480)	(5 539 914)
TOTAL:	**474 334**	**1 920 288**
Financial lease		
Income arising from cession of financial lease receivables to non related parties	94 103	9 465
Loss arising from cession of financial lease receivables to non related parties	(96 466)	(26 594)
TOTAL:	**(2 363)**	**(17 129)**
Loans and advances to customers		
Income arising from cession of loans and advances to customers receivables to related parties	2 264 855	876 319
Loss arising from cession of loans and advances to customers receivables to related parties	(1 847 326)	(684 516)
TOTAL:	**417 529**	**191 803**
Loans and advances to customers		
Income arising from cession of loans and advances to customers receivables to non related parties	24 073	52 238
Loss arising from cession of loans and advances to customers receivables to non related parties	(53 406)	(125 197)
TOTAL:	**(29 333)**	**(72 959)**
Receivables from rent contracts		
Income arising from cession of custumers receivables to non related parties	244 099	171 767
Loss arising from cession of custumers receivables to non related parties	(131 304)	(121 524)
TOTAL:	**112 795**	**50 243**
Net gain/ (loss) arising from cession of financial lease and loans, advances to customers receivables and rent contracts TOTAL:	**972 962**	**2 072 246**

During 2022 and 2021 the Group performed cessions to related and non-related parties. See Note 35 for additional information on transactions with related parties.

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

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

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

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

	2022 EUR	2021 EUR
Service fee for using P2P platform	78 233	126 554
TOTAL:	**78 233**	**126 554**

11. Revenue from car sales

	2022 EUR	2021 EUR
Revenue from contracts with customers recognized point in time:		
Income from sale of vehicles	3 499 816	3 777 225
TOTAL:	**3 499 816**	**3 777 225**

	2022 EUR	2021 EUR
Expenses from contracts with customers recognized point in time:		
Expenses from sale of vehicles	(3 942 070)	(3 889 443)
TOTAL:	**(3 942 070)**	**(3 889 443)**
Total Net revenue/(loss) from contracts with customers recognized point in time:	**(442 254)**	**(112 218)**

Net result from sales is profit in 2022 and loss in 2021.

12. Selling expense

	2022	2021
	EUR	EUR
TV and radio marketing expenses	40 866	7 019
Marketing services (include out-of-home advertising)	85 760	53 891
Online advertising	74 790	79 273
Other selling expenses	14 901	14 046
TOTAL:	**216 317**	**154 229**

13. Administrative expense

	2022	2021
	EUR	EUR
Employees' salaries	1 247 078	1 510 693
Amortization and depreciation	1 972 392	2 503 566
Management fee	897 590	1 095 113
Professional services*	91 218	104 193
Credit database expenses	48 681	104 900
IT services	101 457	94 659
Office and branches' maintenance expenses	83 680	79 572
Recruitment fees	14 379	-
Communication expenses	14 276	19 954
Other personnel expenses	27 103	33 927
Bank commissions	22 941	23 585
Other administration expenses	59 875	66 626
TOTAL:	**4 580 670**	**5 636 788**

*Audit fees for the Group’s entities’ 2022 financial statements audit amounts to 75 250 EUR, the Parent Company - 46 000 EUR (2021: EUR 87 000; the Parent Company – 55 000 EUR).

Key management personnel compensation

	2022	2021
Board and Council Members	EUR	EUR
Remuneration	154 774	208 349
Social security contribution expenses	36 511	49 149
TOTAL:	**191 285**	**257 498**

There are no outstanding balances as of 31 December 2022 with members of the Group’s Management Board members (none at 31 December 2021). There are no emoluments granted to the members of the Board and commitments in respect of retirement pensions for former members of the Board.

14. Other operating income

	2022	2021
	EUR	EUR
Commission for client acquisition*	517 763	529 705
Income from service fee	219 599	292 947
Income recognised from amortization of financial guarantee (Note 38)	524 077	1 216 319
Revanue from sublease	36 366	-
Revenue from OCTA commisions	58 368	-
Change in provisions for possible VAT liabilities and penalty (Note 29)	-	211 280
Profit from sale of subsidiary	600	-
Other operating income	125 798	165 149
TOTAL:	**1 482 571**	**2 415 400**

*Income from commission for client acquisition includes income from related party.

Revenue from contracts with customers recognized point in time where the Group acted as an agent *	2022	2021
	EUR	EUR
Gross income from transactions with related parties	647 529	556 495
Gross expenses transactions with related parties	(647 529)	(556 495)
TOTAL:	**-**	**-**

* Revenue from recharging expenses, such as dealer commissions, car services and maintenances, databases is presented as revenue in net amount in these consolidated financial statements.

15. Other operating expense

	2022	2021
	EUR	EUR
Penalty fees	24 897	279
Loss from cancellation of the rights of use assets (Note 18)	-	42 155
Rental fleet maintenance costs*	290 303	528 815
Other operating expenses	78 025	68 347
TOTAL:	**393 225**	**639 596**

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

16. Intangible assets

	Licenses	**Other intangible assets**	**Total intangible assets**
Cost	50 590	65 800	**116 390**
Accumulated amortization	(50 590)	(51 248)	**(101 838)**
As at 1 January 2021	**-**	**14 552**	**14 552**
2021			
Additions	-	-	**-**
Reclassification	(11 920)	-	**(11 920)**
Amortization charge	-	(14 552)	**(14 552)**
Reclassification	11 920	-	**11 920**
Cost	**38 670**	65 800	**104 470**
Accumulated amortization	**(38 670)**	(65 800)	**(104 470)**
As at 31 December 2021	**-**	**-**	**-**
2022			
Additions	-	-	**-**
Disposals (cost)	-	-	**-**
Reclassification	10 162	(10 162)	**-**
Amortization charge	-	-	**-**
Reclassification (amortization)	(10 162)	10 162	**-**
Cost	48 832	55 638	**104 470**
Accumulated amortization	(48 832)	(55 638)	**(104 470)**
As at 31 December 2022	**-**	**-**	**-**

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

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

	Rental fleet	Property and equipment	Leasehold improvements	Right-of-use premises	**TOTAL**
Cost	17 581 455	196 366	19 283	1 416 090	**19 213 194**
Accumulated depreciation and impairment	(3 031 671)	(113 205)	(12 961)	(235 834)	**(3 393 671)**
As at 1 January 2021	**14 549 784**	**83 161**	**-**	**1 180 256**	**15 819 523**
2021					
Additions	3 534 554	15 132	-	666 363	**4 882 412**
Disposals (cost)	(6 123 063)	(255)	-	(1 172 495)	**(7 295 813)**
Depreciation charge	(2 300 100)	(49 169)	(2 518)	(137 220)	**(2 489 007)**
Disposals (depreciation)	1 176 971	2 056	-	170 601	**1 349 628**
Impairment	(138 405)	-	-	-	**(138 405)**
Cost	14 992 946	211 243	19 283	909 958	**16 133 430**
Accumulated depreciation and impairment	(4 293 205)	(160 318)	(15 479)	(202 453)	**(4 671 455)**
As at 31 December 2021	**10 699 741**	**50 925**	**3 804**	**707 505**	**11 461 975**
2022					
Additions	2 609 973	330	-	203 397	**2 813 700**
Transferred	-	-	-	-	**-**
Disposals (cost)	(5 953 024)	(988)	-	(7 418)	**(5 961 430)**
Depreciation charge	(1 795 180)	(25 030)	(1 815)	(150 231)	**(1 972 256)**
Disposals (depreciation)	1 695 264	743	-	-	**1 696 007**
Impairment	524 996	-	-	-	**524 996**
			-	-	
Cost	11 649 895	210 585	19 283	1 105 937	**12 985 700**
Accumulated depreciation impairment	(3 868 125)	(184 605)	(17 294)	(352 684)	**(4 422 708)**
As at 31 December 2022	**7 781 770**	**25 980**	**1 989**	**753 253**	**8 562 992**

Impairment test of non-financial assets (rental fleet)

As at 31 December 2022, non-financial assets of rental fleet were tested for impairment. An impairment indication existed as Renti AS has been loss making since its establishment and only in year 2022 started genering the profit.

Out of total rental fleet with the acquisition cost of EUR 13 972 574, impairment was identified for the total rental fleet with a acquisition cost of EUR 769 375. For those cars recoverable amount is estimated to EUR 358 907. The recoverable amount was estimated based on the value in use method discounting the cash-flow using a WACC of 13.52%. The cash-flow was projected based on rental agreements probabilities of default and early repayments. As a result, impairment loss was recognised in amount of EUR 137 445. For the remaining rental fleet with the acquisition value of EUR 13 203 199, the recoverable amount was estimated as EUR 12 285 713.

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,acquisition cost would increase to EUR 779 961 and the recoverable amount of impaired assets would equal to EUR 363 961, additional impairment of EUR 2 267 would need to be recognized.

For detailed description of impairment testing refer to 'Impairment of non-financial assets (rental fleet)' (Note 2).

18. Right-of-use assets and lease liabilities

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

		31.12.2022.	31.12.2021.
ASSETS		**EUR**	**EUR**
Non-current assets			
Right-of-use assets - premises		753 253	707 505
	TOTAL:	**753 253**	**707 505**
EQUITY AND LIABILITIES			
Non-current liabilities			
Lease liabilities for right-of-use assets		1 327 561	590 475
Current liabilities			
Lease liabilities for right-of-use assets		341 305	128 051
	TOTAL:	**1 668 866**	**718 526**

	2022	**2021**
Leases in the statement of comprehensive income	**EUR**	**EUR**
Administrative expense	-	-
Expenses relating to leases of low-value assets and short-term leases	(150 790)	(150 790)
Depreciation of right-of-use assets - premises (Note 17)	(150 231)	(137 220)
Other income		
Disposal (expenses)/income from cancellation of right-of-use assets (Note 15)	-	(42 155)
Net finance costs		
Interest expense for right-of-use premises	(23 201)	(23 988)
Total cash outflow from leases	**(324 222)**	**(354 153)**

The weighted average borrowing rate for lease liabilities in 2022 was 2.73% (2021: 2.73%.)

