

MOGO FINANCE GROUP

INTEGRATED ANNUAL REPORT

2020



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OUR GROUP

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REPORT OF THE RÉVISEUR D'ENTREPRISES AGRÉÉ



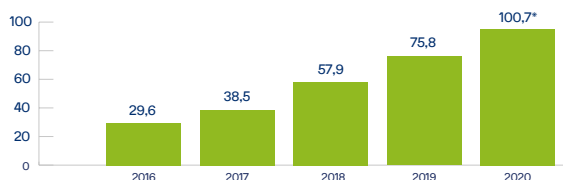
Our Group

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Year 2020 at a Glance:

CORE FINANCIALS

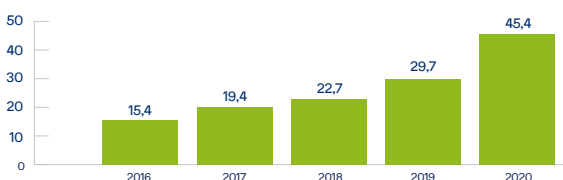
REVENUE growth, EUR million



*Including countries on hold

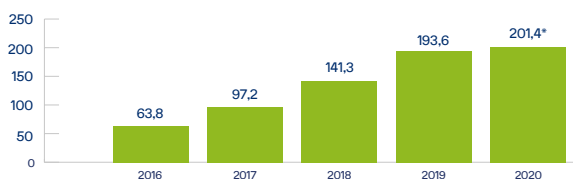
36%
Revenue CAGR

EBITDA growth, EUR million



31%
EBITDA CAGR

Net Loan Portfolio, EUR million



* including car rental portfolio in Latvia

33%
Net Loan Portfolio CAGR

OPERATIONAL HIGHLIGHTS 2020 **

200 000+

Total number of the Group's customers

3

Acquisitions made purchasing consumer lending companies in Albania, North Macedonia and Moldova

1400+

Total number of the Group's employees

10 000

Number of cars listed on the Group's developed proprietary car sales portals across 10 markets in Europe, Asia, and Africa.

€ 650 million

Loans issued since inception
[including consumer financing loans]

The Mogo Finance Group in 2020 second year in a row is recognized by the Financial Times as one of the 1000 Fastest Growing European Companies



** All data as of the end of year 2020

About Mogo Finance Group

OUR BUSINESS MODEL AND BUSINESS SEGMENTS

Mogo Finance Group is international and fast-growing Financial Technology company with vast reach across the globe. Operating in 3 continents, Group's companies recognize the niche underserved by conventional lenders and provide financial inclusion by disruptively changing used car and consumer financing industry.

Founded in 2012 in Latvia, the Group revolutionized the way people purchased used cars. Having expanded to all the Baltics within a year of launch, the Group continued expansion in the following years, serving a total of 14 active markets as of end of 2020. Mogo Finance Group has disrupted the used vehicle market as well as the way people's social mobility can be elevated through the access to convenient and responsible lending.

Mogo Finance Group main car financing products is finance lease, where the Mogo services are used by customers to acquire vehicles. The Group also offers finance leaseback products and rent-to-buy services. The Group's consumer finance business entities offer flexible financial products from credit line to instalment loan with focus to provide accessibility to substantial amount of money in most convenient way with affordable rates.

Innovative financial solutions, transparency, active participation in an international capital market and talented team of more than 1 400 people brings in life strong and ambitious mission, thus making Mogo Finance Group one of the fastest growing companies in the industry. Entering the post-pandemic landscape, the main objective of the Group for 2021 will be to consistently and profitably grow within the current markets and current product base.


MOGO CAR FINANCE:

