



PART OF ELEIVING GROUP

Consolidated annual report

for the year ended
31 December 2023

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, 2024

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General information

| | | | |
|---|--|--------------------|-------|
| Name of the Parent Company | mogo | | |
| Legal status of the Parent Company | JSC | | |
| Unified registration number, place and date of registration | 50103541751, Latvia, 03.05.2012 | | |
| Registered office | Skanstes street 52, Riga, Latvia | | |
| Shareholders | | Eleving Stella JSC | Other |
| | Shareholders from 05.01.2024 | 100% | - |
| | Shareholders from 11.08.2023 | 98% | 2% |
| | Shareholders from 13.06.2023 till 10.08.2023 | 97% | 3% |
| | Shareholders on 12.06.2023 | 95% | 5% |
| | Shareholders from 01.09.2021 till 11.06.2023 | 98% | 2% |
| Ultimate parent company | Eleving Group S.A. (Mogo Finance S.A.), Luxembourg | | |
| Board Members | Vladislavs Mejeritāls - Chairman of the Board from 01.03.2024. Anete Pallo - Chairman of the Board from 04.08.2023. till 01.03.2024. Krišjānis Znotiņš - Chairman of the Board from 17.08.2020. till 04.08.2023. 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 Mejeritāls - Deputy Chairman of Council from 17.08.2020. till 01.03.2024. Neringa Plauškiene - Member of the Council from 17.08.2020. | | |
| Subsidiaries | "Renti" JSC, Latvia (100%) | | |
| Financial year | 1 January - 31 December 2023 | | |
| Previous financial year | 1 January - 31 December 2022 | | |
| Auditors | SIA "BDO ASSURANCE" Commercial licence No. 182 Kaļķu iela 15-3B, Riga, Latvia, LV-1050 Certified auditor in charge Raivis Jānis Jaunkalns Sworn auditor Certificate No. 237 | | |

Management Report for the Group

18 April 2024

General information

"mogo" JSC (hereinafter – the Parent company) and its subsidiary "Renti" JSC (together - The Group) are a part of international fintech group "Eleving Group", specializing in providing used car financing for private individuals in Latvia through leasing and consumer loan products, as well as 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 branded product websites, Group's car portals, lending brokerage platforms, and at onsite customer service center located strategically at the Road Traffic Safety Directorate (CSDD) premises.

During year 2023 the Parent company continued to successfully 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 "Renti" JSC and related business entity Primero Finance JSC.

In 2022, "Renti" JSC 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 rented vehicles. The Group continues to offer used car sales, including cars returned from long-term rental contracts. Vehicle stock during 2023 has decreased significantly, from 150 vehicles to 60, which goes in line with active long-term rent portfolio decrease. The apparent reduction 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. "Renti" JSC is exploring opportunities to utilize existing used car sales infrastructure and know-how, aiming to earn additional income from that in 2024.

In June 2023 "Renti" JSC has signed the sale contract of the car subscription product Renti plus and in July has sold all portfolio, which comprised of more than 100 vehicles as well as its active Renti plus customer portfolio. For the Group the sale of the Renti plus business was a well-considered and strategic decision, which will enable the company to focus even more on the development of its financial services offer in both the retail and SME segments, as well as continue to develop customer servicing process automation.

Currently The Group develop and use the following websites: www.mogo.lv (Mogo financing products), www.renti.lv (Renti long-term rental customer support), www.autotev.lv (Renti car sales portal).

The Group complies with local laws relating to environmental protection.

Operations and Financial Results

Total revenue of the Group, including net interest on financial products and income from long-term rental services, reached 9.6 million euros (a 16% decrease compared to 2022). Main driver of the decrease comes from smaller rent portfolio, which has generated 3 million euro compared to 5 million euro in 2022. Interest revenue has increased from 6.4 million euro in 2022 to 6.55 million euro in 2023. The net profit of the Group amounted to 2.5 million euros (35% decrease compared to 2022).

Total assets as of 31 December 2023 amounted to 45.7 million euro (17% decrease to December 2022). At the end of 2023 gross value of the loan and lease portfolio reached 4.5 million euros (a 18% increase compared to 31 December 2022), whereas the car fleet amounted to 2.4 million euros (from 7.8 million in 31 December 2022).

Group's net profit in year 2023 has decreased mainly due to significant decrease in revenues from Rent activities, as well as Parent company performing portfolio sale transactions in previous years. New loan issuances have reached 4.1 million euro (20% increase to 2022), including 940 thousand euro of issued instalment loans, which the Parent company added to the product portfolio in Q2 of 2023.

Significant share of Parent company's earnings still came from providing services to related parties, despite drop in other operating income from 1.8 million euro in 2022 to 0.9 million euro in 2023.

In year 2023 Parent company continued to fund related entities, although the volume of provided financing has decreased from 39.7 million euro at the end of 2022 to 33.3 million euro at the end of 2023, thus stressing the Company's importance in the Eleving group structure.

Increased efficiency in year 2023 helped to reduce administrative expenses by 22% (from 4.6 million euros in 2022 to 3.6 million euros in 2023), including decrease in salary costs.

Further operational improvements in the customer service and partner account management processes were implemented, enabling us to serve our customers more efficiently.

In July 2023, "Renti" JSC, a subsidiary of "mogo" JSC, concluded the sale of the car subscription product "Renti plus". As part of the agreement, "Renti" JSC has sold more than 100 vehicles from the "Renti plus" fleet as well as its active customer portfolio to "Transporent" Ltd (SIXT). The deal has allowed to decrease "Renti" JSC lease liabilities for 1.9 million EUR.

In 2023, the Company continued its operations to accomplish its mission – make personal mobility accessible to all residents of Latvia and diversify its product portfolio to suit variety of customer's needs. Investments in the customer journey automation process continued during 2023 and will continue going forward.

Improvements have a positive effect on the customer experience of 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, also going forward the main focus will be set on Mogo brand, aiming to increase its market share in 2024.

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.

Management report for the Group (continued)

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.

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.

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 plans to continue investing in process automation and digitalization, creating a seamless experience for customers and improving cooperation-related processes for partners. The main focus areas in 2024 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 expects to continue growing sales volumes, as well as further work on diversifying product portfolio to suit every need of Group's customer segment.

Subsequent events

On 5 January 2024, Eleving Stella JSC enter into share purchase agreement, purchasing 8 500 A category "mogo" JSC shares. As a result of the transaction, Parent Company Eleving Stella JSC became a 100% shareholder of "mogo" JSC.

On 11 January 2024, "mogo" JSC entered into Share sale and purchase agreement for Primero Finance OU share purchase from Eleving Stella JSC.

On 4 February 2024, the loan agreement between Ardshinbank CJSC and Mogo LLC was repaid and "mogo" JSC obligations as guarantor were terminated.

On 1 March 2024, changes were made on the Management Board for both Group companies - "mogo" JSC and "Renti" JSC. The Chairman of the Management board, Anete Pallo, left the position as of 1st March 2024. The position of the Chairman of the Management board was taken over by Vladislavs Mejertāls.

On 2 April 2024, "mogo" JSC made bonds repayment to existing Bondholders in amount of 17 181 000 EUR. As a result of repayment, "mogo" JSC is no longer a listed entity on Nasdaq stock exchange.

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.

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:

Vladislavs Mejertāls, Chairman of the Board

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Statement of Management Responsibility

18 April 2024

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 IFRS Accounting Standards as adopted by the European Union to give a true and fair view of the Group's assets, liabilities, financial position as at 31 December 2023, results of operations and cash flows for the year ended 31 December 2023.

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 18 April 2024 by:

Vladislavs Mejerčāls, Chairman of the Board

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Consolidated Financial Statements

Consolidated Statement of Profit and Loss and Other Comprehensive Income

| | | 2023 | 2022 |
|---|----|------------------|------------------|
| | | EUR | EUR |
| Interest revenue | 4 | 6 553 538 | 6 369 377 |
| Interest expense | 5 | (4 244 596) | (4 321 130) |
| Net interest income | | 2 308 942 | 2 048 247 |
| Income from car rent | 6 | 3 039 556 | 5 010 676 |
| Fee and commission related to finance lease activities and rent contracts | 7 | 129 497 | 304 193 |
| Impairment expense | 8 | (549 681) | (261 497) |
| Net gain from de-recognition of financial assets measured at amortized cost | 9 | 615 131 | 972 962 |
| Expenses related to peer-to-peer platforms services | 10 | (33 368) | (78 233) |
| Revenue from car sales | 11 | 5 273 972 | 3 499 816 |
| Cost of sales of cars | 11 | (5 161 105) | (3 942 070) |
| Selling expense | 12 | (121 012) | (216 317) |
| Administrative expense | 13 | (3 652 364) | (4 572 243) |
| Other operating income | 14 | 877 041 | 1 482 571 |
| Other operating expense | 15 | (258 164) | (393 225) |
| Net foreign exchange result | | 258 | (62 734) |
| Profit before tax | | 2 468 703 | 3 792 146 |
| Corporate income tax | | (6 922) | (8 427) |
| Net profit for the period | | 2 461 781 | 3 783 719 |

Other comprehensive income:

Items that may be reclassified subsequently to profit or loss:

| | | |
|--|------------------|------------------|
| Total comprehensive income for the year | 2 461 781 | 3 783 719 |
|--|------------------|------------------|

Profit is attributable to:

| | | |
|--------------------------------------|-----------|-----------|
| Equity holders of the Parent Company | 2 412 545 | 3 708 045 |
|--------------------------------------|-----------|-----------|

| | | |
|---------------------------|--------|--------|
| Non-controlling interests | 49 236 | 75 674 |
|---------------------------|--------|--------|

| | | |
|--------------------------------|------------------|------------------|
| Net profit for the year | 2 461 781 | 3 783 719 |
|--------------------------------|------------------|------------------|

Other comprehensive income is attributable to:

| | | |
|--------------------------------------|-----------|-----------|
| Equity holders of the Parent Company | 2 412 545 | 3 708 045 |
|--------------------------------------|-----------|-----------|

| | | |
|---------------------------|--------|--------|
| Non-controlling interests | 49 236 | 75 674 |
|---------------------------|--------|--------|

| | | |
|--|------------------|------------------|
| Comprehensive income for the year | 2 461 781 | 3 783 719 |
|--|------------------|------------------|

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

Signed on behalf of the Group on 18 April 2024 by:

Vladislavs Mejeriāls, Chairman of the Board

Laura Bunkša, Chief accountant

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Consolidated Statement of Financial Position

| ASSETS | | 31.12.2023. | 31.12.2022. |
|---|--------|-------------------|-------------------|
| NON-CURRENT ASSETS | | EUR | EUR |
| Intangible assets | | | |
| Other intangible assets | 16 | - | - |
| Total intangible assets | | - | - |
| Tangible assets | | | |
| Rental fleet | 17 | 2 429 492 | 7 781 771 |
| Right-of-use assets | 17, 18 | 701 602 | 753 253 |
| Property and equipment | 17 | 10 068 | 25 979 |
| Leasehold improvements | 17 | 919 | 1 989 |
| Total tangible assets | | 3 142 081 | 8 562 992 |
| Non-current financial assets and lease receivables | | | |
| Finance lease receivables | 19 | 1 743 838 | 1 699 997 |
| Loans and advances to customers | 20 | 2 153 018 | 1 370 742 |
| Loans to related parties | 35 | 30 911 118 | 39 744 773 |
| Sublease receivables from related parties | 21 | 583 543 | 614 170 |
| Trade receivables from related parties | 22 | 10 349 | 134 987 |
| Total non-current financial assets and lease receivables | | 35 401 866 | 43 564 669 |
| TOTAL NON-CURRENT ASSETS | | 38 543 947 | 52 127 661 |
| Receivables and other current assets | | | |
| Finance lease receivables | 19 | 230 560 | 331 371 |
| Loans and advances to customers | 20 | 286 069 | 413 455 |
| Loans to related parties | 35 | 5 202 120 | 85 187 |
| Sublease receivables from related parties | 21 | 204 761 | 160 407 |
| Trade receivables from related parties | 22 | 176 849 | 478 147 |
| Trade receivables | 24 | 111 741 | 241 218 |
| Prepaid expense | 23 | 64 806 | 135 907 |
| Other receivables | 25 | 224 058 | 28 102 |
| Contract assets | 26 | 404 249 | 512 567 |
| Cash and cash equivalents | 27 | 343 415 | 664 743 |
| Total receivables and other current assets | | 7 248 628 | 3 051 104 |
| TOTAL CURRENT ASSETS | | 7 248 628 | 3 051 104 |
| TOTAL ASSETS | | 45 792 575 | 55 178 765 |