Significant decrease in lease liabilities for right-of-use assets is related to the reduction of rental space. Mogo JSC has new rental agreement, as a result of which rental expenses has been decreased for 32% per month.

The cost relating to variable lease payments that do not depend on an index or a rate amounted to EUR nil for the year ended December 31, 2022. There were no leases with residual value guarantees or leases not yet commenced to which the Group is committed.

19. Finance Lease Receivables

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

	2022				2021
	EUR	EUR	EUR	EUR	EUR
Finance lease receivables	Stage 1	Stage 2	Stage 3	Total	Total
Not past due	1 762 511	65 262	34 653	1 862 426	2 306 356
1-30	188 610	5 796	4 102	198 507	308 944
31-60	-	24 585	4 408	28 993	105 317
>60	-	0	457 311	457 311	281 484
TOTAL, GROSS:	**1 951 121**	**95 643**	**500 474**	**2 547 238**	**3 002 102**

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

	2022			
	EUR	EUR	EUR	EUR
Finance lease receivables	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January	2 343 061	225 049	433 993	3 002 102
Transfer to Stage 1	96 623	(83 873)	(12 750)	-
Transfer to Stage 2	(42 708)	45 743	(3 035)	-
Transfer to Stage 3	(159 637)	(51 549)	211 186	-
New financial assets acquired	1 677 343	42 288	99 350	1 818 982
Receivables settled	(178 089)	(18 672)	(2 970)	(199 730)
Receivables written off	(1 686 840)	(55 325)	(112 802)	(1 854 968)
Receivables partially settled	(98 632)	(8 018)	(112 499)	(219 149)
Balance at 31 December	**1 951 121**	**95 643**	**500 474**	**2 547 238**

19. Finance Lease Receivables (continued)

	2021			
	EUR	EUR	EUR	EUR
Finance lease receivables	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January	2 556 601	329 679	858 900	3 745 180
Transfer to Stage 1	81 230	(72 868)	(8 361)	-
Transfer to Stage 2	(85 165)	93 029	(7 864)	-
Transfer to Stage 3	(49 172)	(26 682)	75 854	-
New financial assets acquired	1 925 828	64 264	103 765	2 093 856
Receivables settled	(169 415)	(32 496)	(16 424)	(218 335)
Receivables written off	(1 855 547)	(88 385)	(517 746)	(2 461 678)
Receivables partially settled	(61 299)	(41 492)	(54 131)	(156 922)
Balance at 31 December	**2 343 061**	**225 049**	**433 993**	**3 002 102**

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

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

	EUR	EUR	EUR	EUR
Impairment allowance	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January	49 544	38 519	326 889	414 952
Transfer to Stage 1	19 175	(14 206)	(4 969)	-
Transfer to Stage 2	(1 430)	2 612	(1 183)	-
Transfer to Stage 3	(4 113)	(8 917)	13 030	-
Impairment for new financial assets acquired	42 425	8 132	54 187	104 745
Reversed impairment for settled receivables	(4 368)	(3 506)	(1 939)	(9 812)
Reversed impairment for written off receivables	(33 343)	(9 112)	(66 994)	(109 449)
Net remeasurement of loss allowance	(15 446)	3 246	52 750	40 550
Balance at 31 December	**52 445**	**16 768**	**371 772**	**440 985**

	2021			
	EUR	EUR	EUR	EUR
Impairment allowance	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January	47 606	41 811	690 161	779 578
Transfer to Stage 1	14 383	(9 005)	(5 378)	-
Transfer to Stage 2	(2 793)	8 156	(5 363)	-
Transfer to Stage 3	(1 919)	(4 011)	5 930	-
Impairment for new financial assets acquired	37 934	10 765	46 803	95 501
Reversed impairment for settled receivables	(3 620)	(4 347)	(7 018)	(14 985)
Reversed impairment for written off receivables	(30 938)	(10 986)	(417 561)	(459 485)
Net remeasurement of loss allowance	(11 110)	6 136	19 316	14 341
Balance at 31 December (reclassified)	**49 544**	**38 519**	**326 889**	**414 952**

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

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

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

	Minimum lease payments		Minimum lease payments	
	EUR	%	EUR	%
Finance lease receivables	31.12.2022.	31.12.2022.	31.12.2021.	31.12.2021.
Stage 1	1 951 121	77%	2 343 061	78%
Stage 2	95 643	4%	225 049	7%
Stage 3	500 474	20%	433 993	14%
TOTAL, GROSS:	**2 547 238**	**100%**	**3 002 102**	**99%**

	Minimum lease payments	Change during the period		Minimum lease payments
	EUR	EUR	%	EUR
Finance lease receivables	31.12.2022.			31.12.2021.
Stage 1	1 951 121	(391 940)	-17%	2 343 061
Stage 2	95 643	(129 406)	-58%	225 049
Stage 3	500 474	66 481	15%	433 993
TOTAL, GROSS:	**2 547 238**	**(454 864)**	**-15%**	**3 002 102**

19. Finance Lease Receivables (continued)

	Impairment allowance			
	EUR	%	EUR	%
Impairment allowance on finance lease receivables	31.12.2022.	31.12.2022.	31.12.2021.	31.12.2021.
Stage 1	52 445	12%	49 544	12%
Stage 2	16 768	4%	38 519	9%
Stage 3	371 772	84%	326 889	79%
TOTAL, ALLOWANCE:	**440 985**	**100%**	**414 952**	**100%**

	Impairment allowance	Change during the period		Impairment allowance
	EUR	EUR	%	EUR
Impairment allowance on finance lease receivables	31.12.2022.			31.12.2021.
Stage 1	52 445	2 901	6%	49 544
Stage 2	16 768	(21 750)	-56%	38 519
Stage 3	371 772	44 883	14%	326 889
TOTAL, ALLOWANCE:	**440 985**	**26 034**	**6%**	**414 952**

	Minimum lease payments	Present value of minimum lease payments	Minimum lease payments	Present value of minimum lease payments
	EUR	EUR	EUR	EUR
Finance lease receivables	31.12.2022.	31.12.2022.	31.12.2021.	31.12.2021.
Up to one year	1 258 250	736 616	1 493 740	830 726
Years 2 through 5 combined	2 778 253	1 420 813	3 035 507	1 469 936
More than 5 years	525 987	389 809	863 039	701 440
TOTAL, GROSS:	**4 562 490**	**2 547 238**	**5 392 286**	**3 002 102**

	31.12.2022.	31.12.2021.
Unearned finance income	EUR	EUR
Up to one year	521 634	663 014
Years 2 through 5 combined	1 357 440	1 565 571
More than 5 years	136 176	161 599
TOTAL, GROSS:	**2 015 250**	**2 390 184**

	31.12.2022.	31.12.2021.
Finance lease receivables	EUR	EUR
Non-current finance lease receivables	1 810 622	2 171 378
Current finance lease receivables	680 133	770 096
Accrued interest	56 482	60 628
TOTAL, GROSS:	**2 547 237**	**3 002 102**

	31.12.2022.	31.12.2021.
Movement in impairment allowance	EUR	EUR
Impairment allowance as at 01 January	414 952	779 578
Impairment loss recognized during the year	312 635	485 375
Elimination of impairment allowance due to cession of receivables	(286 602)	(850 001)
Impairment allowance as at 31 December	**440 985**	**414 952**

	Non-Current	**Current**	**Non-Current**	**Current**
	31.12.2022.	31.12.2022.	31.12.2021.	31.12.2021.
Finance lease receivables, net	EUR	EUR	EUR	EUR
Finance lease receivables	1 810 623	680 132	2 171 378	770 097
Accrued interest	-	56 482	-	60 628
Fees paid and received upon lease disbursement	(54 438)	(20 446)	(73 042)	(25 905)
Impairment allowance	(56 188)	(384 797)	(92 480)	(322 472)
	1 699 997	**331 371**	**2 005 856**	**482 348**

As of 31 December 2022 part of the gross finance lease portfolio in the amount of EUR 151 403 was pledged in favour of the JSC Citadele bank as collateral for the credit line (31 December 2021: EUR 237 017).

Transactions with peer-to-peer platforms

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

20. Loans and advances to customers

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

	2022				2021
	EUR	EUR	EUR	EUR	EUR
Loans and advances to customers	Stage 1	Stage 2	Stage 3	Total	Total
Not past due	1 457 197	85 893	39 159	1 582 249	2 956 372
1-30	178 155	39 736	14 615	232 506	668 243
31-60	-	17 684	28 170	45 854	81 428
>60	-	-	557 652	557 652	656 827
TOTAL, GROSS:	**1 635 352**	**143 313**	**639 596**	**2 418 261**	**4 362 870**

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

	2022			
	EUR	EUR	EUR	EUR
Loans and advances to customers	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January	3 159 562	348 591	854 720	4 362 873
Transfer to Stage 1	124 020	(99 851)	(24 169)	-
Transfer to Stage 2	(79 962)	87 363	(7 401)	(0)
Transfer to Stage 3	(125 626)	(80 109)	205 735	-
New financial assets acquired	1 218 547	23 245	51 433	1 293 224
Receivables settled	(440 550)	(39 792)	(34 893)	(515 236)
Receivables written off	(2 060 852)	(68 326)	(309 022)	(2 438 199)
Receivables partially settled	(159 787)	(27 806)	(96 808)	(284 400)
Balance at 31 December 2022	**1 635 352**	**143 313**	**639 596**	**2 418 262**

	2021			
	EUR	EUR	EUR	EUR
Loans and advances to customers	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January	8 311 545	999 138	2 230 148	11 540 831
Transfer to Stage 1	427 654	(317 909)	(109 746)	-
Transfer to Stage 2	(175 972)	204 977	(29 005)	-
Transfer to Stage 3	(168 886)	(158 785)	327 671	-
New financial assets acquired	1 116 793	33 539	47 383	1 197 714
Receivables settled	(797 225)	(93 939)	(33 491)	(924 654)
Receivables written off	(5 013 229)	(252 351)	(1 370 198)	(6 635 778)
Receivables partially settled	(541 122)	(66 079)	(208 042)	(815 244)
Balance at 31 December 2021	**3 159 559**	**348 591**	**854 720**	**4 362 870**

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

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

20. Loans and advances to customers (continued)

	2022			
	EUR	EUR	EUR	EUR
Impairment allowance	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January	87 666	58 939	676 644	823 248
Transfer to Stage 1	26 900	(15 958)	(10 942)	-
Transfer to Stage 2	(3 784)	6 669	(2 884)	-
Transfer to Stage 3	(4 524)	(13 331)	17 855	-
Impairment for new financial assets acquired	29 154	3 515	26 255	58 924
Reversed impairment for settled receivables	(11 542)	(6 794)	(23 669)	(42 005)
Reversed impairment for written off receivables	(51 836)	(12 827)	(229 417)	(294 080)
Net remeasurement of loss allowance	(25 426)	3 429	55 130	33 133
Balance at 31 December 2022	**46 607**	**23 642**	**508 971**	**579 220**

	2021			
	EUR	EUR	EUR	EUR
Impairment allowance	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January	230 953	146 243	1 726 340	2 103 536
Transfer to Stage 1	95 878	(42 818)	(53 059)	-
Transfer to Stage 2	(7 012)	19 423	(12 411)	-
Transfer to Stage 3	(5 507)	(25 089)	30 595	-
Impairment for new financial assets acquired	20 390	5 048	24 473	49 911
Reversed impairment for settled receivables	(18 558)	(12 660)	(20 759)	(51 977)
Reversed impairment for written off receivables	(101 411)	(42 197)	(1 089 990)	(1 233 598)
Net remeasurement of loss allowance	(127 066)	10 988	71 454	(44 625)
Balance at 31 December 2021	**87 666**	**58 939**	**676 644**	**823 248**

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

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

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

	Present value of minimum loan payments		Present value of minimum loan payments	
	EUR	%	EUR	%
Loans and advances to customers	31.12.2022.	31.12.2022.	31.12.2021.	31.12.2021.
Stage 1	1 635 352	68%	3 159 559	72%
Stage 2	143 313	6%	348 591	8%
Stage 3	639 596	26%	854 720	20%
TOTAL, GROSS:	**2 418 262**	**100%**	**4 362 870**	**100%**

		Change during the period		
	EUR	EUR	%	EUR
Loans and advances to customers	31.12.2022.			31.12.2021.
Stage 1	1 635 352	(1 524 207)	-48%	3 159 559
Stage 2	143 313	(205 278)	-59%	348 591
Stage 3	639 596	(215 124)	-25%	854 720
TOTAL, GROSS:	**2 418 262**	**(1 944 608)**	**-45%**	**4 362 870**

20. Loans and advances to customers (continued)

	Impairment allowance			
	EUR	%	EUR	%
Impairment allowance on loans and advances to customers	31.12.2022.	31.12.2022.	31.12.2021.	31.12.2021.
Stage 1	46 607	8%	87 666	11%
Stage 2	23 642	4%	58 939	7%
Stage 3	508 971	88%	676 644	82%
TOTAL, ALLOWANCE:	**579 220**	**100%**	**823 249**	**100%**

	Impairment allowance	Change during the period		Impairment allowance
	EUR	EUR	%	EUR
Impairment allowance on loans and advances to customers	31.12.2022.			31.12.2021.
Stage 1	46 607	(41 058)	-47%	87 666
Stage 2	23 642	(35 297)	-60%	58 939
Stage 3	508 971	(167 673)	-25%	676 644
TOTAL, ALLOWANCE:	**579 220**	**(244 028)**	**-30%**	**823 249**

	Minimum loan payments	Present value of minimum loan payments	Minimum loan payments	Present value of minimum loan payments
	EUR	EUR	EUR	EUR
Loans and advances to customers	31.12.2022.	31.12.2022.	31.12.2021.	31.12.2021.
Up to one year	1 399 374	962 204	2 604 212	1 684 947
Years 2 through 5 combined	2 250 904	1 274 318	3 786 083	2 258 047
More than 5 years	273 623	181 740	508 622	419 878
TOTAL, GROSS:	**3 923 901**	**2 418 262**	**6 898 917**	**4 362 872**

	31.12.2022.	31.12.2021.
Unearned finance income	EUR	EUR
Up to one year	437 170	951 246
Years 2 through 5 combined	976 586	1 528 036
More than 5 years	91 883	88 744
TOTAL, GROSS:	**1 505 639**	**2 568 026**

Loans and advances to customers	EUR	EUR
Non-current loans and advances to customers	1 456 058	2 677 925
Current loans and advances to customers	896 587	1 576 513
Accrued interest	65 617	108 434
TOTAL, GROSS:	**2 418 262**	**4 362 872**

	31.12.2022.	31.12.2021.
Movement in impairment allowance	EUR	EUR
Impairment allowance as at 01 January	823 248	2 103 536
Impairment loss recognized during the year	(128 344)	5 287
Elimination of impairment allowance due to cession of receivables	(115 684)	(1 285 575)
Impairment allowance as at 31 December	**579 220**	**823 248**

	Non-Current	**Current**	**Non-Current**	**Current**
	31.12.2022.	31.12.2022.	31.12.2021.	31.12.2021.
Loans and advances to customers, net	EUR	EUR	EUR	EUR
Loans and advances to customers	1 456 058	896 587	2 677 926	1 576 512
Accrued interest	-	65 614	-	108 433
Fees paid upon loan disbursement	40 120	24 704	37 443	22 043
Fees received upon loan disbursement	(74 063)	(45 605)	(111 283)	(65 513)
Impairment allowance	(51 373)	(527 847)	(155 867)	(667 381)
	1 370 742	**413 453**	**2 448 219**	**974 094**

As of 31 December 2022 part of the gross loan portfolio in the amount of EUR 312 962 was pledged in favour of the JSC Citadele bank as collateral for the credit line (31 December 2021: EUR 544 526).

21. Sublease receivables from related parties

Non - current receivables	31.12.2022. EUR	31.12.2021. EUR
Sublease receivables from related parties	614 170	-
TOTAL:	**614 170**	**-**

Current receivables	31.12.2022. EUR	31.12.2021. EUR
Sublease receivables from related parties	160 407	-
TOTAL:	**160 407**	**-**

When the Group is an intermediate lessor, it accounts for its interest in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with the reference to the Sublease receivables from related party arising from the head lease, not with reference to the underlying asset. During 2022, the Group leases out 28 vehicles to related company whose are leased from SIA "Citadele leasing". The Group from lessor perspective classify all leases as finance sub-lease and both side agreements as for lessor and lessee are with equal term and would expire in 2027. During 2022, the Group has sub-leased the vehicles that have been presented as a Sublease receivables from related parties.

22. Trade receivables from related parties

	31.12.2022. EUR	31.12.2021. EUR
Cession receivables from related parties non-current	134 987	512 164
Cession receivables from related parties, current	377 177	609 306
Receivables from related parties	100 970	258 821
TOTAL:	**613 134**	**1 380 291**

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

	Non-current recievables from related parties		Current recievables from related parties				
2022	Without delay	**Total Non-current recievables**	Without delay	1-30	31-90	> 90 days	**Total current recievables**
Receivables from cession	134 987	134 987	377 177	-	-	-	377 177
Receivables for commissions	-	-	100 810	-	-	160	100 970
Total trade receivables	**134 987**	**134 987**	**477 987**	**-**	**-**	**160**	**478 147**
Total ECL calculated	-	-	-	-	-	-	-

	Non-current recievables from related parties		Current recievables from related parties				
2021	Without delay	**Total Non-current recievables**	Without delay	1-30	31-90	> 90 days	**Total current recievables**
Receivables from cession	512 164	512 164	609 306	-	-	-	609 306
Receivables for commissions	-	-	124 268	134 393	-	160	258 821
Total trade receivables	**512 164**	**512 164**	**733 574**	**134 393**	**-**	**160**	**868 127**
Total ECL calculated	-	-	-	-	-	-	-

As at year end ECLs for receivables from cession to related parties are assessed based on expected settlement. The management has performed an assessment of the receivables from the related party, and concluded there is no significant credit risk increase. Accordingly, no ECL is recognized as at the end of the reporting period (2021: EUR 0 as well).

23. Prepaid Expense

	31.12.2022. EUR	31.12.2021. EUR
Other prepaid expenses	135 907	86 329
TOTAL:	**135 907**	**86 329**

24. Trade receivables

		31.12.2022.	31.12.2021.
		EUR	EUR
Receivables from rent services		200 028	276 270
Receivables from cession		13 814	12 192
Receivables from commissions		27 376	37 590
Other receivables		-	245
	TOTAL:	**241 218**	**326 297**

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

2022	current	1-30	31-90	> 90 days	**Total**
Receivables for rent services	21 299	76 066	21 210	574 355	692 930
Receivables from cession	13 814	-	-	-	13 814
Receivables for commissions	27 376	-	-	-	27 376
Total trade receivables	**62 489**	**76 066**	**21 210**	**574 355**	**734 120**
Total ECL calculated for rent services	(1 941)	(20 193)	(8 310)	(484 029)	(514 473)

2021	current	1-30	31-90	> 90 days	**Total**
Receivables for rent services	23 700	106 391	22 883	835 029	988 003
Receivables from cession	12 192	-	-	-	12 192
Receivables for commissions	37 835.0	-	-	-	37 835
Total trade receivables	**73 727**	**106 391**	**22 883**	**835 029**	**1 038 030**
Total ECL calculated for rent services	(2 210)	(27 736)	(9 080)	(672 707)	(711 733)

As at year end ECLs for recievables from cession and receivables from commisions are assessed based on expected settlement. The management has performed an assessment of the receivables and concluded there is no significant credit risk increase. Receivables at year end were settled shortly after end of reporting period. Accordingly, no ECL is recognized as at the end of the reporting period (2021: EUR 0 as well).