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

Signed on behalf of the Group on 18 April 2024 by:

Vladislavs Mejertāls, Chairman of the Board
 Laura Bunkša, Chief accountant

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Consolidated Statement of Financial Position

| EQUITY AND LIABILITIES | | 31.12.2023. | 31.12.2022. |
|--|--------|-------------------|-------------------|
| | | EUR | EUR |
| EQUITY | | | |
| Share capital | 28 | 425 000 | 425 000 |
| Foreign currency translation reserve | 28 | 1 | 1 |
| Other reserves | 37 | (376 472) | (376 472) |
| Retained earnings | | 21 264 573 | 18 852 028 |
| brought forward | | 18 852 028 | 15 143 983 |
| for the period | | 2 412 545 | 3 708 045 |
| Total equity attributable to equity holders of the Parent Company | | 21 313 102 | 18 900 557 |
| Non-controlling interests | | 438 683 | 389 447 |
| TOTAL EQUITY | | 21 751 785 | 19 290 004 |
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Liabilities for issued debt securities | 30 | - | 28 886 905 |
| Funding attracted through peer-to-peer platforms | 30 | 1 649 297 | 1 538 227 |
| Lease liabilities for right-of-use assets | 30, 18 | 1 252 691 | 1 327 561 |
| Loans from related parties | 30 | 1 226 000 | - |
| Loan from banks | 30 | 17 902 | 1 599 999 |
| Total non-current liabilities | | 4 145 890 | 33 352 692 |
| Provisions for financial guarantees | 37 | 2 214 | 108 238 |
| Other provisions | 29 | 157 315 | 164 647 |
| Total provisions for liabilities and charges and financial guarantees | | 159 529 | 272 885 |
| Current liabilities | | | |
| Liabilities for issued debt securities | 30 | 17 605 018 | - |
| Funding attracted through peer-to-peer platforms | 30 | 793 560 | 341 751 |
| Loans from banks | 30 | 5 033 | 438 200 |
| Loans from related parties | 30 | 25 039 | - |
| Lease liabilities for right-of-use assets | 30, 18 | 361 107 | 341 305 |
| Prepayments and other payments received from customers | 31 | 111 088 | 244 020 |
| Payables to related companies | 35 | 138 408 | 3 904 |
| Trade payables | | 31 072 | 111 850 |
| Corporate income tax payable | | 4 265 | 6 021 |
| Taxes payable | 32 | 68 759 | 78 767 |
| Other liabilities | 33 | 311 988 | 404 776 |
| Accrued liabilities | 34 | 280 034 | 292 590 |
| Total current liabilities | | 19 735 371 | 2 263 184 |
| TOTAL LIABILITIES | | 24 040 790 | 35 888 761 |
| TOTAL EQUITY AND LIABILITIES | | 45 792 575 | 55 178 765 |

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

Signed on behalf of the Group on 18 April 2024 by:

Vladislavs Mejertāls, Chairman of the Board
 Laura Bunkša, Chief accountant

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Consolidated Statement of Changes in Equity

| | Share capital 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 01.01.2022. | 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 |
| Other comprehensive income | - | - | - | - | - | - | - |
| 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 |
| Balance at 01.01.2023. | 425 000 | 1 | (376 472) | 18 852 028 | 18 900 557 | 389 447 | 19 290 004 |
| Profit for the reporting year | - | - | - | 2 412 545 | 2 412 545 | 49 236 | 2 461 781 |
| Total comprehensive income for the period | - | - | - | 2 412 545 | 2 412 545 | 49 236 | 2 461 781 |
| Balance at 31.12.2023. | 425 000 | 1 | (376 472) | 21 264 573 | 21 313 102 | 438 683 | 21 751 785 |

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

Signed on behalf of the Group on 18 April 2024 by:

Vladislavs Mejerčāls, Chairman of the Board
 Laura Bunkša, Chief accountant

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Consolidated Statement of Cash Flows

| | | 2023 | 2022 |
|---|-----------|---------------------|--------------------|
| | | EUR | EUR |
| Cash flows to/from operating activities | | | |
| Profit before tax from continuing operations | | 2 461 781 | 3 783 719 |
| Adjustments for: | | | |
| Amortization and depreciation | 16, 17 | 1 290 810 | 1 972 256 |
| Interest expense | 5 | 4 244 596 | 4 321 130 |
| Interest income | 4 | (6 553 538) | (6 369 377) |
| Disposals of rental fleets | | (145 872) | 692 265 |
| Disposals of property, equipment and intangible assets | | 49 838 | 7 663 |
| Impairment expense | 8 | 611 576 | 261 497 |
| Financial guarantees | 37 | (105 766) | (524 077) |
| Rental fleet expected credit loss | 8 | (61 895) | (524 996) |
| Operating profit before working capital changes | | 1 791 529 | 3 620 080 |
| Decrease in finance lease receivables, loans and advances to customers, trade and other receivables | | (1 007 690) | 430 295 |
| Increase in advances received and trade payables and guarantees | | 11 736 | 1 161 067 |
| Cash generated to/from operations | | 795 575 | 5 211 442 |
| Interest received | | 4 136 948 | 4 526 745 |
| Interest paid | | (3 946 914) | (3 748 207) |
| Corporate income tax paid | | (8 678) | (8 916) |
| Net cash flows to/from operating activities | | 976 931 | 5 981 065 |
| Cash flows to/from investing activities | | | |
| Purchase of property and equipment and other intangible assets | 16, 17 | (147 290) | (203 728) |
| Purchase of rental fleets | 17 | (284 193) | (2 609 972) |
| Proceeds from sales of rental fleet | | 5 308 432 | 3 565 493 |
| Loan repayments received from related parties | | 50 242 655 | 23 447 000 |
| Loans to related parties | | (43 786 000) | (25 455 000) |
| Net cash flows to/from investing activities | | 11 333 606 | (1 256 207) |
| Cash flows to/from financing activities | | | |
| Proceeds from borrowings | 30 | 17 159 265 | 11 460 542 |
| Repayments for borrowings | 30 | (29 520 798) | (15 735 177) |
| Repayment of liabilities for right-of-use assets | 30 | (270 331) | (189 292) |
| Net cash flows to/from financing activities | | (12 631 865) | (4 463 927) |
| Change in cash | | (321 328) | 260 931 |
| Cash at the beginning of the year | | 664 743 | 403 812 |
| Cash at the end of the year | 27 | 343 415 | 664 743 |

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

Signed on behalf of the Group on 18 April 2024 by:

Vladislavs Mejertāls, 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 (38,1024%). 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 | |
|-------------|-------------------|---------------------|--------------------------|----------------------|-------------------|------|
| | | | | | 2023 | 2022 |
| "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. On 2 April 2024, "mogo" JSC made a bond repayment to existing bondholders. For additional information see (Note 30).

The Consolidated financial statements of 2023 have been approved by decision of the Board of Directors on 18 April 2024.

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 2023 are prepared in accordance with IFRS Accounting Standards as adopted by the European Union (hereinafter - IFRS).

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 2023 till 31 December 2023. 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) Changes in accounting policy disclosures and presentation

Adoption of new and revised standards and interpretations

New standards, interpretations and amendments adopted from 1 January 2023

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

•IFRS 17 Insurance Contracts;

•Disclosure of Accounting Policies (Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements);

•Definition of Accounting Estimates (Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors);

•Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12 Income Taxes); and

•International Tax Reform – Pillar Two Model Rules (Amendment to IAS 12 Income Taxes) (effective immediately upon the issue of the amendments and retrospectively).

These amendments to various IFRS Accounting Standards are mandatorily effective for reporting periods beginning on or after 1 January 2023. See the applicable notes for further details on how the amendments affected the Group.

IFRS 17 Insurance Contracts

IFRS 17 was issued by the IASB in 2017 and replaces IFRS 4 for annual reporting period beginning on or after 1 January 2023.

IFRS 17 introduces an internationally consistent approach to the accounting for insurance contracts. Prior to IFRS 17, significant diversity has existed worldwide relating to the accounting for and disclosure of insurance contracts, with IFRS 4 permitting many previous accounting approaches to be followed.

Since IFRS 17 applies to all insurance contracts issued by an entity (with limited scope exclusions), its adoption may have an effect on non-insurers such as A Layout Company. Group carried out an assessment of its contracts and operations and concluded that the adoption of IFRS 17 has had no effect on the annual consolidated financial statements of the Group.

Disclosure of Accounting Policies (Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements).

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2. The amendments aim to make accounting policy disclosures more informative by replacing the requirement to disclose 'significant accounting policies' with 'material accounting policy information'. The amendments also provide guidance under what circumstance, the accounting policy information is likely to be considered material and therefore requiring disclosure.

These amendments have no effect on the measurement or presentation of any items in the Consolidated financial statements of the Group but affect the disclosure of accounting policies of the Group.

Definition of Accounting Estimates (Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors)

The amendments to IAS 8, which added the definition of accounting estimates, clarify that the effects of a change in an input or measurement technique are changes in accounting estimates, unless resulting from the correction of prior period errors. These amendments clarify how entities make the distinction between changes in accounting estimate, changes in accounting policy and prior period errors.

These amendments had no effect on the consolidated financial statements of the Group.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12 Income Taxes)

In May 2021, the IASB issued amendments to IAS 12, which clarify whether the initial recognition exemption applies to certain transactions that result in both an asset and a liability being recognised simultaneously (e.g. a lease in the scope of IFRS 16). The amendments introduce an additional criterion for the initial recognition exemption, whereby the exemption does not apply to the initial recognition of an asset or liability which at the time of the transaction, gives rise to equal taxable and deductible temporary differences.

These amendments had no effect on the annual consolidated financial statements of the Group.

International Tax Reform – Pillar Two Model Rules (Amendment to IAS 12 Income Taxes)

In December 2021, the Organisation for Economic Co-operation and Development (OECD) released a draft legislative framework for a global minimum tax that is expected to be used by individual jurisdictions. The goal of the framework is to reduce the shifting of profit from one jurisdiction to another in order to reduce global tax obligations in corporate structures. In March 2022, the OECD released detailed technical guidance on Pillar Two of the rules.

Stakeholders raised concerns with the IASB about the potential implications on income tax accounting, especially accounting for deferred taxes, arising from the Pillar Two model rules. The IASB issued the final Amendments (the Amendments) International Tax Reform – Pillar Two Model Rules, in response to stakeholder concerns on 23 May 2023.

The Amendments introduce a mandatory exception to entities from the recognition and disclosure of information about deferred tax assets and liabilities related to Pillar Two model rules. The exception is effective immediately and retrospectively. The Amendments also provide for additional disclosure requirements with respect to an entity's exposure to Pillar Two income taxes.

Management of A Layout has determined that the Group is not within the scope of OECD's Pillar Two Model Rules and the exception to the recognition and disclosure of information about deferred tax assets and liabilities related to Pillar Two income taxes is not applicable to the Group.

c) 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 2024:

• Liability in a Sale and Leaseback (Amendments to IFRS 16 Leases);

• Classification of Liabilities as Current or Non-Current (Amendments to IAS 1 Presentation of Financial Statements);

• Non-current Liabilities with Covenants (Amendments to IAS 1 Presentation of Financial Statements); and

• Supplier Finance Arrangements (Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures)

The following amendments are effective for the period beginning 1 January 2025:

Lack of Exchangeability (Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates).

Group is currently assessing the impact of these new accounting standards and amendments. 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. Group does not expect any other standards issued by the IASB, but are yet to be effective, to have a material impact on the Group.

2. Summary of significant accounting policies (continued)

d) Significant accounting policies

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Parent company ("mogo" JSC) and its subsidiary as at 31 December 2023. The financial statements of "Renti" JSC are prepared for the same reporting period as for the Parent company, using consistent accounting policies.

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

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

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

If the Group loses control over a subsidiary, it:

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

Business combinations

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

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

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

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

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

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)

d) 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 recognition and measurement

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)

d) 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 2023 or 2022.

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)

d) 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)

d) 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)

d) 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 Group may choose to use actual balance instead of EAD and do not apply DDV for the segments with the elevated credit risk.

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

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

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 2023 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)

d) 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)

d) 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)

d) Significant accounting policies (continued)

Finance lease – Group as lessor (continued)

Initial measurement

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

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

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

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

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

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

Subsequent measurement

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

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

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

d) Significant accounting policies (continued)

Right-of-use assets

Initial recognition

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

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

Subsequent measurement

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

Group involvement with the underlying asset before the commencement date

If the Group incurs costs relating to the construction or design of an underlying asset, the lessee accounts for those costs applying other IFRS, such as IAS 16. Costs relating to the construction or design of an underlying asset do not include payments made by the lessee for the right to use the underlying asset. Group applies IAS 36 to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

Initial recognition exemptions applied

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

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

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

- (a) Short term leases

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

- (b) Leases of low-value assets

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

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

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 of 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)

d) 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)

d) 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)

d) 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 2023 and 2022 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)

d) 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.

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 2023 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 2023 the Group had no contract liabilities in its consolidated statement of financial position.

2. Summary of significant accounting policies (continued)

d) 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.

According to amendments to the CIT Law adopted in 2024, credit institutions and consumer credit providers have pay an annual corporate income tax surcharge of 20%, which is calculated on the basis of their financial data of pre-taxation year. In essence, the tax surcharge is an advance payment that will be taken into account for an unlimited period in calculating the tax payable on distributions of dividends. The CIT surcharge is recognised in the income statement in the financial year, and as a tax liability of the current period for the reporting period payable to the tax administration in 2024. Only "mogo" JSC is a subject to the CIT surcharge.

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 following conditions 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 (FVLCD)- for assets with inactive lease agreements.

VIU is the present value of the future cash flows expected to be derived from an asset or cash-generating unit, both from its continuing use and ultimate disposal. In assessing VIU, the estimated future cash flows are discounted to their present value using a weighted average cost of capital (WACC) rate which is 13.52%. In measuring VIU the Group bases its cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset.

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 FVLCO method. Assumptions applied for determination of the FVLCO of assets are based on making a reliable estimate of the price at which a transaction to sell the asset would take place between market participants at the measurement date under current market conditions and on available data from historical sales transactions. 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 2023 and 2022 the Group recognised impairment of rental fleet see Note 17. Sensitivity 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 Group's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include Probability of Default and Loss Given Default, judgment is applied also when determining significant increase in credit risk.

The Probability of Default (PD)

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

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

The Group uses 12 months continuous horizon window (or smaller if actual lifetime of the product is shorter or if representative historical data is available for a shorter period), and estimation over lifetime is defined as n th 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 n th power of 6 months matrix. The approach improves consistency of PD calculations, i.e., accounted for 6 months seasonality effect and smoothed 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 2023.

Result of the macro model is then applied to stage 1 PDs for each month close starting from December 2022. Macro outlook is updated in a consistent manner once per quarter; thus, the macro model is expected to be updated once per quarter in 2024.

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 2023 impairment purposes 92.5% (31.12.2022.: 90.4%) 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 2023, 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.

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

ECL determination for subsequent measurement

For the purposes of FV estimation the Group is using the ultimate parent Group's Eleving Group S.A. credit rating as determined by credit rating agency Fitch Ratings.

Since initial recognition the Group has assessed that that ultimate parent's credit risk has not increased and guarantee liability is therefore considered as Stage 1 exposure.

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

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

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

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

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

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

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

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.

4. Interest revenue

| | 2023 | 2022 |
|--|------------------|------------------|
| | EUR | EUR |
| Interest income from finance lease receivables | 574 215 | 763 686 |
| Interest income from intercompany loans calculated | 5 331 911 | 4 697 586 |
| Interest income from loans and advances to customers | 621 587 | 896 456 |
| Interest income from right-of-use vehicle | 24 608 | 11 649 |
| Other interest income | 1 217 | - |
| TOTAL: | 6 553 538 | 6 369 377 |

5. Interest expense

| | 2023 | 2022 |
|---|------------------|------------------|
| | EUR | EUR |
| <i>Interest expenses on financial liabilities measured at amortized cost:</i> | | |
| Interest expense on issued bonds | 3 696 204 | 3 605 030 |
| Interest expenses for loans from P2P platform investors | 300 110 | 443 993 |
| Interest expenses for lease liabilities | 145 484 | 86 197 |
| Interest expenses for loans from banks | 34 559 | 170 620 |
| Other interest expenses for loans from related parties | 68 239 | 15 290 |
| TOTAL: | 4 244 596 | 4 321 130 |

During the financial year, the Group has successfully continued financing using peer-to-peer platforms. The interest expense from 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

| | 2023 | 2022 |
|-------------------------------|------------------|------------------|
| | EUR | EUR |
| Revenue from operating lease* | 3 039 556 | 5 010 676 |
| TOTAL: | 3 039 556 | 5 010 676 |

* In June 2023 "Renti" JSC signed the sale contract of the car subscription product Renti plus and in July has sold all portfolio, which comprised of more than 100 vehicles as well as its active Renti plus customer portfolio. The transaction resulted with decrease in revenue from operating lease. 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

| | 2023 | 2022 |
|--|-----------------|-----------------|
| | EUR | EUR |
| <i>Revenue from contracts with customers recognised point in time:</i> | | |
| Gross income from debt collection activities | 72 617 | 120 346 |
| Gross expenses from debt collection activities | (103 961) | (190 709) |
| Net debt collection income: | (31 344) | (70 363) |
| Income from penalties received | 129 048 | 243 554 |
| Commissions income | 1 012 | 602 |
| Commissions and fees income from rent contracts* | 30 781 | 130 400 |
| TOTAL: | 129 497 | 304 193 |

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

8. Impairment expense

| | 2023 | 2022 |
|---|----------------|----------------|
| | EUR | EUR |
| Change in impairment in finance lease (see Note 19) | 167 214 | 26 034 |
| Change in impairment in loans and advances to customers (see Note 20) | 229 725 | (244 028) |
| Change in impairment in rental fleet (Note 17) | (61 895) | (524 996) |
| Change in impairment in rent receivables (Note 24) | (37 966) | (219 343) |
| Written off rental fleet | 134 682 | 315 798 |
| Written off debts | 117 921 | 908 032 |
| TOTAL impairment expenses: | 549 681 | 261 497 |

9. Net gain from de-recognition of financial assets measured at amortized cost

| | 2023 | 2022 |
|---|-----------------------|-----------------|
| | EUR | EUR |
| Financial lease | | |
| Income arising from cession of financial lease receivables to related parties | 1 605 932 | 2 200 814 |
| Loss arising from cession of financial lease receivables to related parties | (1 204 922) | (1 726 480) |
| TOTAL: | 401 010 | 474 334 |
| Financial lease | | |
| Income arising from cession of financial lease receivables to non related parties | 85 325 | 94 103 |
| Loss arising from cession of financial lease receivables to non related parties | (63 558) | (96 466) |
| TOTAL: | 21 767 | (2 363) |
| Loans and advances to customers | | |
| Income arising from cession of loans and advances to customers receivables to related parties | 1 008 330 | 2 264 855 |
| Loss arising from cession of loans and advances to customers receivables to related parties | (807 984) | (1 847 326) |
| TOTAL: | 200 346 | 417 529 |
| Loans and advances to customers | | |
| Income arising from cession of loans and advances to customers receivables to non related parties | 35 261 | 24 073 |
| Loss arising from cession of loans and advances to customers receivables to non related parties | (43 560) | (53 406) |
| TOTAL: | (8 299) | (29 333) |
| Receivables from rent contracts | | |
| Income arising from cession of customers receivables to non related parties | 54 653 | 244 099 |
| Loss arising from cession of customers receivables to non related parties | (54 346) | (131 304) |
| TOTAL: | 307 | 112 795 |
| Net gain/ (loss) arising from cession of financial lease and loans, advances to customers receivables and rent contracts | TOTAL: 615 131 | 972 962 |

During 2023 and 2022 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

| | 2023 | 2022 |
|------------------------------------|---------------|---------------|
| | EUR | EUR |
| Service fee for using P2P platform | 33 368 | 78 233 |
| TOTAL: | 33 368 | 78 233 |

11. Revenue from car sales

| | 2023 | 2022 |
|--|------------------|------------------|
| | EUR | EUR |
| Revenue from contracts with customers recognized point in time: | | |
| Income from sale of vehicles | 5 273 972 | 3 499 816 |
| TOTAL: | 5 273 972 | 3 499 816 |

In June 2023 "Renti" JSC signed the sale contract of the car subscription product Renti plus and in July has sold all portfolio, which comprised of more than 100 vehicles.

| | 2023 | 2022 |
|---|--------------------|--------------------|
| | EUR | EUR |
| Expenses from contracts with customers recognized point in time: | | |
| Expenses from sale of vehicles | (5 161 105) | (3 942 070) |
| TOTAL: | (5 161 105) | (3 942 070) |
| Total Net revenue/(loss) from contracts with customers recognized point in time: | 112 867 | (442 254) |

Net result from sales is profit in 2023 and loss in 2022.

12. Selling expense

| | 2023 | 2022 |
|--|----------------|----------------|
| | EUR | EUR |
| TV and radio marketing expenses | 1 225 | 40 866 |
| Marketing services (include out-of-home advertising) | 78 207 | 85 760 |
| Online advertising | 24 985 | 74 790 |
| Total marketing expenses | 104 417 | 201 416 |
| Other selling expenses | 16 595 | 14 901 |
| TOTAL: | 121 012 | 216 317 |

13. Administrative expense

| | 2023 | 2022 |
|---|------------------|------------------|
| | EUR | EUR |
| Employees' salaries | 832 777 | 1 247 078 |
| Amortization and depreciation | 1 290 810 | 1 972 392 |
| Management fee | 985 645 | 897 590 |
| Professional services* | 113 666 | 91 218 |
| Credit database expenses | 39 897 | 48 681 |
| Donations | 4 655 | - |
| IT services | 111 602 | 101 457 |
| Office and branches' maintenance expenses | 88 383 | 83 680 |
| Recruitment fees | 1 222 | 14 379 |
| Communication expenses | 13 124 | 14 276 |
| Other personnel expenses | 31 763 | 27 103 |
| Bank commissions | 40 682 | 22 941 |
| Other administration expenses | 98 138 | 51 448 |
| TOTAL: | 3 652 364 | 4 572 243 |

*Audit fees for the Group's entities' 2023 financial statements audit amounts to 64 700 EUR, the Parent Company - 39 900 EUR (2022: EUR 75 250; the Parent Company – 46 000 EUR).

Key management personnel compensation

| | 2023 | 2022 |
|---------------------------------------|---------------|----------------|
| | EUR | EUR |
| Board and Council Members | | |
| Remuneration | 68 827 | 154 774 |
| Social security contribution expenses | 15 967 | 36 511 |
| TOTAL: | 84 793 | 191 285 |

There are no outstanding balances as of 31 December 2023 with members of the Group's Management Board members (none at 31 December 2022). 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

| | 2023 | 2022 |
|--|----------------|------------------|
| | EUR | EUR |
| Commission for client acquisition* | 332 782 | 517 763 |
| Income from service fee | 282 448 | 219 599 |
| Income recognised from amortization of financial guarantee (Note 37) | 105 766 | 524 077 |
| Revenue from sublease | 28 608 | 36 366 |
| Revenue from OCTA commissions | 40 737 | 58 368 |
| Profit from sale of subsidiary | - | 600 |
| Income from disposal of the rights of use assets (Note 18) | 2 207 | - |
| Other operating income | 84 493 | 125 798 |
| TOTAL: | 877 041 | 1 482 571 |

*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 *

| | 2023 | 2022 |
|---|-----------|-----------|
| | EUR | EUR |
| Gross income from transactions with related parties | 261 326 | 647 529 |
| Gross expenses transactions with related parties | (261 326) | (647 529) |
| 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

| | 2023 | 2022 |
|---------------------------------|----------------|----------------|
| | EUR | EUR |
| Penalty fees | 33 454 | 24 897 |
| Rental fleet maintenance costs* | 200 512 | 290 303 |
| Other operating expenses | 24 198 | 78 025 |
| TOTAL: | 258 164 | 393 225 |

*Expenses are related to the maintenance of the Group company "Renti" JSC 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 | 38 670 | 65 800 | 104 470 |
| Accumulated amortization | (38 670) | (65 800) | (104 470) |
| As at 1 January 2022 | - | - | - |
| 2022 | | | |
| Additions | - | - | - |
| Reclassification | 10 162 | (10 162) | - |
| Amortization charge | - | - | - |
| Disposals (amortization) | - | - | - |
| Reclassification | (10 162) | 10 162 | - |
| Cost | 48 832 | 55 638 | 104 470 |
| Accumulated amortization | (48 832) | (55 638) | (104 470) |
| As at 31 December 2022 | - | - | - |
| 2023 | | | |
| Additions | - | - | - |
| Disposals (cost) | - | - | - |
| Amortization charge | - | - | - |
| Cost | 48 832 | 55 638 | 104 470 |
| Accumulated amortization | (48 832) | (55 638) | (104 470) |
| As at 31 December 2023 | - | - | - |