For rent receivables in 2022 year ECL recognized in amount of EUR 514 473. (2021: EUR 733 816). To assess ECL for rent contacts the Group applies the same model as for finance lease portfolio and respectively benchmarks PD and LGD to the same portfolio.
Benchmarking ensures the most accurate estimation of ECL for rent contacts, as historical behaviour of rent portfolio is similar to finance lease portfolio. Additionally rent portfolio has the same or very similar to financial lease portfolio operational processes.

25. Other receivables

		31.12.2022.	31.12.2021.
		EUR	EUR
Advances paid for goods and services		9 672	14 093
Other debtors		18 430	26 546
	TOTAL:	**28 102**	**40 639**

26. Contract assets

		31.12.2022.	31.12.2021.
		EUR	EUR
Contract assets from rent services, gross		172 049	236 817
ECL on contract assets from rent services		(15 681)	(22 083)
Contract assets from related parties		356 199	256 327
	TOTAL:	**512 567**	**471 061**

Majority of the invoices are issued after the year end and receivables from these invoices are paid, except for EUR 325 648 (2021: EUR 227 047) representing the accrued revenue from related party JSC Primero Finance as a result of revenue variable consideration recognition.

The Group assesses material amounts recovery individually. The Group's management decides on the performance assessment on an individual basis, reflecting the possibility of obtaining information on a particular contract asset and a significant increase in the credit risk of that particular contract asset. As at year end ECLs are as well assessed based on the expected settlements. The contract assets, which are settled shortly after end of reporting period, have no ECL recognised, except contract assets from rent services recognized ECL is EUR 15 681 on 31.12.2022 (2021: EUR 22 083).

27. Cash and cash equivalents

		31.12.2022.	31.12.2021.
		EUR	EUR
Cash at bank		661 453	391 548
Cash on hand*		3 290	12 264
	TOTAL:	**664 743**	**403 812**

This financial asset is not impaired as of 31.12.2022. (31.12.2021.: 0 EUR).

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

The Group has not created ECL allowances for cash and cash equivalents on the basis that placements with banks are of short term nature and the lifetime of these assets under IFRS 9 is so short that the low probability of default would result in immaterial ECL amounts (2021 EUR 0).

28. Share capital

The share capital of the Parent company on 1 January 2021 was EUR 5 000 000 and consisted of 5 000 000 shares. During the Sharedholders Meeting held on 29 October 2021, it was decided to decrease share capital by EUR 4 575 000. The share capital of the Parent on 31 December 2022 is EUR 425 000 and consist of 425 000 shares. Dividends weren't distributed in 2022, the same as 2021. The par value of each share is EUR 1. All the shares are fully paid. The Group has currency revaluation reserve amount 1 EUR, due to switch from Latvian Lats to EUR.

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

	Share capital
Opening balance as at 1 January 2021	**5 000 000**
Subscriptions	-
Share capital decrease	(4 575 000)
Closing balance as at 31 December 2021	**425 000**
Opening balance as at 1 January 2022	**425 000**
Share capital decrease	-
Closing balance as at 31 December 2022	**425 000**

29. Other provisions

During financial year 2016, the Parent company adjusted its VAT returns for the periods from 2014 to 2016 which resulted in additional input VAT. The same approach is applied also for all periods until 31.12.2022. However, there is uncertainty of possible recovery of those input VAT and as a result possible VAT liabilities might arise. Due to this, the Parent company recognizes a provision at the amount of the declared input tax as at 31.12.2022. EUR 143 363 (at 31.12.2021 EUR 108 421).

	31.12.2022.	31.12.2021.
Provision for possible VAT liabilities*	143 363	108 421
Provision for possible penalties	21 284	31 632
TOTAL:	**164 647**	**140 053**

*Provision for possible taxes and duties are calculated based on rates applied by tax body of Republic of Latvia and discounted with rate of 0.42% (2021: 0.42%) for estimated litigation process period of remaining of 3 years. The provisions are made for VAT possible liabilities.

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

Changes in other provisions	31.12.2021.	Provisions for current year	Reversed provisions*	Unwinding of discount	**Total increase/ (decrease) in provisions**	Increase in VAT liabilities	31.12.2022.
Provision for possible VAT liabilities	108 421	45 568	(21 192)	10 566	**34 941**	-	143 363
Provision for possible penalties	31 632	-	(10 347)	-	**(10 347)**	-	21 284
TOTAL:	**140 053**	**45 568**	**(31 539)**	**10 566**	**24 594**	**-**	**164 647**

*During the financial year 2022 the Parent Company has reversed the provision for possible VAT liabilities and penalties in Latvia for the period January to November 2019 due to the expiry of the statute of limitations in accordance with national legislation.

Changes in other provisions	31.12.2020.	Provisions for current year	Reversed provisions*	Unwinding of discount	**Total increase/ (decrease) in provisions**	Increase in VAT libilities	31.12.2021.
Provision for possible VAT liabilities	333 608	40 489	(179 640)	(4 447)	**(143 598)**	(81 589)	108 421
Provision for possible penalties	99 314	11 561	(79 713)	470	**(67 682)**	-	31 632
TOTAL:	**432 922**	**52 051**	**(259 353)**	**(3 977)**	**(211 280)**	**(81 589)**	**140 053**

*During the financial year 2021 the Parent Company has reversed the provision for possible VAT liabilities and penalties in Latvia for the period January to November 2018 due to the expiry of the statute of limitations in accordance with national legislation.

30. Borrowings

Non-current	*Interest rate per annum (%)*	*Maturity*	31.12.2022.	31.12.2021.
Liabilities for issued debt securities			EUR	EUR
Bonds 30 million EUR notes issue [1]	11%	31.03.2024	29 196 000	29 859 000
Bond additional interest accrual [4]			86 833	29 753
Bonds acquisition costs			(395 928)	(683 744)
		TOTAL:	**28 886 905**	**29 205 009**
Funding attracted through peer-to-peer platforms				
Funding attracted through peer-to-peer platforms[2]	6.5% - 15.5%	31.12.2028.	1 551 006	4 797 494
Liabilities acquisition costs for funding attracted through peer-to-peer platform			(12 779)	(26 541)
		TOTAL:	**1 538 227**	**4 770 953**
Loans from related parties				
Loans from related parties [7]	12%	18.10.2026	-	1 705 000
		TOTAL:	**-**	**1 705 000**
Lease liabilities for right-of-use assets				
Lease liabilities for right-of-use assets - premises [3]	2.14-2.96%	> 5years	75 142	213 336
Lease liabilities for right-of-use assets - premises [3]	2.14-2.96%	1 to 5 years	545 204	377 139
Lease liabilities for right-of-use assets - vehicles [6]	2.90% + 3M EURIBOR	1 to 5 years	707 215	-
		TOTAL:	**1 327 561**	**590 475**
Other borrowings				
Loans from banks [5]	2.90% + 3M EURIBOR	1 to 5 years	1 599 999	-
		TOTAL:	**1 599 999**	**-**
		TOTAL NON CURRENT BORROWINGS:	**33 352 692**	**36 271 437**

Current	*Interest rate per annum (%)*	*Maturity*	31.12.2022.	31.12.2021.
			EUR	EUR
Funding attracted through peer-to-peer platforms				
Funding attracted through peer-to-peer platforms [2]	6.5% - 15.5%	31.12.2028.	327 153	997 446
Accrued interest for funding attracted through peer-to-peer platforms			14 598	27 368
		TOTAL:	**341 751**	**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 year	151 139	128 051
Lease liabilities for right-of-use assets - vehicles [6]	2.90% + 3M EURIBOR	up to 1 year	190 166	-
		TOTAL:	**341 305**	**128 051**
Other borrowings				
Loans from banks [5]	2.90% + 3M EURIBOR	up to 1 year	438 200	-
		TOTAL:	**438 200**	**-**
		TOTAL CURRENT BORROWINGS:	**1 121 256**	**1 152 865**

30. Borrowings (continued)

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 is 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.

2) Attracted funding from P2P platform is transferred to Group's bank accounts once per week. The Group repurchased more loans back than placed in P2P platform in year 2022.

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 Group has signed new office rent agreement with related company JSC Eleving Vehicle Finance for period till August 2029.

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.

5) During 2022, the Company attracted additional financing from Citadele leasing SIA. During 2022, 127 new cars were purchased using financial leasing to supplement the rental car fleet. Leasing contract period is 60 months, fixed part of the interest rate 2.90% + 3-month EURIBOR.

6) See Note 21.

7) 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.
* On 2nd August 2019 JSC "Citadele banka" granted to JSC “mogo” the credit line in the amount of EUR 1.16 million (31.12.2021.: EUR 1.76 millions) for refinancing of existing indebtedness. Maturity of agreement is 30th September 2023. The credit line agreement was amended on November 29, 2021.