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 | 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 1 January 2022 | 10 699 741 | 50 925 | 3 804 | 707 505 | 11 461 975 |
| 2022 | | | | | |
| Additions | 2 609 973 | 330 | - | 203 397 | 2 813 700 |
| Disposals (cost) | (5 953 023) | (989) | - | (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 | 11 649 896 | 210 584 | 19 283 | 1 105 937 | 12 985 700 |
| Accumulated depreciation and impairment | (3 868 125) | (184 605) | (17 294) | (352 684) | (4 422 708) |
| As at 31 December 2022 | 7 781 771 | 25 979 | 1 989 | 753 253 | 8 562 992 |
| 2023 | | | | | |
| Additions | 873 111 | - | - | 147 290 | 1 020 401 |
| Disposals (cost) | (7 159 510) | (23 665) | - | (248 588) | (7 431 763) |
| Depreciation charge | (1 124 725) | (15 912) | (1 070) | (149 103) | (1 290 810) |
| Disposals (depreciation) | 1 996 951 | 23 665 | - | 198 750 | 2 219 366 |
| Impairment | 61 895 | - | - | - | 61 895 |
| Cost | 5 363 497 | 186 919 | 19 283 | 1 004 639 | 6 574 338 |
| Accumulated depreciation and impairment | (2 934 004) | (176 852) | (18 364) | (303 037) | (3 432 257) |
| As at 31 December 2023 | 2 429 493 | 10 067 | 919 | 701 602 | 3 142 081 |

Impairment test of non-financial assets (rental fleet)

As of 31 December 2023, 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 generating the profit.

Out of total rental fleet with the acquisition cost of EUR 5 363 496, impairment was identified for the total rental fleet with a acquisition cost of EUR 430 811. For those cars recoverable amount is estimated to EUR 128 866. The recoverable amount was estimated based on the value in use method discounting the cash-flow using a WACC of 12.6%. The cash-flow was projected based on rental agreements probabilities of default and early repayments. As a result, impairment loss was recognized in amount of EUR 75 398, demonstrating the reduction of 61 895 from the result at 31.12.2022. For the remaining rental fleet with the acquisition value of EUR 4 932 685, the recoverable amount was estimated as EUR 1 420 354.

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%, all other assumptions remaining the same including the rental income, acquisition cost would increase to EUR 546 116 and the recoverable amount of impaired assets would equal to EUR 178 637, additional impairment of EUR 1 580 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:

| | 31.12.2023. | 31.12.2022. |
|---|------------------|------------------|
| | EUR | EUR |
| ASSETS | | |
| Non-current assets | | |
| Right-of-use assets - premises | 701 602 | 753 253 |
| TOTAL: | 701 602 | 753 253 |
| EQUITY AND LIABILITIES | | |
| Non-current liabilities | | |
| Lease liabilities for right-of-use assets | 1 252 692 | 1 327 561 |
| Current liabilities | | |
| Lease liabilities for right-of-use assets | 361 108 | 341 305 |
| TOTAL: | 1 613 800 | 1 668 866 |
| Leases in the statement of comprehensive income | | |
| | 2023 | 2022 |
| | EUR | EUR |
| Depreciation of right-of-use assets - premises (Note 17) | (149 104) | (150 231) |
| <i>Other income</i> | | |
| Disposal (expenses)/income from cancellation of right-of-use assets (Note 15) | 2 207 | - |
| <i>Net finance costs</i> | | |
| Interest expense for right-of-use premises | (26 381) | (23 201) |
| Total expenses from leases | (173 278) | (173 432) |

The weighted average borrowing rate for lease liabilities in 2023 was 2.73% (2022: 2.73%.)

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, 2023. 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.

| | 2023 | | | | 2022 |
|----------------------------------|------------------|----------------|----------------|------------------|------------------|
| | EUR | EUR | EUR | EUR | EUR |
| | Stage 1 | Stage 2 | Stage 3 | Total | Total |
| Finance lease receivables | | | | | |
| Not past due | 1 764 590 | 56 511 | 5 962 | 1 827 063 | 1 862 426 |
| 1-30 | 185 840 | 59 604 | 2 836 | 248 280 | 198 507 |
| 31-60 | - | 27 654 | 28 108 | 55 762 | 28 993 |
| >60 | - | - | 273 962 | 273 962 | 457 311 |
| TOTAL, GROSS: | 1 950 430 | 143 768 | 310 868 | 2 405 067 | 2 547 238 |

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

| | 2023 | | | |
|----------------------------------|------------------|----------------|----------------|------------------|
| | EUR | EUR | EUR | EUR |
| | Stage 1 | Stage 2 | Stage 3 | Total |
| Finance lease receivables | | | | |
| Balance at 1 January | 1 951 121 | 95 643 | 500 474 | 2 547 238 |
| Transfer to Stage 1 | 35 118 | (29 310) | (5 808) | - |
| Transfer to Stage 2 | (82 154) | 82 154 | - | - |
| Transfer to Stage 3 | (53 302) | (9 814) | 63 116 | - |
| New financial assets acquired | 1 803 282 | 118 380 | 108 787 | 2 030 449 |
| Receivables settled | (79 998) | (8 210) | (9 201) | (97 409) |
| Bad debts written off | - | - | (26 632) | (26 632) |
| Receivables written off | (1 216 539) | (34 698) | (213 007) | (1 464 245) |
| Receivables partially settled | (407 099) | (70 375) | (106 860) | (584 334) |
| Balance at 31 December | 1 950 430 | 143 768 | 310 868 | 2 405 067 |

19. Finance Lease Receivables (continued)

| | 2022 | | | |
|----------------------------------|------------------|----------------|----------------|------------------|
| | EUR Stage 1 | EUR Stage 2 | EUR Stage 3 | EUR Total |
| Finance lease receivables | | | | |
| 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 |

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.

| | 2022 | | | |
|---|----------------|----------------|----------------|----------------|
| | EUR Stage 1 | EUR Stage 2 | EUR Stage 3 | EUR Total |
| Impairment allowance | | | | |
| Balance at 1 January | 52 445 | 16 768 | 371 772 | 440 985 |
| Transfer to Stage 1 | 6 891 | (4 594) | (2 297) | - |
| Transfer to Stage 2 | (3 194) | 3 194 | - | - |
| Transfer to Stage 3 | (1 364) | (1 519) | 2 882 | - |
| Impairment for new financial assets acquired | 54 076 | 22 602 | 71 212 | 147 891 |
| Reversed impairment for settled receivables | (2 049) | (1 346) | (4 090) | (7 485) |
| Bad debts written off | - | - | (24 461) | (24 461) |
| Reversed impairment for written off receivables | (56 755) | (19 540) | (180 049) | (256 345) |
| Net remeasurement of loss allowance | 11 166 | 11 474 | 28 629 | 51 269 |
| Balance at 31 December | 61 217 | 27 039 | 263 599 | 351 854 |

| | 2022 | | | |
|---|----------------|----------------|----------------|----------------|
| | EUR Stage 1 | EUR Stage 2 | EUR Stage 3 | EUR Total |
| Impairment allowance | | | | |
| 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 |

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 | 31.12.2023. | 31.12.2023. | 31.12.2022. | 31.12.2022. |
| Stage 1 | 1 950 430 | 81% | 1 951 121 | 76% |
| Stage 2 | 143 768 | 6% | 95 643 | 4% |
| Stage 3 | 310 868 | 13% | 500 474 | 20% |
| TOTAL, GROSS: | 2 405 067 | 100% | 2 547 238 | 100% |

| | Minimum lease payments | | Change during the period | | Minimum lease payments | |
|----------------------------------|------------------------|------------------|--------------------------|---|------------------------|------------------|
| | EUR | EUR | EUR | % | EUR | EUR |
| Finance lease receivables | 31.12.2023. | | | | | 31.12.2022. |
| Stage 1 | 1 950 430 | (691) | 0% | | | 1 951 121 |
| Stage 2 | 143 768 | 48 126 | 50% | | | 95 643 |
| Stage 3 | 310 868 | (189 606) | -38% | | | 500 474 |
| TOTAL, GROSS: | 2 405 067 | (142 171) | -6% | | | 2 547 238 |

19. Finance Lease Receivables (continued)

| | Impairment allowance | | | |
|--|----------------------|-------------|----------------|-------------|
| | EUR | % | EUR | % |
| <i>Impairment allowance on finance lease receivables</i> | 31.12.2023. | 31.12.2023. | 31.12.2022. | 31.12.2022. |
| Stage 1 | 61 217 | 17% | 52 445 | 12% |
| Stage 2 | 27 039 | 8% | 16 768 | 4% |
| Stage 3 | 263 599 | 75% | 371 772 | 84% |
| TOTAL, ALLOWANCE: | 351 854 | 100% | 440 985 | 100% |

| | Impairment allowance | | Change during the period | | Impairment allowance |
|--|----------------------|-----|--------------------------|-------------|----------------------|
| | EUR | % | EUR | % | |
| <i>Impairment allowance on finance lease receivables</i> | 31.12.2023. | | | | 31.12.2022. |
| Stage 1 | 61 217 | 17% | 8 772 | 17% | 52 445 |
| Stage 2 | 27 039 | 8% | 10 270 | 61% | 16 768 |
| Stage 3 | 263 599 | 75% | (108 174) | -29% | 371 772 |
| TOTAL, ALLOWANCE: | 351 854 | | (89 131) | -20% | 440 985 |

| | Minimum lease payments | Present value of minimum lease payments | Minimum lease payments | Present value of minimum lease payments |
|----------------------------------|------------------------|---|------------------------|---|
| | EUR | EUR | EUR | EUR |
| <i>Finance lease receivables</i> | 31.12.2023. | 31.12.2023. | 31.12.2022. | 31.12.2022. |
| Up to one year | 1 071 813 | 533 162 | 1 258 250 | 736 616 |
| Years 2 through 5 combined | 2 708 892 | 1 327 036 | 2 778 253 | 1 420 813 |
| More than 5 years | 662 396 | 544 869 | 525 987 | 389 809 |
| TOTAL, GROSS: | 4 443 100 | 2 405 067 | 4 562 490 | 2 547 238 |

| | 31.12.2023. | 31.12.2022. |
|--------------------------------|------------------|------------------|
| | EUR | EUR |
| <i>Unearned finance income</i> | | |
| Up to one year | 538 651 | 521 634 |
| Years 2 through 5 combined | 1 381 856 | 1 357 440 |
| More than 5 years | 117 527 | 136 176 |
| TOTAL, GROSS: | 2 038 033 | 2 015 250 |

| | 31.12.2023. | 31.12.2022. |
|---------------------------------------|------------------|------------------|
| | EUR | EUR |
| <i>Finance lease receivables</i> | | |
| Non-current finance lease receivables | 1 871 905 | 1 810 622 |
| Current finance lease receivables | 480 797 | 680 133 |
| Accrued interest | 52 365 | 56 483 |
| TOTAL, GROSS: | 2 405 067 | 2 547 238 |

| | 31.12.2023. | 31.12.2022. |
|---|----------------|----------------|
| | EUR | EUR |
| <i>Movement in impairment allowance</i> | | |
| Impairment allowance as at 01 January | 440 985 | 414 952 |
| Impairment loss recognized during the year | 167 214 | 312 635 |
| Elimination of impairment allowance due to cession of receivables | (256 345) | (286 602) |
| Impairment allowance as at 31 December | 351 854 | 440 985 |

| | Non-Current | Current | Non-Current | Current |
|--|------------------|----------------|------------------|----------------|
| | 31.12.2023. | 31.12.2023. | 31.12.2022. | 31.12.2022. |
| <i>Finance lease receivables, net</i> | EUR | EUR | EUR | EUR |
| Finance lease receivables | 1 871 905 | 480 797 | 1 810 623 | 680 132 |
| Accrued interest | - | 52 365 | - | 56 482 |
| Fees paid and received upon lease disbursement | (62 708) | (16 106) | (54 438) | (20 446) |
| Impairment allowance | (65 359) | (286 496) | (56 188) | (384 797) |
| | 1 743 838 | 230 560 | 1 699 997 | 331 371 |

As of 31 December 2023 part of the gross finance lease portfolio in the amount of EUR 163 966 was pledged in favour of the JSC Citadele bank as collateral for the credit line (31 December 2022: EUR 151 403).