P2P platform payables position at the year end dates were:

	31.12.2022.	31.12.2021.
	EUR	EUR
Payables from attracted funding through P2P platform (Note 33)	(5 690)	(397 736)
TOTAL:	**(5 690)**	**(397 736)**

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

	31.12.2022.	31.12.2021.
	EUR	EUR
Accrued for expenses from attracted funding through peer-to-peer platform (Note 34)	8 763	16 779
TOTAL:	**8 763**	**16 779**

Changes in liabilities	31.12.2021.	Incoming cash flow	Outgoing cash flow	Other	31.12.2022.
Funding attracted through peer-to-peer platforms	5 794 941	4 134 132	(8 976 346)	925 431*	1 878 158
Lease liabilities for Right-of-use assets	718 526	-	(189 292)	242 250	771 484
Liabilities for issued debt securities	29 859 000	437 000	(1 100 000)	-	29 196 000
Loans from related parties	1 705 000	585 000	(2 290 000)	-	-
Loan from bank	-	6 304 410	(3 368 831)	-	2 935 580
TOTAL BORROWINGS PRINCIPAL:	**38 077 467**	**11 460 542**	**(15 924 469)**	**1 167 681**	**34 781 222**

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

Changes in liabilities	31.12.2021.	Incoming cash flow	Outgoing cash flow	Calculated for the financial year	31.12.2022.
Additional bond interest accrual	29 753	1 311	(401)	56 171	86 834
Bonds acquisition costs	(683 744)	-	-	287 816	(395 929)
Bonds interest expenses	-		(3 285 973)	3 285 973	-
Accrued interest for financing received from P2P investors	-	-	(431 105)	418 335	(12 770)
Funding attracted through peer-to-peer platforms acquisition costs	27 368	-	-	6 575	33 943
Interest expenses for loans to related parties	(26 541)	-	(7 527)		(34 068)
Interest expenses from right-of-use assets	-	-	(23 201)	23 201	-
TOTAL INTEREST LIABILITIES:	**(653 164)**	**1 311**	**(3 748 207)**	**4 078 070**	**(321 989)**
TOTAL BORROWINGS:	**37 424 304**	**11 461 853**	**(19 672 675)**	**5 260 466**	**34 459 233**

Changes in liabilities	31.12.2020.	Incoming cash flow	Outgoing cash flow	Other	31.12.2021.
Funding attracted through peer-to-peer platforms	13 557 965	10 908 109	(19 018 189)	347 055*	5 794 941
Lease liabilities for Right-of-use assets	1 138 704	-	(123 353)	(296 825)	718 526
Liabilities for issued debt securities	24 129 000	16 033 708	(10 282 000)	(21 708)	29 859 000
Loans from related parties	-	1 705 000	-	-	1 705 000
Loan from bank	1 689 618	16 546 301	(18 235 919)	-	-
TOTAL BORROWINGS PRINCIPAL:	**40 515 287**	**45 193 118**	**(47 659 461)**	**28 522**	**38 077 467**

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

30. Borrowings (continued)

Changes in liabilities	31.12.2020.	Incoming cash flow (reclassified)	Outgoing cash flow (reclassified)	Calculated for the financial year (reclassified)	31.12.2021.
Additional bond interest accrual	367 626	-	(390 512)	52 639	29 753
Bonds acquisition costs	(16 511)	-	(892 978)	225 745	(683 744)
Bonds interest expenses	-	-	(34 461)	34 461	-
Accrued interest for financing received from P2P investors	-	-	(3 238 849)	3 238 849	-
Funding attracted through peer-to-peer platforms acquisition costs	60 521	-	(857 235)	824 083	27 368
Interest expense from loans from related parties	(33 116)	-	-	6 575	(26 541)
Interest expenses from right-of-use assets	-	-	(23 988)	23 988	-
Interest expenses from loan from bank	-	-	(99 140)	98 932	-
TOTAL INTEREST LIABILITIES:	**378 520**	**-**	**(5 537 163)**	**4 505 271**	**(653 164)**
TOTAL BORROWINGS:	**40 893 807**	**45 193 118**	**(53 196 624)**	**4 533 794**	**37 424 303**

31. Prepayments and other payments received from customers

	31.12.2022. EUR	31.12.2021. EUR
Unallocated payments received*	8 816	24 079
Overpayments from historical customers	34 614	34 614
Customer overpayments from rent services	59 571	75 934
Received deposits from rent customers	141 019	29 660
TOTAL:	**244 020**	**164 287**

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

Advances received from customers are shown under finance lease receivables and loans and advances to customers in year 2022 and 2021. See Note 19 and Note 20.

32. Taxes payable

	31.12.2022. EUR	31.12.2021. EUR
Social security contributions	19 853	34 321
Personal income tax	10 329	18 005
VAT	40 031	48 832
Other taxes	8 554	4 495
TOTAL:	**78 767**	**105 653**

33. Other liabilities

	31.12.2022. EUR	31.12.2021. EUR
Payable for attracted funding through P2P platform	5 690	397 736
Payable for received payments from customers of the related parties	350 625	305 856
Liabilities against employees for salaries	43 625	63 205
Other liabilities	4 836	4 798
TOTAL:	**404 776**	**771 595**

34. Accrued liabilities

	31.12.2022. EUR	31.12.2021. EUR
Accrued liabilities for services received	109 072	103 702
Accrued liabilities for management services from related parties	77 684	64 386
Accrued unused vacation	53 079	79 544
Accruals for bonuses	43 992	61 079
Accrued expenses from attracted funding through peer-to-peer platform (Note 30)	8 763	16 779
TOTAL:	**292 590**	**325 490**

35. Related parties disclosures

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

Transactions with related parties for years 2022 and 2021 were as follows:	2022	2021
	EUR	EUR
Services provided		
- Revenue from recharging expenses (Note 14)*	**647 529**	**556 495**
*- Parent company***	12 577	2 940
*- HUB***	19 418	6 712
- Other related companies	615 535	546 843
- Other services provided	**796 175**	**670 320**
*- Parent company***	-	3 502
*- HUB***	-	8 984
- Client acquisition services and other services provided for other related companies	796 175	657 834
Services received		
- Management services (Note 13)****	**897 590**	**1 095 113**
*- Parent company***	897 590	1 095 113
- Other services received***	**381 728**	**309 163**
*- HUB***	154 323	143 661
*- Parent company***	73 082	21 842
- Other related companies	154 323	143 661
Assets	**-**	**3 270**
- Purchase of fixed assets from HUB	-	3 270
Interest expenses (Note 4)	**15 290**	**3 363**
- HUB**	15 290	3 363
Interest income (Note 4)	**4 621 381**	**4 346 354**
*- Parent company***	4 205 963	1 133 292
- Eleving Group S.A.	271 949	2 329 958
*- HUB***	134 488	883 104
- Other related companies	8 981	-
Cession income (Note 9) [1)]	**891 863**	**2 112 091**
- Other related companies	891 863	2 112 091

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

** Parent company - JSC Eleving Luna till 01.09.2021, JSC Eleving Stella from 01.09.2021.

HUB - under HUB there are disclosed the Company's related parties JSC Mogo Balkans and Central Asia, JSC Eleving Stella till 01.09.2021, JSC Eleving Solis, JSC Eleving Finance and JSC Eleving Vehicle Finance, JSC Eleving Luna from 01.09.2021.

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

**** Management services - include non deductible VAT

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

Receivables from related companies

Non-current	Interest rate per annum (%)	Maturity	31.12.2022. EUR	31.12.2021. EUR
Loan receivable from related company [1)]	12.50	April 2023	-	700 000
Loan receivable from related company [2)]	12.00	December 2025	8 827 118	8 827 118
Loan receivable from related company [3)]	12.00	June 2026	1 724 000	7 934 000
Loan receivable from related company [4)]	12.00	October 2026	17 640 000	17 640 000
Loan receivable from related company [5)]	12.75	December 2027	11 553 655	-
Current				
Accrued interest			85 187	-
		TOTAL:	**39 829 960**	**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) In 2022 the Subsidary Company has signed the loan agreement with mogo LT UAB. Loan agreement allows both parties to agree on flexible loan pay-out and loan repayment arrangement with maximum loan amount of 11.53 million EUR with maturity date 31.12.2027 and fixed interest rate 12.75 %.

35. Related parties disclosures (continued)

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

2022	Stage 1	Stage 2	Stage 3	Total
Loan receivable from related company	39 829 960	-	-	39 829 960

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 0).

	31.12.2022.	31.12.2021.
Current	EUR	EUR
Receivables from Eleving Stella JSC	-	175
Receivables from cession to related parties	512 164	1 121 470
Receivables from related companies	100 970	258 646
TOTAL:	**613 134**	**1 380 291**
TOTAL RECEIVABLES:	**40 443 094**	**36 481 409**

Aging of receivables from related companies is disclosed in Note 22.

Payables and other liabilities to related companies

	31.12.2022.	31.12.2021.
	EUR	EUR
Other liabilities to Primero Finance JSC (see Note 33)	350 625	305 856
Payables to other related companies	3 904	5 344
TOTAL:	**354 529**	**311 200**

36. Other investments

		31.12.2022.	31.12.2021.
	Shareholding	EUR	EUR
Investments in Mogo IFN (Romania)	0.01%	-	20
	TOTAL:	**-**	**20**

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

In 2022, JSC mogo sold its shares in Mogo IFN.

37. Commitments and contingencies

Starting from 14 October 2021 Eleving Group and certain of its Subsidiaries (including Mogo JSC) entered into several pledge agreements with TMF Trustee Services GmbH, establishing pledge over shares of those Subsidiaries, pledge over present and future loan receivables of those Subsidiaries, pledge over trademarks of those Subsidiaries, general business pledge over those Subsidiaries, pledge over primary bank accounts if feasible, in order to secure Eleving Group obligations towards bondholders deriving from Eleving Group bonds (ISIN: XS2393240887). The value of the assets pledged in accordance with the commercial pledge agreement concluded with TMF Trustee Services GmbH is estimated to be 53.9 million EUR as of 31/12/2022 (31 December 2021: EUR 53.2 millions).