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.

| | 2023 | | | | 2022 |
|--|------------------|----------------|----------------|------------------|------------------|
| | EUR | EUR | EUR | EUR | EUR |
| | Stage 1 | Stage 2 | Stage 3 | Total | Total |
| Loans and advances to customers | | | | | |
| Not past due | 2 231 550 | 34 644 | 6 037 | 2 272 231 | 1 582 249 |
| 1-30 | 275 221 | 59 257 | 198 | 334 676 | 232 506 |
| 31-60 | - | 51 546 | 7 240 | 58 787 | 45 854 |
| >60 | - | - | 411 210 | 411 210 | 557 652 |
| TOTAL, GROSS: | 2 506 771 | 145 447 | 424 684 | 3 076 902 | 2 418 261 |

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:

| | 2023 | | | |
|--|------------------|----------------|----------------|------------------|
| | EUR | EUR | EUR | EUR |
| | Stage 1 | Stage 2 | Stage 3 | Total |
| Loans and advances to customers | | | | |
| Balance at 1 January | 1 635 352 | 143 313 | 639 596 | 2 418 262 |
| Transfer to Stage 1 | 32 409 | (32 409) | - | - |
| Transfer to Stage 2 | (61 105) | 61 105 | - | - |
| Transfer to Stage 3 | (60 760) | (16 144) | 76 904 | - |
| New financial assets acquired | 2 339 254 | 93 386 | 168 626 | 2 601 266 |
| Receivables settled | (126 266) | (13 848) | (11 362) | (151 476) |
| Bad debts written off | - | - | (59 802) | (59 802) |
| Receivables written off | (814 386) | (26 734) | (283 767) | (1 124 887) |
| Receivables partially settled | (437 726) | (63 223) | (105 511) | (606 460) |
| Balance at 31 December 2023 | 2 506 771 | 145 447 | 424 684 | 3 076 903 |

| | 2022 | | | |
|--|------------------|----------------|----------------|------------------|
| | EUR | EUR | EUR | EUR |
| | Stage 1 | Stage 2 | Stage 3 | Total |
| Loans and advances to customers | | | | |
| 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) | - |
| 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 |

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)

| | 2023 | | | |
|---|----------------|---------------|----------------|----------------|
| | EUR | EUR | EUR | EUR |
| | Stage 1 | Stage 2 | Stage 3 | Total |
| Impairment allowance | | | | |
| Balance at 1 January | 46 607 | 23 642 | 508 971 | 579 220 |
| Transfer to Stage 1 | 5 617 | (5 617) | - | - |
| Transfer to Stage 2 | (2 483) | 2 483 | - | - |
| Transfer to Stage 3 | (2 161) | (2 604) | 4 765 | - |
| Impairment for new financial assets acquired | 95 106 | 29 189 | 125 304 | 249 600 |
| Bad debts written off | - | - | (58 925) | (58 925) |
| Reversed impairment for settled receivables | (3 268) | (2 147) | (6 853) | (12 269) |
| Reversed impairment for written off receivables | (25 598) | (13 704) | (252 545) | (291 847) |
| Net remeasurement of loss allowance | (7 734) | 7 808 | 51 244 | 51 318 |
| Balance at 31 December 2023 | 106 086 | 39 051 | 371 961 | 517 098 |

| | 2022 | | | |
|---|---------------|---------------|----------------|----------------|
| | EUR | EUR | EUR | EUR |
| | Stage 1 | Stage 2 | Stage 3 | Total |
| Impairment allowance | | | | |
| 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 |

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 | 31.12.2023. | 31.12.2023. | 31.12.2022. | 31.12.2022. |
| Stage 1 | 2 506 771 | 81% | 1 635 352 | 68% |
| Stage 2 | 145 447 | 5% | 143 313 | 6% |
| Stage 3 | 424 684 | 14% | 639 596 | 26% |
| TOTAL, GROSS: | 3 076 902 | 100% | 2 418 262 | 100% |

| | EUR | Change during the period | | EUR |
|--|------------------|--------------------------|------------|------------------|
| | | EUR | % | |
| Loans and advances to customers | 31.12.2023. | | | 31.12.2022. |
| Stage 1 | 2 506 771 | 871 419 | 53% | 1 635 352 |
| Stage 2 | 145 447 | 2 134 | 1% | 143 313 |
| Stage 3 | 424 684 | (214 912) | -34% | 639 596 |
| TOTAL, GROSS: | 3 076 902 | 658 641 | 27% | 2 418 262 |

20. Loans and advances to customers (continued)

| | Impairment allowance | | | |
|--|----------------------|------------------|--------------------|------------------|
| | EUR 31.12.2023. | % 31.12.2023. | EUR 31.12.2022. | % 31.12.2022. |
| Impairment allowance on loans and advances to customers | | | | |
| Stage 1 | 106 086 | 21% | 46 607 | 8% |
| Stage 2 | 39 051 | 8% | 23 642 | 4% |
| Stage 3 | 371 961 | 72% | 508 971 | 88% |
| TOTAL, ALLOWANCE: | 517 098 | 100% | 579 220 | 100% |

| | Impairment allowance | | Change during the period | | Impairment allowance |
|--|----------------------|-----|--------------------------|-------------|----------------------|
| | EUR 31.12.2023. | % | EUR | % | |
| Impairment allowance on loans and advances to customers | | | | | |
| Stage 1 | 106 086 | 21% | 59 479 | 128% | 46 607 |
| Stage 2 | 39 051 | 8% | 15 408 | 65% | 23 642 |
| Stage 3 | 371 961 | 72% | (137 010) | -27% | 508 971 |
| TOTAL, ALLOWANCE: | 517 098 | | (62 122) | -11% | 579 220 |

| | Minimum loan payments | Present value of minimum loan payments | Minimum loan payments | Present value of minimum loan payments |
|--|-----------------------|--|-----------------------|--|
| | EUR 31.12.2023. | EUR 31.12.2023. | EUR 31.12.2022. | EUR 31.12.2022. |
| Loans and advances to customers | | | | |
| Up to one year | 1 435 835 | 768 433 | 1 399 374 | 962 204 |
| Years 2 through 5 combined | 3 256 540 | 1 751 086 | 2 250 904 | 1 274 318 |
| More than 5 years | 1 114 768 | 557 384 | 273 623 | 181 740 |
| TOTAL, GROSS: | 5 807 143 | 3 076 903 | 3 923 901 | 2 418 262 |

| | Unearned finance income | |
|----------------------------|-------------------------|--------------------|
| | 31.12.2023. EUR | 31.12.2022. EUR |
| Up to one year | 667 402 | 437 170 |
| Years 2 through 5 combined | 1 505 454 | 976 586 |
| More than 5 years | 557 384 | 91 883 |
| TOTAL, GROSS: | 2 730 240 | 1 505 639 |

| | Loans and advances to customers | |
|---|---------------------------------|------------------|
| | EUR | EUR |
| Non-current loans and advances to customers | 2 308 469 | 1 456 058 |
| Current loans and advances to customers | 688 715 | 896 587 |
| Accrued interest | 79 719 | 65 617 |
| TOTAL, GROSS: | 3 076 903 | 2 418 262 |

| | Movement in impairment allowance | |
|---|----------------------------------|--------------------|
| | 31.12.2023. EUR | 31.12.2022. EUR |
| Impairment allowance as at 01 January | 579 220 | 823 248 |
| Impairment loss recognized during the year | 229 725 | (128 344) |
| Elimination of impairment allowance due to cession of receivables | (291 847) | (115 684) |
| Impairment allowance as at 31 December | 517 098 | 579 220 |

| | Non-Current | Current | Non-Current | Current |
|---|--------------------|--------------------|--------------------|--------------------|
| | 31.12.2023. EUR | 31.12.2023. EUR | 31.12.2022. EUR | 31.12.2022. EUR |
| Loans and advances to customers, net | | | | |
| Loans and advances to customers | 2 308 469 | 688 715 | 1 456 058 | 896 587 |
| Accrued interest | - | 79 719 | - | 65 617 |
| Fees paid upon loan disbursement | 59 433 | 17 731 | 40 120 | 24 704 |
| Fees received upon loan disbursement | (152 410) | (45 470) | (74 063) | (45 605) |
| Impairment allowance | (62 474) | (454 625) | (51 373) | (527 847) |
| | 2 153 018 | 286 069 | 1 370 742 | 413 455 |

As of 31 December 2023 part of the gross loan portfolio in the amount of EUR 217 681 was pledged in favour of the JSC Citadele bank as collateral for the credit line (31 December 2022: EUR 312 962).

21. Sublease receivables from related parties

| | 31.12.2023. | 31.12.2022. |
|---|----------------|----------------|
| | EUR | EUR |
| Non - current receivables | | |
| Sublease receivables from related parties | 583 543 | 614 170 |
| TOTAL: | 583 543 | 614 170 |
| | | |
| | 31.12.2023. | 31.12.2022. |
| | EUR | EUR |
| Current receivables | | |
| Sublease receivables from related parties | 204 761 | 160 407 |
| TOTAL: | 204 761 | 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 2023, the Group leases out 34 vehicles (2022:28 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 2023 and 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

| | 31.12.2023. | 31.12.2022. |
|--|----------------|----------------|
| | EUR | EUR |
| Cession receivables from related parties non-current | 10 349 | 134 987 |
| Cession receivables from related parties, current | 124 638 | 377 177 |
| Receivables from related parties | 52 211 | 100 970 |
| TOTAL: | 187 198 | 613 134 |

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

| 2023 | Non-current receivables from related parties | | Current receivables from related parties | | | | Total current receivables |
|--------------------------------|--|-------------------------------|--|----------|----------|------------|---------------------------|
| | Without delay | Total Non-current receivables | Without delay | 1-30 | 31-90 | > 90 days | |
| Receivables from cession | 10 349 | 10 349 | 124 638 | - | - | - | 124 638 |
| Receivables for commissions | - | - | 52 211 | - | - | - | 52 211 |
| Total trade receivables | 10 349 | 10 349 | 176 849 | - | - | - | 176 849 |
| Total ECL calculated | - | - | - | - | - | - | - |
| | | | | | | | |
| | | | | | | | |
| 2022 | Non-current receivables from related parties | | Current receivables from related parties | | | | Total current receivables |
| | Without delay | Total Non-current receivables | Without delay | 1-30 | 31-90 | > 90 days | |
| 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 | - | - | - | - | - | - | - |

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 (2022: EUR 0 as well).

23. Prepaid Expense

| | 31.12.2023. | 31.12.2022. |
|------------------------|---------------|----------------|
| | EUR | EUR |
| Other prepaid expenses | 64 806 | 135 907 |
| TOTAL: | 64 806 | 135 907 |

24. Trade receivables

| | 31.12.2023. | 31.12.2022. |
|-----------------------------------|----------------|----------------|
| | EUR | EUR |
| Receivables from rent services | 98 665 | 200 028 |
| Receivables from cession | - | 13 814 |
| Receivables from commissions OCTA | 13 076 | 27 376 |
| TOTAL: | 111 741 | 241 218 |

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

| 2023 | current | 1-30 | 31-60 | > 60 days | Total |
|--|---------------|---------------|--------------|----------------|----------------|
| Receivables for rent services | 8 009 | 44 174 | 2 833 | 520 156 | 575 172 |
| Receivables for commissions | 13 076 | - | - | - | 13 076 |
| Total trade receivables | 21 085 | 44 174 | 2 833 | 520 156 | 588 248 |
| Total ECL calculated for rent services | (650) | (8 652) | (1 069) | (466 136) | (476 507) |

| 2022 | current | 1-30 | 31-60 | > 60 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) |

As at year end ECLs for receivables from cession and receivables from commissions 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 (2022: EUR 0 as well).

For rent receivables in 2023 year ECL recognized in amount of EUR 476 507. (2022: EUR 514 473). 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

| | 31.12.2023. | 31.12.2022. |
|---|----------------|---------------|
| | EUR | EUR |
| Receivable for attracted funding through P2P platform | 73 601 | - |
| Advances paid for goods and services | 2 955 | 9 672 |
| Other debtors | 147 502 | 18 430 |
| TOTAL: | 224 058 | 28 102 |

26. Contract assets

| | 31.12.2023. | 31.12.2022. |
|---|----------------|----------------|
| | EUR | EUR |
| Contract assets from rent services, gross | 90 630 | 172 049 |
| ECL on contract assets from rent services | (6 801) | (15 681) |
| Contract assets from related parties | 320 420 | 356 199 |
| TOTAL: | 404 249 | 512 567 |

Majority of the invoices are issued after the year end and receivables from these invoices are paid, except for EUR 292 563 (2022: EUR 325 648) 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 6 801 on 31.12.2023 (2022: EUR 15 681).

27. Cash and cash equivalents

| | 31.12.2023. | 31.12.2022. |
|---------------|----------------|----------------|
| | EUR | EUR |
| Cash at bank | 333 816 | 661 453 |
| Cash on hand* | 9 599 | 3 290 |
| TOTAL: | 343 415 | 664 743 |

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

This financial asset is not impaired as of 31.12.2023. (31.12.2022.: 0 EUR).

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 (2022 EUR 0).

28. Share capital

The share capital of the Parent on 31 December 2023 is EUR 425 000 and consist of 425 000 shares. Dividends weren't distributed in 2023, the same as 2022. 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 reclassified.

| Share capital | |
|---|----------------|
| Opening balance as at 1 January 2022 | 425 000 |
| Share capital decrease | - |
| Closing balance as at 31 December 2022 | 425 000 |
| Opening balance as at 1 January 2023 | 425 000 |
| Share capital decrease | - |
| Closing balance as at 31 December 2023 | 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 31.12.2023. 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 31.12.2023 EUR 123 798 (at 31.12.2022 EUR 143 363).

| | 31.12.2023. | 31.12.2022. |
|---|----------------|----------------|
| Provision for possible VAT liabilities* | 123 797 | 143 362 |
| Provision for possible penalties | 33 518 | 21 285 |
| TOTAL: | 157 315 | 164 647 |

* Provision for possible taxes and duties are calculated based on rates applied by tax body of Republic of Latvia and discounted with rate of 3% (2022:3%) 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 | 31.12.2022. | Provisions for current year | Reversed provisions* | Unwinding of discount | Total increase/ (decrease) in provisions | Increase in VAT liabilities | 31.12.2023. |
|--|----------------|-----------------------------|----------------------|-----------------------|--|-----------------------------|----------------|
| Provision for possible VAT liabilities | 143 362 | 51 103 | (70 668) | - | (19 565) | - | 123 797 |
| Provision for possible penalties | 21 285 | 12 233 | - | - | 12 233 | - | 33 518 |
| TOTAL: | 164 647 | 63 336 | (70 668) | - | (7 332) | - | 157 315 |

*During the financial year 2023 the Parent Company has reversed the provision for possible VAT liabilities and penalties in Latvia for the period January to November 2020 due to the expiry of the statute of limitations in accordance with national legislation.

| 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 | - | 143 362 |
| Provision for possible penalties | 31 632 | - | (10 347) | - | (10 347) | - | 21 285 |
| 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.

30. Borrowings

| Non-current | <i>Interest rate per annum (%)</i> | <i>Maturity</i> | 31.12.2023. | 31.12.2022. |
|---|------------------------------------|-----------------|-------------------|-------------------|
| | | | EUR | EUR |
| <i>Liabilities for issued debt securities</i> | | | | |
| Bonds 30 million EUR notes issue ¹⁾ | 11% | 31.03.2024 | - | 29 196 000 |
| Bond additional interest accrual ⁴⁾ | | | - | 86 833 |
| Bonds acquisition costs | | | - | (395 928) |
| TOTAL: | | | - | 28 886 905 |
| <i>Funding attracted through peer-to-peer platforms</i> | | | | |
| Funding attracted through peer-to-peer platforms ²⁾ | 6.5% - 15.5% | 31.12.2028 | 1 663 787 | 1 551 006 |
| Liabilities acquisition costs for funding attracted through peer-to-peer platform | | | (14 490) | (12 779) |
| TOTAL: | | | 1 649 297 | 1 538 227 |
| <i>Loans from related parties</i> | | | | |
| Loans from related parties ⁷⁾ | 12% | 01.11.2026 | 1 226 000 | - |
| TOTAL: | | | 1 226 000 | - |
| <i>Lease liabilities for right-of-use assets</i> | | | | |
| Lease liabilities for right-of-use assets - premises ³⁾ | 2.14-2.96% | > 5years | - | 75 142 |
| Lease liabilities for right-of-use assets - premises ³⁾ | 2.14-2.96% | 1 to 5 years | 586 906 | 545 204 |
| | 2.90% + 3M | | | |
| Lease liabilities for right-of-use assets - vehicles ⁶⁾ | EURIBOR | 1 to 5 years | 665 785 | 707 215 |
| TOTAL: | | | 1 252 691 | 1 327 561 |
| <i>Other borrowings</i> | | | | |
| Loans from banks ⁵⁾ | 2.90% + 3M EURIBOR | 1 to 5 years | 17 902 | 1 599 999 |
| TOTAL: | | | 17 902 | 1 599 999 |
| TOTAL NON CURRENT BORROWINGS: | | | 4 145 890 | 33 352 692 |
| | | | | |
| Current | <i>Interest rate per annum (%)</i> | <i>Maturity</i> | 31.12.2023. | 31.12.2022. |
| | | | EUR | EUR |
| <i>Liabilities for issued debt securities</i> | | | | |
| Bonds 30 million EUR notes issue ¹⁾ | 11% | 31.03.2024 | 17 481 000 | - |
| Bond additional interest accrual ⁴⁾ | | | 171 461 | - |
| Bonds acquisition costs | | | (47 443) | - |
| TOTAL: | | | 17 605 018 | - |
| <i>Funding attracted through peer-to-peer platforms</i> | | | | |
| Funding attracted through peer-to-peer platforms ²⁾ | 6.5% - 15.5% | 31.12.2028 | 781 754 | 327 153 |
| Accrued interest for funding attracted through peer-to-peer platforms | | | 11 806 | 14 598 |
| TOTAL: | | | 793 560 | 341 751 |
| <i>Loans from related parties</i> | | | | |
| Accrued interest for loans from related parties | 12% | 01.11.2026 | 25 039 | - |
| TOTAL: | | | 25 039 | - |
| <i>Lease liabilities for right-of-use assets</i> | | | | |
| Lease liabilities for right-of-use assets - premises ³⁾ | 2.14-2.96% | up to 1 year | 139 069 | 151 139 |
| | 2.90% + 3M | | | |
| Lease liabilities for right-of-use assets - vehicles ⁶⁾ | EURIBOR | up to 1 year | 222 038 | 190 166 |
| TOTAL: | | | 361 107 | 341 305 |
| <i>Other borrowings</i> | | | | |
| Loans from banks ⁵⁾ | 2.90% + 3M EURIBOR | up to 1 year | 5 033 | 438 200 |
| TOTAL: | | | 5 033 | 438 200 |
| TOTAL CURRENT BORROWINGS: | | | 18 789 757 | 1 121 256 |

30. Borrowings (continued)

1) On 1 March 2021, through public offering "mogo" JSC successfully issued secured corporate bond (LV0000802452) in the amount of EUR 30 million, which from 31 March 2021 are included in the regulated market – the Baltic Bond List of "Nasdaq Riga" stock exchange and 71.4% of issued both emissions are refinanced. The notes, with minimum subscription amount of EUR 1'000, are issued at par, have a maturity of 3 years and carry a fixed coupon of 11% per annum, paid monthly in arrears. The bonds were offered to existing Mogo bondholders and other retail and institutional investors from the Baltic region. The public offering consisted of two parts – subscription by new investors and exchange offer to existing bondholders, which has been comfortably oversubscribed with more than 840 investors participating in the offering. In September 2023, Elevation Group announced an exchange offer for "mogo" JSC bonds, whereby bondholders holding mogo bonds with ISIN code LV0000802452 could exchange them for new Elevation Group bonds. As a result of the transaction, "mogo" JSC repurchased the bonds to the extent of the exchanged bonds. On 2 April 2024, "mogo" JSC made bonds repayment to existing Bondholders in amount of 17 181 000 EUR. As a result of repayment, mogo AS is no longer a listed entity on Nasdaq stock exchange.

2) Attracted funding from P2P platform is transferred to the Group's bank accounts once per week. In year 2023 The Group placed more loans than purchased back in P2P platform in year 2022.

3) The Group has entered into several lease agreements for office premises and branches. (Note 2 section IFRS 16: Leases). During 2021 the Group has signed new office rent agreement with related company JSC Elevation 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 short term in 2023.

5) During 2022, the Subsidiary Company attracted additional financing from Citadele leasing SIA. During 2023, 18 new cars were purchased (2022: 127 cars) 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. In June 2023 Subsidiary Company sold car subscription product Renti plus and repaid loan to bank for financed cars.

6) See Note 21.

7) In 2021 the Company has signed the borrowing agreement with its ultimate Parent Company Elevation Group S.A. Borrowing agreement allows both parties to agree on flexible loan pay-out and loan repayment arrangement with maximum loan amount of 15 million EUR with maturity date 1 November 2026.

* On 2nd August 2019 JSC "Citadele banka" granted to JSC "mogo" (Latvia), JSC "mogo LT" (Lithuania) and JSC "mogo" (Estonia) the credit line up to EUR 10 million at the cost of 6M EURIBOR + 8% for refinancing of existing indebtedness. The agreement has been amended in October 2023 by determining the credit line limit to EUR 5,5 million at the cost of 6M EURIBOR + 7.5% or 6M EURIBOR + 8% depending on the amount. Maturity of agreement is 26 October 2024.

P2P platform payables position at the year end dates were:

| | 31.12.2023. | 31.12.2022. |
|--|-------------|----------------|
| | EUR | EUR |
| Payables from attracted funding through P2P platform (Note 33) | - | (5 690) |
| TOTAL: | - | (5 690) |

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

| | 31.12.2023. | 31.12.2022. |
|---|--------------|--------------|
| | EUR | EUR |
| Accrued for expenses from attracted funding through peer-to-peer platform (Note 34) | 3 507 | 8 763 |
| TOTAL: | 3 507 | 8 763 |

| Changes in liabilities | 31.12.2022. | Incoming | | Outgoing | | 31.12.2023. |
|--|-------------------|-------------------|----------|---------------------|----------------|-------------------|
| | | cash flow | Other | cash flow | Other | |
| Funding attracted through peer-to-peer platforms | 1 878 158 | 3 412 491 | 415 094* | (3 260 202) | 224 822 | 2 445 541 |
| Lease liabilities for Right-of-use assets - premises | 771 484 | - | - | (270 331) | - | 725 975 |
| Liabilities for issued debt securities | 29 196 000 | 804 000 | - | (12 519 000) | - | 17 481 000 |
| Loans from related parties | - | 9 769 000 | - | (8 543 000) | - | 1 226 000 |
| Lease liabilities for right-of-use assets - vehicles | 897 381 | 1 275 039 | - | (1 284 597) | - | 887 823 |
| Loan from bank | 2 038 199 | 1 898 736 | - | (3 913 999) | - | 22 935 |
| TOTAL BORROWINGS PRINCIPAL: | 34 781 223 | 17 159 265 | | (29 791 130) | 639 916 | 22 789 274 |

*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 | 31.12.2022. | Incoming | | Outgoing | | Calculated for the financial year | 31.12.2023. |
|---|-------------------|-------------------|-------|---------------------|------------------|-----------------------------------|-------------------|
| | | cash flow | Other | cash flow | Other | | |
| Additional bond interest accrual | 86 834 | 1 203 | - | - | 83 424 | - | 171 461 |
| Bonds acquisition costs | (395 929) | - | - | - | 348 485 | - | (47 443) |
| Bonds interest expenses | - | - | - | (3 356 763) | 3 356 763 | - | - |
| Accrued interest for financing received from P2P investors | 14 598 | - | - | (288 780) | 285 988 | - | 11 806 |
| Funding attracted through peer-to-peer platforms acquisition costs | (12 778) | - | - | (14 617) | 12 907 | - | (14 489) |
| Interest expenses for loans to related parties | - | - | - | (57 010) | 82 049 | - | 25 039 |
| Interest expenses from right-of-use assets - premises | - | - | - | (90 698) | 90 698 | - | - |
| Interest expenses from lease liabilities for right-of-use assets - vehicles | - | - | - | (54 786) | 54 786 | - | - |
| Interest expenses from loan from bank | - | - | - | (98 876) | 98 876 | - | - |
| TOTAL INTEREST LIABILITIES: | (307 274) | 1 203 | | (3 961 531) | 4 413 976 | | 146 373 |
| TOTAL BORROWINGS: | 34 473 948 | 17 160 469 | | (33 752 661) | 639 916 | | 22 935 647 |

30. Borrowings (continued)

| <i>Changes in liabilities</i> | 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 premises | 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) | - | - |
| Lease liabilities for right-of-use assets - vehicles | - | 2 120 092 | (1 222 711) | - | 897 381 |
| Loan from bank | - | 4 184 318 | (2 146 120) | - | 2 038 199 |
| 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.

| <i>Changes in liabilities</i> | 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 | 27 368 | - | (431 105) | 418 335 | 14 598 |
| Funding attracted through peer-to-peer platforms acquisition costs | (26 541) | - | (7 527) | 21 290 | (12 778) |
| Interest expenses from right-of-use assets - premises | - | - | (23 201) | 23 201 | - |
| Interest expenses from lease liabilities for right-of-use assets - vehicles | - | - | (17 435) | 17 435 | - |
| Interest expenses from loan from bank | - | - | (45 561) | 45 561 | - |
| TOTAL INTEREST LIABILITIES: | (653 164) | 1 311 | (3 811 203) | 4 155 782 | (307 274) |
| TOTAL BORROWINGS: | 37 424 304 | 11 461 853 | (19 735 672) | 5 323 463 | 34 473 948 |

31. Prepayments and other payments received from customers

| | 31.12.2023. | 31.12.2022. |
|--|----------------|----------------|
| | EUR | EUR |
| Unallocated payments received* | 16 024 | 8 816 |
| Overpayments from historical customers | 28 238 | 34 614 |
| Customer overpayments from rent services | 50 246 | 59 571 |
| Received deposits from rent customers | 16 580 | 141 019 |
| TOTAL: | 111 088 | 244 020 |

* 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 2023 and 2022. See Note 19 and Note 20.