Starting from 14 October 2018 Eleving Group S.A. as Issuer and its Subsidiaries (including Mogo JSC) as Guarantors have entered into a guarantee agreement dated 14 October 2021 (as amended and restated from time to time) according to which the guarantors unconditionally and irrevocably guaranteed by way of an independent payment obligation to each holder of the Eleving Groupe S.A. bonds (ISIN: XS2393240887) the due and punctual payment of principal of, and interest on, and any other amounts payable under the Eleving Group S.A. bonds (ISIN: XS2393240887) offering memorandum (Note 38).

On 26 February 2018 the Group entered into a surety agreement with Ardshinbank CJSC and Mogo LLC, in order to secure Mogo LLC obligations towards Ardshinbank CJSC deriving from loan agreement concluded between Ardshinbank CJSC and Mogo LLC on 26 February 2018, with a maximum liability not exceeding the principal amount EUR 1 000 000. The surety agreement has been prolonged till 2024.

On 31 July 2019 mogo JSC has concluded a Commercial pledge with JSC Citadele banka by virtue of which certain receivables of mogo JSC are pledged in favor of JSC Citadele banka in order to secure mogo JSC (Latvia), mogo OU (Estonia) and JSC mogo LT (Lithuania) obligations towards JSC Citadele banka under the Credit line agreement of 8 July 2019. The same Commercial pledges are issued by the remaining Credit line agreement parties - mogo OU (Eston\ia) and JSC mogo LT (Lithuania). On 23 December 2021 Renti JSC (Latvia) and on 18 January 2022 Renti LT JSC (Lithuania) have as well concluded Commercial pledges with JSC Citadele banka by virtue of which certain receivables are pledged in favor of JSC Citadele banka in order to secure mogo JSC, mogo OU and JSC mogo LT obligations, if the credit line is also used to finance the loans and receivables issued by Renti JSC (Latvia) and Renti LT JSC (Lithuania). The commercial pledge providers are jointly liable for the maximum amount of EUR 22.5 million, however, the rights of claims referred to the commercial pledge agreement are variable as Credit line amounts granted to the parties shall not exceed 90% of the total amount of the rights specified as pledged to the Bank. As of 31 December 2022 the Parent company's finance lease portfolio in the amount of EUR 0.5 million was pledged in favor of the JSC Citadele bank as collateral (31 December 2021: EUR 0.8 millions).

On 5 December 2017 mogo JSC entered into a commercial pledge agreement with Mintos Finance Estonia OU, in order to secure mogo JSC obligations towards Mintos Finance Estonia OU deriving from Cooperation agreement on issuance of loans No. 36/2017-L, dated 5 December 2017. The Company pledged gross receivables in amount of EUR 1 686 085 on 31.12.2022 (31.12.2021.:EUR 3 328 587). The last amendments to this commercial pledge was registered on 17 May 2022.

On 6 May 2022 mogo JSC entered into a commercial pledge agreement with Mintos Marketplace JSC and Mintos Finance No1 LLC in order so secure mogo JSC obligations towards Mintos Marketplace JSC and Mintos Finance No1 LLC deriving from Cooperation agreement on issuance of loans No. LVMM/06-07-2021-130, dated 6 May 2022. The subject of the pledge is the right of claim arising from leasing or loan agreements for a maximum amount of secured claim is EUR 7.2 million.

37. Commitments and contingencies (continued)

Externally imposed capital requirements

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

Main requirements are listed below:

mogo JSC Bonds

There are restrictions in prospectus for bonds issued in Nasdaq Baltic (ISIN: LV0000802452)

- To maintain positive amount of equity at all times;

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

Cooperation agreement with P2P platform

1) The Company needs to maintain the net performing loan ratio at the agreed level.

The Company is regularly monitoring respective indicators and ensures that covenants are satisfied. The Company is in compliance with these covenants at 31 December 2022 and 31 December 2021.

38. Provisions for financial guarantees

	2022	2021
Effect on other reserves	EUR	EUR
	Other reserves	**Other reserves**
Outstanding as at 1 January	**(2 197 084)**	**(4 085 406)**
Fair value of the newly issued guarantees	-	(3 312 896)
Guarantees derecognition (Retained earnings) (3), (4)	1 656 566	4 085 406
Decrease in fair value of the guarantees due to revaluation	164 046	1 115 812
Outstanding as at 31 December	**(376 473)**	**(2 197 084)**
Effect on provisions for financial guarantees	**Financial guarantees**	**Financial guarantees**
Outstanding as at 1 January	**2 008 420**	**1 986 481**
Fair value of the newly issued guarantees (1), (2)	-	3 312 896
Decrease in fair value of the guarantees due to revaluation	(164 046)	(1 115 812)
Amortized as income prior to derecognition	-	(985 276)
Derecognition of guarantee (3), (4)	(1 274 794)	(1 001 205)
Fair value of the guarantees subsequent to modification	**569 580**	**2 197 084**
Foreign exchange gain/loss	62 734	42 379
Amortised as income for newly issued guarantees	(524 077)	(231 044)
Outstanding as at 31 December	**108 237**	**2 008 420**
Financial guarantee in favor of bondholders of Eleving Group S.A	-	1 722 730
Financial guarantee in favor of Ardshinbank	108 238	285 690
Total	**108 238**	**2 008 420**
Total recognized as income (Note 14)	**(524 077)**	**(1 216 319)**

1) On 14 October 2021 the Parent company and its subsidiary Renti JSC entered a financial guarantee agreement issued in favor of bondholders of Eleving Group. The guarantee was issued to secure Eleving Group exposure after issuing corporate bonds, ISIN XS2393240887 (as of 31 December 2021 the total nominal value of bonds is EUR 150 million), which are listed on the Open Market of the Frankfurt Stock Exchange. Under the guarantee agreement the Company and Renti JSC irrevocably guarantees the payment of Eleving Group liabilities towards its bondholders in case of default of Eleving Group under the provisions of bond prospectus. The Parent company and Renti JSC did not receive compensation for the guarantee provided. Fair value of financial guarantee is recognized as liability and as a distribution of equity under “Other reserves”. Liabilities under the financial guarantee agreement are recognized in income (Note 14) on straight line basis till bond maturity, which is October 2026.

2) On 26 February 2018 the Parent company entered into a surety agreement with Ardshinbank CJSC and Mogo UCO LLC (Armenia), in order to secure Mogo UCO LLC obligations towards Ardshinbank CJSC deriving from loan agreement concluded between Ardshinbank CJSC and Mogo UCO LLC.

On 15 June 2021 the mentioned loan agreement was amended so, respectively, the surety agreement was amended as well. The Parent company did not receive compensation for the guarantee provided. Fair value of financial guarantee is recognized as a liability and as a distribution of equity under Other reserves. Liabilities under the financial guarantee agreement are recognized in income (Note 14) on straight line basis till loan maturity, which is February 2024.

3) On 9 July 2018 the Parent company entered a financial guarantee agreement issued in favor of bondholders of Mogo Finance S.A (current company name is Eleving Group S.A). Its subsidiary Renti JSC as a guarantor has joined guarantee agreement on 31 May 2019. The guarantee was issued to secure Mogo Finance S.A. exposure after issuing corporate bonds, ISIN XS1831877755 (as of 31 December 2021 and 2020 the total nominal value of bonds is EUR 100 million), which are listed on the Open Market of the Frankfurt Stock Exchange. Under the guarantee agreement the Parent company irrevocably guarantees the payment of Mogo Finance S.A. liabilities towards its bondholders in case of default of Mogo Finance S.A. under the provisions of bond prospectus.

The Parent company and Renti JSC did not receive compensation for the guarantee provided. Fair value of financial guarantee is recognized as liability and as a distribution of equity under “Other reserves”. Liabilities under the financial guarantee agreement are recognized in income (Note 14) on straight line basis till bond maturity, which is July 2022.

On 12 October 2021 Global release agreement was signed stipulating that all collateral documents (guarantees and pledges) of the old bonds would be terminated in full after the redemption of the old bonds. Under that agreement, the guarantee was terminated and associated balances were derecognized.

39. Financial risk management

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

Operational risks

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

Legal risks

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

See further information on regulatory matters in Note 37.

Compliance risk

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

Regulatory risks

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

Anti-money laundering and Know Your Customer laws compliance risk

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

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

Privacy, data protection compliance risk

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

Market risks

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

Financial risks

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

Interest rate risk

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

Capital risk management

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

The Group monitors equity capital on the basis of the capitalization ratio as defined in Eurobond prospectus. This ratio is calculated as Net worth (the sum of paid in capital, retained earnings, reserves and shareholder loan) divided by Net Loan portfolio. During the reporting period the Group has complied with all externally imposed equity capital requirements to which it is subject as stated in Note 37. The Group has several other covenants to comply with due to the bonds issued and funds borrowed in P2P platform - Group has complied with all of them during the reporting period.