32. Taxes payable

| | 31.12.2023. | 31.12.2022. |
|-------------------------------|---------------|---------------|
| | EUR | EUR |
| Social security contributions | 12 456 | 19 853 |
| Personal income tax | 7 951 | 10 329 |
| VAT | 48 352 | 40 031 |
| Other taxes | - | 8 554 |
| TOTAL: | 68 759 | 78 767 |

33. Other liabilities

| | 31.12.2023. | 31.12.2022. |
|---|----------------|----------------|
| | EUR | EUR |
| Payable for attracted funding through P2P platform | - | 5 690 |
| Payable for received payments from customers of the related parties | 275 584 | 350 625 |
| Liabilities against employees for salaries | 33 244 | 43 625 |
| Other liabilities | 3 160 | 4 836 |
| TOTAL: | 311 988 | 404 776 |

34. Accrued liabilities

| | 31.12.2023. | 31.12.2022. |
|---|----------------|----------------|
| | EUR | EUR |
| Accrued liabilities for services received | 108 754 | 109 072 |
| Accrued liabilities for management services from related parties | 77 314 | 77 684 |
| Accrued unused vacation | 42 993 | 53 079 |
| Accruals for bonuses | 47 466 | 43 992 |
| Accrued expenses from attracted funding through peer-to-peer platform (Note 30) | 3 507 | 8 763 |
| TOTAL: | 280 034 | 292 590 |

35. Related parties disclosures

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

Transactions with related parties for years 2023 and 2022 were as follows:

| | 2023 | 2022 |
|---|------------------|------------------|
| | EUR | EUR |
| <u>Services provided</u> | | |
| - Revenue from recharging expenses (Note 14)* | 261 326 | 647 529 |
| - Parent company** | 9 692 | 12 577 |
| - HUB** | 11 714 | 19 418 |
| - Other related companies | 239 920 | 615 535 |
| - Other services provided | 1 026 516 | 796 175 |
| - Client acquisition services and other services provided for other related companies | 1 026 516 | 796 175 |
| <u>Services received</u> | | |
| - Management services (Note 13)**** | 985 645 | 897 590 |
| - Parent company** | 985 645 | 897 590 |
| - Other services received**** | 90 367 | 381 728 |
| - HUB** | 480 | 154 323 |
| - Parent company** | 89 887 | 73 082 |
| - Other related companies | - | 154 323 |
| <u>Interest expenses (Note 5)</u> | 68 239 | 15 290 |
| - Elevation Group S.A. | 68 239 | - |
| - HUB** | - | 15 290 |
| <u>Interest income (Note 4)</u> | 5 331 911 | 4 621 381 |
| - Parent company** | 3 523 883 | 4 205 963 |
| - Elevation Group S.A. | 72 800 | 271 949 |
| - HUB** | 338 392 | 134 488 |
| - Other related companies | 1 396 835 | 8 981 |
| <u>Cession income (Note 9) ¹⁾</u> | 601 356 | 891 863 |
| - Other related companies | 601 356 | 891 863 |

* 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 Elevation Stella from 01.09.2021.

HUB - under HUB there are disclosed the Company's related parties JSC Elevation Solis, JSC Elevation Finance and JSC Elevation Vehicle Finance, JSC Elevation 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).

35. Related parties disclosures (continued)

Receivables from related companies

| | Interest rate per annum (%) | Maturity | 31.12.2023. EUR | 31.12.2022. EUR |
|--|-----------------------------|----------------|--------------------|--------------------|
| <i>Non-current</i> | | | | |
| 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 | 2 954 000 | 1 724 000 |
| Loan receivable from related company ⁴⁾ | 12.00 | October 2026 | 17 640 000 | 17 640 000 |
| Loan receivable from related company ⁶⁾ | 12.75 | December 2027 | - | 11 553 655 |
| Loan receivable from related company ⁷⁾ | 12.00 | December 2028 | 1 490 000 | - |
| <i>Total non-current:</i> | | | 30 911 118 | 39 744 773 |
| <i>Current</i> | | | | |
| Loan receivable from related company ⁵⁾ | 12.50 | September 2024 | 2 377 000 | - |
| Accrued interest | | | 2 825 120 | 85 187 |
| <i>Total current:</i> | | | 5 202 120 | 85 187 |
| TOTAL: | | | 36 113 238 | 39 829 960 |

2) In 2021 the Parent Company has signed the loan agreement with its 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 31.12.2025 and fixed interest rate 12 %.

3) In 2021 the Parent Company has signed the loan agreement with its 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 Parent Company has signed the loan agreement with its 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 2020 the Parent Company has signed the loan agreement with Eleving Vehicle Finance JSC Loan agreement allows both parties to agree on flexible loan pay-out and loan repayment arrangement with maximum loan amount of 15 million EUR with maturity date 24.09.2024 and fixed interest rate 12.5 %.

6) In 2022 the Subsidiary 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 %.

7) In 2023 the Subsidiary Company has signed the loan agreement with Eleving Stella JSC. Loan agreement allows both parties to agree on flexible loan pay-out and loan repayment arrangement with maximum loan amount of 5 million EUR with maturity date 31.12.2028 and fixed interest rate 12 %.

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

35. Related parties disclosures (continued)

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

| | Stage 1 | Stage 2 | Stage 3 | Total |
|--------------------------------------|------------|---------|---------|------------|
| 2023 | | | | |
| Loan receivable from related company | 36 113 238 | - | - | 36 113 238 |
| 2022 | | | | |
| Loan receivable from related company | 39 829 960 | - | - | 39 829 960 |

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 (2022: EUR 0).

| | 31.12.2023. EUR | 31.12.2022. EUR |
|---|--------------------|--------------------|
| Receivables from cession to related parties | 134 987 | 512 164 |
| Receivables from related companies | 52 211 | 100 970 |
| TOTAL: | 187 198 | 613 134 |
| TOTAL RECEIVABLES: | 36 300 436 | 40 443 094 |

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

Payables and other liabilities to related companies

| | 31.12.2023. EUR | 31.12.2022. EUR |
|--|--------------------|--------------------|
| Other liabilities to Primero Finance JSC (see Note 33) | 275 584 | 350 625 |
| Payables to other related companies | 138 408 | 3 904 |
| TOTAL: | 413 992 | 354 529 |

36. Commitments and contingencies

Starting from 14 October 2021 Eleving Group and certain of its Subsidiaries (including "mogo" JSC and "Renti" 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). Subsequently additional pledgors were added who became material (subsidiaries with net portfolio of more than EUR 7 500 000 and represents at least 3% of the Net Loan Portfolio) according to terms and conditions of the bonds. In 2022 the following amendments were made to these commercial pledges with TMF Trustee Services GmbH: On 8 June 2022 amendments to the terms of commercial pledge No 100195518 was registered, where the commercial pledgor is "mogo" JSC and "Renti" JSC (Latvia). No amendments were made in 2023.

Starting from 14 October 2021 Eleving Group as Issuer and certain of its Subsidiaries (subsidiaries with net portfolio of more than EUR 7 500 000 and represents at least 3% of the Net Loan Portfolio) 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 Group bonds (ISIN: XS2393240887) the due and punctual payment of principal of, and interest on, and any other amounts payable under the Eleving Group bonds (ISIN: XS2393240887) offering memorandum. (Note 38).

On 26 February 2018 the Parent Company 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 mentioned loan agreement was repaid by Mogo LLC on 4th February 2024, thus respectively the surety agreement was closed.

On 31 July 2019 "mogo" JSC has concluded a Commercial pledge (as amended from time to time) 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, Primero OU and UAB mogo LT obligations towards JSC Citadele banka under the Credit line agreement of 8 July 2019 (as amended from time to time). On 14 February 2022 "mogo" JSC (Latvia) registered an amendment to the commercial pledge. As of 31 December 2023 part of the gross finance lease portfolio in the amount of EUR 0.4 million was pledged in favor of the Citadele bank as collateral for the credit line (31 December 2022: EUR 0.5 millions).

The credit facility terms have been updated after the reporting period.

On 31 January 2022, a commercial pledge was registered between JSC Citadele banka and "Renti" JSC in accordance with commercial pledge agreement no. 659-08/19-51-KL2 from December 23, 2021. The commercial pledge agreement was concluded to ensure the fulfillment of obligations in accordance with the 8 July 2019 Credit Line Agreement No. 659-08/19-51, concluded between "mogo" JSC mogo OU and UAB mogo LT. The secured claim totals EUR 5.5 million as of 31 December 2023 and EUR 7.5 million as of 31 December 2022. According to the commercial pledge agreement concluded with AS Citadele banka, the value of the pledged assets of AS "Renti" as of 31 December 2023 is EUR 0 (as of 31 December 2022 was EUR 3 million).

On 27 October 2023, a guarantee agreement was registered between AS Citadele banka and AS "Renti" and several other Eleving Group subsidiaries. The guarantee agreement was concluded to ensure the fulfillment of obligations in accordance with the 8 July 2019 Credit Line Agreement No. 659-08/19-51, concluded between "mogo" JSC, mogo OU and UAB mogo LT. The maximum exposure over which the guarantee agreement is signed totals EUR 5.5 million as of 31 December 2023 and EUR 7.5 million as of 31 December 2022.

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 Parent company pledged gross receivables in amount of EUR 46 793 on 31 December 2023 (31 December 2022: EUR 891 516). 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.

On 20 December 2022 Renti AS and Mintos Finance Estonia OU entered into Commercial Pledge Agreement No LVMM/06-07-2022-176. The basic agreement is the Cooperation Agreement on the issuance of loans No. LVMM/06-07-2022-174 concluded on 20 December 2022. Subject of commercial pledge: existing vehicles of the commercial pledger against Third Parties. The amount of the pledge is depending on the exposure to Mintos.

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 Group complied with all externally imposed capital requirements to which it was subjected to.

Cooperation agreement with P2P platform

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

The Group is regularly monitoring respective indicators and ensures that covenants are satisfied. The Group is in compliance with these covenants at 31 December 2023 and 31 December 2022.

37. Provisions for financial guarantees

| | 2023 | 2022 |
|--|-----------------------------|-----------------------------|
| | EUR | EUR |
| Effect on other reserves | Other reserves | Other reserves |
| Outstanding as at 1 January | (376 472) | (2 197 084) |
| Guarantees derecognition (Retained earnings) (3), (4) | - | 1 656 566 |
| Decrease in fair value of the guarantees due to revaluation | - | 164 046 |
| Outstanding as at 31 December | (376 472) | (376 472) |
| Effect on provisions for financial guarantees | Financial guarantees | Financial guarantees |
| Outstanding as at 1 January | 108 238 | 2 008 420 |
| Decrease in fair value of the guarantees due to revaluation | - | (164 046) |
| Derecognition of guarantee (3), (4) | - | (1 274 794) |
| Fair value of the guarantees subsequent to modification | 108 238 | 569 580 |
| Foreign exchange gain/loss | (258) | 62 734 |
| Amortised as income for newly issued guarantees | (105 766) | (524 077) |
| Outstanding as at 31 December | 2 214 | 108 238 |
| Financial guarantee in favor of Ardashinbank | 2 214 | 108 238 |
| Total | 2 214 | 108 238 |
| Total recognized as income (Note 14) | (105 766) | (524 077) |

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.