39. Financial risk management (continued)

Liquidity risk

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

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

		Contractual cash flows				
	Carrying value	**On demand**	**Up to 1 year**	**1-5 years**	**More than 5 years**	**Total**
As at 31.12.2022.	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**
Assets						
Cash and cash equivalents	664 743	664 743	-	-	-	**664 743**
Loans and advances to customers	1 784 197	-	2 151 684	1 491 661	273 623	**3 916 968**
Loans to related parties	39 829 960	-	3 382 934	48 215 618	-	**51 598 552**
Sublease receivables from related parties	774 577	-	160 407	614 170	-	**774 577**
Trade receivables from related paries	613 134	-	478 147	134 987	-	**613 134**
Trade receivables	241 218	-	9 833 148	8 689 135	-	**18 522 283**
Other receivables	28 102	-	28 102	-	-	**28 102**
Finance lease receivables	2 031 368	-	1 894 583	2 098 915	525 985	**4 519 483**
Total financial assets	45 967 299	664 743	17 929 005	61 244 486	799 608	**80 637 842**

		Contractual cash flows				
	Carrying value	**On demand**	**Up to 1 year**	**1-5 years**	**More than 5**	**Total**
Liabilities						
Funding attracted through peer-to-peer platforms	(1 879 978)	-	(442 566)	(289 770)	(1 566 146)	**(2 298 482)**
Liabilities for issued debt securities	(28 886 905)	-	(3 300 000)	(29 711 905)	-	**(33 011 905)**
Trade payables	(111 850)	-	-	(111 850)	-	**(111 850)**
Loan from banks	(2 038 199)	-	(738 158)	(2 478 803)	-	**(3 216 960)**
Lease liabilities for right-of-use assets	(1 668 866)	-	(105 593)	(584 692)	(82 142)	**(772 427)**
Other liabilities	(849 338)	-	(849 338)	-	-	**(849 338)**
Accrued liabilities	(292 590)	-	(292 590)	-	-	**(292 590)**
Total financial liabilities	(35 727 726)	-	(5 728 245)	(33 177 020)	(1 648 288)	**(40 553 552)**
Net financial assets / (liabilities)	10 239 573	664 743	12 200 760	28 067 466	(848 680)	**40 084 290**

		Contractual cash flows				
	Carrying value	**On demand**	**Up to 1 year**	**1-5 years**	**More than 5**	**Total**
As at 31.12.2021.	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**
Assets						
Cash and cash equivalents	403 812	403 812	-	-	-	**403 812**
Loans and advances to customers	3 411 220	-	2 613 507	3 765 730	503 390	**6 882 627**
Loans to related parties	35 101 118	-	4 215 634	46 806 287	-	**51 021 921**
Investment securities	-	-	-	-	23	**23**
Trade receivables from related paries	1 380 291	-	868 127	1 380 116	-	**2 248 243**
Trade receivables	326 297	-	10 579 384	18 983 473	-	**29 562 857**
Other receivables	40 636	-	40 636	-	-	**40 636**
Finance lease receivables	2 467 177	-	1 454 328	3 031 514	858 068	**5 343 910**
Total financial assets	43 130 551	403 812	19 771 616	73 967 120	1 361 481	**95 504 029**

39. Financial risk management (continued)

		Contractual cash flows				
	Carrying value	**On demand**	**Up to 1 year**	**1-5 years**	**More than 5**	**Total**
As at 31.12.2021.	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**
Liabilities						
Funding attracted through peer-to-peer platforms	(5 795 768)	-	(1 296 347)	(2 689 317)	(2 707 815)	**(6 693 479)**
Liabilities for issued debt securities	(29 205 008)	-	(3 300 000)	(33 330 009)	-	**(36 630 009)**
Provisions for financial guarantees	(2 008 420)	-	-	(2 008 420)	-	**(2 008 420)**
Loan from related parties	(1 705 000)	-	(204 600)	(2 482 480)	-	**(2 687 080)**
Lease liabilities for right-of-use assets	(718 526)	-	(130 571)	(378 184)	(213 336)	**(722 091)**
Other liabilities	(1 541 836)	-	(1 543 445)	-	-	**(1 543 445)**
Total financial liabilities	(40 974 558)	-	(6 474 963)	(40 888 410)	(2 921 151)	**(50 284 524)**
Net financial assets / (liabilities)	2 155 993	403 812	13 296 653	33 078 710	(1 559 670)	**45 219 505**

Credit risk

The Group is exposed to credit risk through its finance lease receivables, loans and advances to customers, trade and other receivables, as well as cash and cash equivalents. Maximum credit risk exposure is represented by the gross carrying value of the respective financial assets.
The key areas of credit risk policy cover lease granting process (including solvency check of the lease), monitoring methods, as well as decision making principles. The Group uses financed vehicles as collaterals to significantly reduce credit risks.

	31.12.2022.	31.12.2021.
Finance lease receivables	2 547 237	2 960 441
Loans and advances to customers	2 418 259	4 330 888
Loans to related parties	39 829 960	35 101 118
Sublease receivables from related parties	774 577	-
Contract assets	512 567	471 061
Trade and other receivables	882 454	1 747 227
Cash and cash equivalents	664 743	403 812
TOTAL:	**47 629 797**	**45 014 547**

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

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

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

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

Excessive risk concentration

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

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

Capital risk management

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

40. Fair value of financial assets and liabilities

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

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

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

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

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

Instruments within Level 3 include loans and finance lease receivables, other trade receivables, current and non-current borrowings and trade and other trade payables.

Fair value of finance lease receivables and loans and advances to customers is determined using discounted cash flow model consisting of contractual lease and loan cash flows that are adjusted by expectations about possible variations in the amount and timings of cash flows using methodology consistent with the expected credit loss determination as at 31 December 2022 to determine the cash flows expected to be received net of impairment losses. The pre-tax weighted average cost of capital (WACC) of the entity holding the respective financial assets is used as the basis for the discount rate. The WACC is based on the actual estimated cost of equity and cost of debt that reflect any other risks relevant to the leases and loans that have not been taken into consideration by the impairment loss adjustment described above and also includes compensation for the opportunity cost of establishing a similar lease or loan. An additional 1.5% is added to the discount rate as an adjustment to consider service costs of the portfolio that are not captured by the cash flow adjustments.
The annual discount rate was determined as 12,62% (2021.: 12,18%). Impairment loss is estimated by applying PD and LGD rates, which are in line with ECL methodology described under 'The calculation of ECLs' (Note 2).

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

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

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

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

	Carrying value	Fair value	Carrying value	Fair value
	31.12.2022.	31.12.2022.	31.12.2021.	31.12.2021.
Financial assets measured at fair value:	EUR	EUR	EUR	EUR
Investment securities	-	-	-	-
Financial assets not measured at fair value:				
Loans to related parties	39 829 960	39 829 960	35 101 118	35 101 118
Sublease receivables from related parties	774 577	774 577	-	-
Finance lease receivables	2 031 368	2 869 081	2 488 204	3 282 755
Loans and advances to customers	1 784 197	2 359 810	3 422 313	4 397 117
Trade receivables from related paries	613 134	613 134	1 380 291	1 380 291
Trade receivables	241 218	241 218	326 297	326 297
Other receivables	28 102	28 102	40 639	40 639
Cash and cash equivalents	664 743	664 743	403 812	403 812
Total assets for which fair value is disclosed	**45 967 299**	**47 380 624**	**43 162 674**	**44 932 029**

	Carrying value	Fair value	Carrying value	Fair value
	31.12.2022.	31.12.2022.	31.12.2021.	31.12.2021.
Liabilities for which fair value is disclosed	EUR	EUR	EUR	EUR
Liabilities for issued debt securities	28 886 905	30 000 000	29 205 008	30 000 000
Funding attracted through peer-to-peer platforms	1 879 978	1 879 978	5 795 768	5 795 768
Loans from banks	2 038 199	2 038 199	-	-
Loans from related parties	-	-	1 705 000	1 705 000
Trade payables	111 850	111 850	162 974	162 974
Other liabilities	849 338	849 338	1 053 372	1 053 372
Total liabilities for which fair value is disclosed	**33 766 270**	**34 879 365**	**37 922 122**	**38 717 114**

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

The table below specified analysis by fair value levels as at 31 December 2022 (based on their carrying amounts):

	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
	31.12.2022.	31.12.2022.	31.12.2022.	31.12.2021.	31.12.2021.	31.12.2021.
Assets at fair value	EUR	EUR	EUR	EUR	EUR	EUR
Loans to related parties	-	-	39 829 960	-	-	35 101 118
Finance lease receivables	-	-	2 031 368	-	-	2 488 204
Loans and advances to customers	-	-	1 784 197	-	-	3 422 313
Sublease receivables from related parties	-	-	774 577	-	-	-
Trade receivables from related paries	-	-	613 134	-	-	1 380 291
Trade receivables	-	-	241 218	-	-	326 297
Other receivables	-	-	28 102	-	-	40 639
Cash and cash equivalents	664 743	-	-	403 812	-	-
Total assets at fair value	**664 743**	**-**	**45 302 556**	**403 812**	**-**	**42 758 862**

	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
	31.12.2022.	31.12.2022.	31.12.2022.	31.12.2021.	31.12.2021.	31.12.2021.
Liabilities at fair value	EUR	EUR	EUR	EUR	EUR	EUR
Liabilities for issued debt securities	-	28 886 905	-	-	29 205 008	-
Funding attracted through peer-to-peer platforms	-	-	1 879 978	-	-	5 795 768
Loans from banks	-	-	2 038 199	-	-	-
Loans from related parties	-	-	-	-	-	1 705 000
Trade payables	-	-	111 850	-	-	162 974
Other liabilities	-	-	849 338	-	-	1 053 372
Total liabilities at fair value	**-**	**28 886 905**	**4 879 365**	**-**	**29 205 008**	**8 717 114**

41. 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 period ended on 31 December 2022 is presented below:

Period ended 31.12.2022.	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	6 972 460	(4 160 750)	633 496	1 277 691	(2 104 218)	-	2 618 679	49 998 144	35 898 186
Renting	14 456	(789 567)	77 968	9 048 686	(7 819 784)	-	531 759	21 556 166	21 556 164
Agent fee	-	-	-	517 763	-	-	517 763	32 292	550 055
Total segments	6 986 916	(4 950 317)	711 464	10 844 140	(9 924 002)	-	3 668 201	71 554 310	57 454 350
Adjustments and eliminations	(617 538)	629 187	-	(546 884)	675 344	-	140 109	(16 434 951)	(16 457 275)
Consolidated	6 369 378	(4 321 130)	711 464	10 297 256	(9 248 658)	-	3 808 310	55 119 359	40 997 075

41. Segment information (continued)

Period ended 31.12.2021.	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	7 752 942	(4 105 163)	1 851 565	2 635 730	(2 629 427)	-	5 505 647	50 745 071	36 522 940
Renting	7 409	(1 220 609)	(1 627 078)	11 275 521	(9 357 149)	-	(921 906)	11 739 269	12 337 442
Agent fee	-	-	-	529 705	-	-	529 705	41 738	571 443
Total segments	7 760 351	(5 325 772)	224 487	14 440 956	(11 986 576)	-	5 113 446	62 484 340	48 860 382
Adjustments and eliminations	(808 705)	808 705	-	(1 054 100)	1 497 586	-	443 486	(7 302 284)	(7 745 771)
Consolidated	6 951 646	(4 517 067)	224 487	13 386 856	(10 488 990)	-	5 556 932	55 182 056	41 114 611

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.

		2022	2021
Revenue		EUR	EUR
External customers (interest income and other income)		16 666 634	20 338 502
Elimination of intragroup interest income and other operating income		1 164 422	1 862 805
	TOTAL:	**17 831 056**	**22 201 307**

	31.12.2022	31.12.2021
Reconciliation of profit	EUR	EUR
Segment profit	3 668 201	5 113 446
Elimination of intragroup interest income	(617 538)	(808 705)
Elimination of intragroup interest expenses	629 187	808 705
Elimination of intragroup income from service fee	(436 334)	(970 409)
Elimination of intragroup other income/(expenses)	564 794	1 413 895
Consolidated profit for the period	3 808 310	5 556 932
Reconciliation of assets		
Segment operating assets	71 554 310	62 484 340
Elimination of intragroup loans	(15 971 867)	(6 978 212)
Elimination of other intragroup receivables	(463 084)	(324 072)
Total assets	55 119 359	55 182 056
Reconciliation of liabilities		
Segment operating liabilities	57 454 350	48 860 382
Elimination of intragroup borrowings	(15 971 867)	(6 978 212)
Elimination of other intragroup accounts payable	(485 408)	(767 559)
Total liabilities	40 997 075	41 114 611

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

42. Events after reporting period

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

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 creates 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 2023 cannot be fully predicted, but the Group believes that the sanctions and restrictions imposed and military actions after the date of the financial statements will not materially affect the Group's 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.

Rising inflation have not had negative impact on Group's customers debt service capabilities. Various government support initiatives have been introduced to compensate impact from rising energy prices to private individuals. However Group is monitoring situation closly and have solutions introduced for customers to overcome short term financial difficulties.
It is expected customer debt service capabilities to be stable and improving during 2023.

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

Signed on behalf of the Group on 20 April 2023 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

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Independent Auditor's Report

To the shareholders of AS "mogo"

Our Opinion on the Consolidated Financial Statements

We have audited the consolidated financial statements of AS "mogo" ("the Company") and its subsidiary ("the Group") set out on pages 7 to 58 of the accompanying consolidated Annual Report, which comprise:

- the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2022;
- the consolidated statement of financial position as at 31 December 2022;
- the consolidated statement of changes in equity for the year ended 31 December 2022;
- the consolidated statement of cash flows for the year ended 31 December 2022;
- notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the AS "mogo" as at 31 December 2022, and of its consolidated financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the European Union ("IFRS").

Basis for Opinion

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

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

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

Key Audit Matters

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

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

Impairment allowance for "Finance lease receivables" and "Loans and advances to customers"	
Key audit matter	***Our audit response***
The total net value of "Finance lease receivables" and "Loans and advances to customers" (together the "portfolio") amounts to EUR 3 815 565 and represents approximately 7% of the Group's total assets at 31 December 2022 (31 December 2021: EUR 5 910 517 and approximately 11%). The portfolio consists mainly of both secured and unsecured loans. The Group's management estimates the amount of the impairment allowance in accordance with the expected credit loss (ECL) model under IFRS 9. Expected credit losses for the entire portfolio are determined by grouping them, applying modelling techniques based on historical loss rates and changes in the portfolio's risk characteristics adjusted for forward-looking information. The main parameters used in the model include those related to probability of default ('PD'), loss given default ('LGD') and exposure at default ('EAD'). Management needs to make critical judgements in order to identify, in a timely manner, portions of the portfolio with significant increases in credit risk and impaired exposures. In view of the above, we have identified this as a key audit matter.	• We tested control environment related to the approval and issue of loans, the identification of defaults and the collection of debts. • We engaged IT specialists to test the overall IT environment and the effectiveness of controls over the systems supporting portfolio accounting and ECL calculation. • We tested the accounting policies, management assumptions and data used to estimate the probability of default and loss given default rates. We tested the completeness and accuracy of the data used to calculate the provision for impairment losses. • We tested selected key controls over the validation and posting of credits and the testing and validation of key ECL model inputs and outputs. • We also tested management's assessment of the impact of macro factors on the quality of the loan portfolio and other related considerations. • We tested the completeness and accuracy of the disclosures relating to originated loans, impairment allowance and losses in the notes to the consolidated financial statements.
Interest income recognition	
Key audit matter	***Our audit response***
For the year ended 31 December 2022, interest income from "Finance lease receivables" and "Loans and advances" totaled EUR 1 660 142 and represented approximately 26% of the Group's total income and other revenue (31 December 2021: EUR 2 605 291 and approximately 37%). In accordance with IFRS 9 - Recognized interest income is determined using the effective interest rate ("EIR") method. In determining the amount of interest income, the Group uses a model whereby automatically calculated interest amounts are manually adjusted based on the contractual interest rate to reflect the additional costs incurred in entering into the lease and loan agreement in the EIR measurement and the resulting interest income is recognized in the income statement. The calculation of interest income is performed using sophisticated information technology systems that process frequently updated and voluminous data. In view of the above, we have identified this as a key audit matter.	• We tested the accounting policies, management assumptions and inputs used in the recognition of interest income. • We engaged IT specialists who tested the effectiveness of the overall IT environment and controls over the systems supporting the calculation of interest income. • We tested the design and implementation of selected controls over the interest revenue recognition process, controls over the application of appropriate contractual interest rates and other contractual terms in the interest revenue recognition process and controls over the review and validation of manual accounting entries used in the EIR valuation. • We tested the completeness and accuracy of the disclosures relating to interest income in the notes to the consolidated financial statements.

Impairment allowance for “Rental fleet”	
Key audit matter	***Our response***
The carrying amount of the rental fleet at 31 December 2022 is EUR 7 781 771 and represents 14% of the Group's total assets (31 December 2021: EUR 10 699 741 and approximately 19%). For those assets in the lease fleet that are expected to be recovered through future leases, the Group has estimated the recoverable amount based on their value in use (under the discounted cash flow method). The recoverable amount for other assets is their fair value less costs to sell. Determining the recoverable amount of the Rental fleet requires a number of assumptions and judgements, in particular regarding the discount rate to be used, future cash flows and residual values. In making this assessment, management is required to consider such effects as technological developments and changes in laws and regulations that affect the residual values of cars. In view of the above, we have identified this as key audit matter.	• We tested the accounting policies, management assumptions and inputs used to calculate the impairment of lease fleet assets. • We tested the design and implementation of selected controls over the accounting and impairment of lease fleet assets. • We tested the reasonableness of key assumptions and judgements made by the Group in calculating the recoverable amount of the lease fleet assets. • We tested the completeness and accuracy of the disclosures relating to the lease fleet assets and the related impairment in the notes to the consolidated financial statements.

Other matter

The financial statements of the Group for the year ended 31 December 2021 were audited by another auditor who expressed an unmodified opinion on those statements on April 30, 2022.

Reporting on Other Information

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

- Information about the Group, as set out on page 3 of the accompanying Consolidated Annual Report,
- the Management Report, as set out on pages 4 to 5 of the accompanying Consolidated Annual Report,
- the Statement on Management Responsibility, as set out on page 6 of the accompanying Consolidated Annual Report,
- the Statement of Corporate Governance for the year 2022, set out in separate statement provided by AS “mogo” management and available on the Nasdaq Baltic exchange website: https://nasdaqbaltic.com, AS “mogo”, section *Reports*.

Our opinion on the consolidated financial statements does not cover the other information included in the Consolidated Annual Report, and we do not express any form of assurance conclusion thereon.

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

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

Other reporting responsibilities in accordance with the legislation of the Republic of Latvia

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

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

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

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

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

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

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

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

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

Auditor's Responsibility for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or

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

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

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

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

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

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

Other statements and confirmations to be included in the auditors' report in accordance with the requirements of the laws and regulations of the Republic of Latvia and the European Union when providing audit services to Companies that are public interest entities

We were appointed by the Shareholders meeting on 15 September 2022 to audit the consolidated financial statements of AS "mogo" for the year ended 31 December 2022. This is our first year of appointment.

We confirm that:

- our audit opinion is consistent with the additional report presented to the Audit Committee of the Group;

- as referred to in the paragraph 37.6 of the Law on Audit Services of the Republic of Latvia we have not provided to the Company and the Group the prohibited non-audit services (NASs) referred to in the EU Regulation (EU) No 537/2014. We also remained independent of the Group in conducting the audit.

For the period to which our statutory audit relates, we have not provided any other services to the Group in addition to the audit, which have not been disclosed in the consolidated financial statements of the Group.

SIA "BDO ASSURANCE"
License No 182

Raivis Jānis Jaunkalns
Member of the Board
Sworn auditor
Certificate No 237

Riga, Latvia
20 April 2023

THIS DOCUMENT IS ELECTRONICALLY SIGNED WITH SAFE ELECTRONIC SIGNATURE AND CONTAINS TIME STAMP