The bonds additionally are secured by multiple share, asset and bank account pledges granted by several other material group entities.

The Parent company and its subsidiary "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.

Under the guarantee agreement the Parent company and "Renti" JSC amongst other material group entities, irrevocably guarantees the payment of Eleving Group S.A liabilities towards its bondholders in case of default of Eleving Group S.A under the provisions of bond prospectus, however considering that the bonds are primarily secured by multiple share, asset and bank account pledges granted by several other material group entities, the Parent company and "Renti" JSC has reevaluated the fair value of this guarantee by assessing the value of all unencumbered assets of each material group entity guaranteeing the payment of Eleving Group S.A liabilities towards its bondholders, as well as the potential liability exposure of each guarantor under the bonds, and considers that the fair value of this financial guarantee is insignificant.

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

The Parent company did not receive compensation for the guarantee provided. Fair value of financial guarantee is recognized as a liability and as a distribution of equity under Other reserves. Liabilities under the financial guarantee agreement are recognized in income (Note 14) on straight line basis till loan maturity, which is February 2024. The surety agreement has been prolonged till February 2024.

38. 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.

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.

38. Financial risk management (continued)

| | Contractual cash flows | | | | | Total |
|---|------------------------|----------------|-------------------|-------------------|-------------------|-------------------|
| | Carrying value | On demand | Up to 1 year | 1-5 years | More than 5 years | |
| As at 31.12.2023. | EUR | EUR | EUR | EUR | EUR | EUR |
| Assets | | | | | | |
| Cash and cash equivalents | 343 415 | 343 415 | - | - | - | 343 415 |
| Loans and advances to customers | 2 439 087 | - | 1 180 223 | 2 049 922 | 366 012 | 3 596 157 |
| Loans to related parties | 36 113 238 | - | 8 895 565 | 36 243 075 | - | 45 138 640 |
| Sublease receivables from related parties | 788 304 | - | 204 761 | 583 543 | - | 788 304 |
| Trade receivables from related parties | 187 198 | - | 187 198 | - | - | 187 198 |
| Trade receivables | 111 741 | - | 2 682 494 | 3 160 445 | - | 5 842 939 |
| Other receivables | 224 058 | - | 224 058 | - | - | 224 058 |
| Finance lease receivables | 1 974 398 | - | 870 872 | 1 750 393 | 373 852 | 2 995 117 |
| Total financial assets | 42 181 439 | 343 415 | 14 245 171 | 43 787 378 | 739 864 | 59 115 828 |

| | Contractual cash flows | | | | | Total |
|--|------------------------|----------------|---------------------|--------------------|-----------------|---------------------|
| | Carrying value | On demand | Up to 1 year | 1-5 years | More than 5 | |
| As at 31.12.2023. | EUR | EUR | EUR | EUR | EUR | EUR |
| Liabilities | | | | | | |
| Funding attracted through peer-to-peer platforms | (2 442 857) | - | (189 383) | (993 713) | (79 196) | (1 262 292) |
| Liabilities for issued debt securities | (17 605 018) | - | (17 605 018) | - | - | (17 605 018) |
| Trade payables | (31 072) | - | (31 072) | - | - | (31 072) |
| Loan from banks | (22 935) | - | 5 033 | 17 902 | - | 22 935 |
| Loan from related parties | (1 251 039) | - | (197 198) | (1 495 311) | - | (1 692 548) |
| Lease liabilities for right-of-use assets | (1 613 798) | - | (1 032 739) | (2 079 770) | - | (3 112 507) |
| Other liabilities | (634 506) | - | (634 506) | - | - | (634 506) |
| Accrued liabilities | (280 034) | - | (280 034) | - | - | (280 034) |
| Total financial liabilities | (23 881 259) | - | (19 964 917) | (4 550 892) | (79 196) | (24 595 005) |
| Net financial assets / (liabilities) | 18 300 180 | 343 415 | (5 719 746) | 39 236 486 | 660 668 | 34 520 823 |

| | Contractual cash flows | | | | | Total |
|---|------------------------|----------------|-------------------|-------------------|----------------|-------------------|
| | Carrying value | On demand | Up to 1 year | 1-5 years | More than 5 | |
| 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 parties | 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 |

38. Financial risk management (continued)

| As at 31.12.2022. | Contractual cash flows | | | | | Total EUR |
|--|------------------------|------------------|---------------------|---------------------|--------------------|---------------------|
| | Carrying value EUR | On demand EUR | Up to 1 year EUR | 1-5 years EUR | More than 5 EUR | |
| 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 |

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.

| | 31.12.2023. | 31.12.2022. |
|---|-------------------|-------------------|
| Finance lease receivables | 2 405 067 | 2 547 237 |
| Loans and advances to customers | 3 076 902 | 2 418 259 |
| Loans to related parties | 36 113 238 | 39 829 960 |
| Sublease receivables from related parties | 788 304 | 774 577 |
| Contract assets | 404 249 | 512 567 |
| Trade and other receivables | 522 997 | 882 454 |
| Cash and cash equivalents | 343 415 | 664 743 |
| TOTAL: | 43 654 172 | 47 629 797 |

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.

39. 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 Frankfurt 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 2023 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. A WACC capital structure adjustment (15/85 Equity/ Debt) 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 in 2023 was determined as 9.49% (2022: 12.62%). 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 |
|--|-------------------|-------------------|-------------------|-------------------|
| | 31.12.2023. | 31.12.2023. | 31.12.2022. | 31.12.2022. |
| | EUR | EUR | EUR | EUR |
| Financial assets not measured at fair value: | | | | |
| Loans to related parties | 36 113 238 | 36 113 238 | 39 829 960 | 39 829 960 |
| Sublease receivables from related parties | 788 304 | 788 304 | 774 577 | 774 577 |
| Finance lease receivables | 1 974 398 | 2 995 117 | 2 031 368 | 2 869 081 |
| Loans and advances to customers | 2 439 087 | 3 596 154 | 1 784 197 | 2 359 810 |
| Trade receivables from related parties | 187 198 | 187 198 | 613 134 | 613 134 |
| Trade receivables | 111 741 | 111 741 | 241 218 | 241 218 |
| Other receivables | 224 058 | 224 058 | 28 102 | 28 102 |
| Cash and cash equivalents | 343 415 | 343 415 | 664 743 | 664 743 |
| Total assets for which fair value is disclosed | 42 181 439 | 44 359 225 | 45 967 299 | 47 380 624 |
| | Carrying value | Fair value | Carrying value | Fair value |
| | 31.12.2023. | 31.12.2023. | 31.12.2022. | 31.12.2022. |
| | EUR | EUR | EUR | EUR |
| Liabilities for which fair value is disclosed | | | | |
| Liabilities for issued debt securities | 17 605 018 | 17 605 018 | 28 886 905 | 30 000 000 |
| Funding attracted through peer-to-peer platforms | 2 442 857 | 2 442 857 | 1 879 978 | 1 879 978 |
| Loans from banks | 22 935 | 22 935 | 2 038 199 | 2 038 199 |
| Loans from related parties | 1 251 039 | 1 251 039 | - | - |
| Trade payables | 31 072 | 31 072 | 111 850 | 111 850 |
| Other liabilities | 634 508 | 634 508 | 849 338 | 849 338 |
| Total liabilities for which fair value is disclosed | 21 987 429 | 21 987 429 | 33 766 270 | 34 879 365 |

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

The table below specified analysis by fair value levels as at 31 December 2023 (based on their carrying amounts):

| | Level 1 31.12.2023. | Level 2 31.12.2023. | Level 3 31.12.2023. | Level 1 31.12.2022. | Level 2 31.12.2022. | Level 3 31.12.2022. |
|---|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| Assets at fair value | EUR | EUR | EUR | EUR | EUR | EUR |
| Loans to related parties | - | - | 36 113 238 | - | - | 39 829 960 |
| Finance lease receivables | - | - | 1 974 398 | - | - | 2 031 368 |
| Loans and advances to customers | - | - | 2 439 087 | - | - | 1 784 197 |
| Sublease receivables from related parties | - | - | 788 304 | - | - | 774 577 |
| Trade receivables from related parties | - | - | 187 198 | - | - | 613 134 |
| Trade receivables | - | - | 111 741 | - | - | 241 218 |
| Other receivables | - | - | 224 058 | - | - | 28 102 |
| Cash and cash equivalents | 343 415 | - | - | 664 743 | - | - |
| Total assets at fair value | 343 415 | - | 41 838 024 | 664 743 | - | 45 302 556 |

| | Level 1 31.12.2023. | Level 2 31.12.2023. | Level 3 31.12.2023. | Level 1 31.12.2022. | Level 2 31.12.2022. | Level 3 31.12.2022. |
|--|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| Liabilities at fair value | EUR | EUR | EUR | EUR | EUR | EUR |
| Liabilities for issued debt securities | - | 17 605 018 | - | - | 28 886 905 | - |
| Funding attracted through peer-to-peer platforms | - | - | 2 442 857 | - | - | 1 879 978 |
| Loans from banks | - | - | 22 935 | - | - | 2 038 199 |
| Loans from related parties | - | - | 1 251 039 | - | - | - |
| Trade payables | - | - | 31 072 | - | - | 111 850 |
| Other liabilities | - | - | 634 508 | - | - | 849 338 |
| Total liabilities at fair value | - | 17 605 018 | 4 382 411 | - | 28 886 905 | 4 879 365 |

40. Events after reporting period

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

On 5 January 2024, Eleving Stella JSC closed share purchase agreement for 8 500 A category "mogo" JSC shares purchase. As a result of the transaction, Parent Company Eleving Stella JSC become a 100% shareholder of "mogo" JSC.

On 11 January 2024, "mogo" JSC closed Share sale and purchase agreement for Primero Finance OU share purchase from Eleving Stella AS.

On 4 February 2024, the loan agreement between Ardshinbank CJSC and Mogo LLC was repaid and "mogo" JSC obligations as guarantor were terminated.

On 1 March 2024, changes were made on the Management Board for both Group companies - "mogo" JSC and "Renti" JSC. The Chairman of the Management board, Anete Pallo, left the position as of 1st March 2024. The position of the Chairman of the Management board was taken over by Vladislavs Mejertāls.

On 2 April 2024, "mogo" JSC made bonds repayment to existing Bondholders in amount of 17 181 000 EUR. As a result of repayment, mogo AS is no longer a listed entity on Nasdaq stock exchange.

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 18 April 2024 by:

Vladislavs Mejertāls, Chairman of the Board
 Laura Bunkša, Chief accountant

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

Translation from original in Latvian

Independent Auditor's Report

To the shareholders of AS "mogo"

Our Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of AS "mogo" (the Company) and its subsidiary (the Group) set out on pages 7 to 57 of the accompanying consolidated annual report, which comprise:

- the consolidated statement of financial position as at 31 December 2023,
- the consolidated statement of profit and loss and other comprehensive income for the year then ended,
- the consolidated statement of changes in equity for the year then ended,
- the consolidated statement of cash flows for the year then ended,
- notes to the consolidated financial statements, which include a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of AS "mogo" as at 31 December 2023, and of its consolidated financial performance and its cash flows for the year then ended in accordance with the IFRS Accounting Standards as adopted by the European Union ("IFRS").

Basis for Opinion

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

Reporting on Other Information

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

- Group Information as set out on page 3 of the accompanying Consolidated Annual Report,
- the Management Report, as set out on page 4 to 5 of the accompanying Consolidated Annual Report,
- the Statement of Management Responsibility, as set out on page 6 of the accompanying Consolidated Annual Report.

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

conclusion thereon, except as described in the *Other reporting responsibilities in accordance with the legislation of the Republic of Latvia* section of our report.

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

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

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

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.

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 the IFRS Accounting Standards as adopted by the European Union and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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.

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.

BDO ASSURANCE SIA
Kalku street 15-3B, Riga, LV1050
License No 182

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

Riga, Latvia
18 April, 2024

This document is electronically signed with safe electronical signature and contains time stamp.