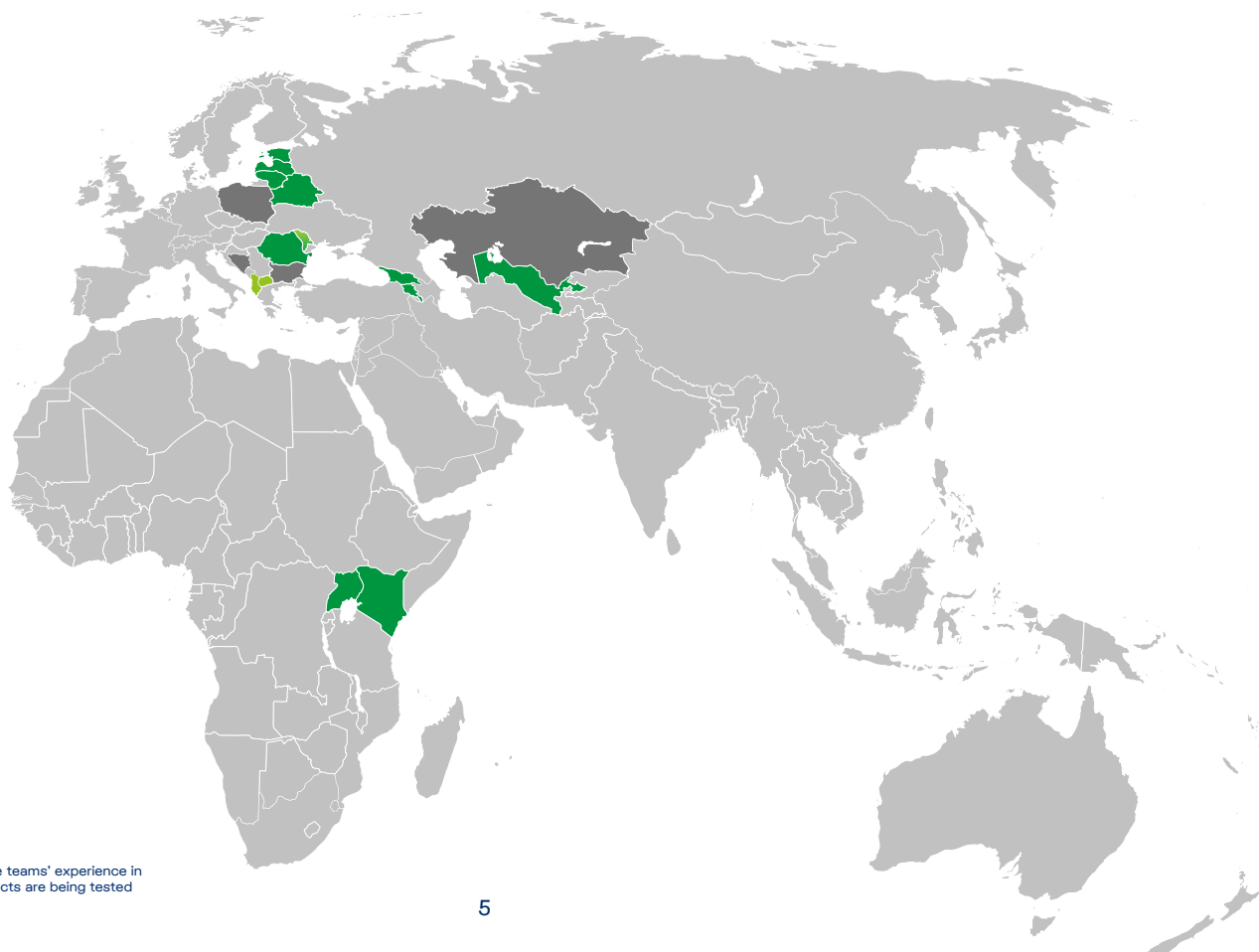
-  Latvia
-  Lithuania
-  Estonia
-  Georgia
-  Armenia
-  Romania
-  Moldova
-  Belarus
-  Uzbekistan
-  Kenya
-  Uganda

MOGO CONSUMER FINANCE:

-  Albania
-  North Macedonia
-  Moldova
-  Ukraine*

MARKETS ON-HOLD:

-  Poland
-  Bulgaria
-  Albania
-  Bosnia and Herzegovina
-  Kazakhstan



*Utilising prior consumer finance teams' experience in the market, a selection of products are being tested



MOGO FINANCE GROUP'S TWO MAIN PRODUCT LINES:

MOGO CAR FINANCE

- » Secured loan: up to EUR 25 000
- » Loan term: up to 84 months
- » Sales channels: online web platform, online car portals, offline branches, offline used car dealers

Mogo Car Finance provides variety of products and services with different brands, thus, filling the funding gap and creating new opportunities for people who previously did not have access to the private means of transportation. Mogo is a leading brand in car financing and its core products are finance lease and leaseback that are provided to customers via websites, mobile channels and a broad dealer/broker and branch network across 11 active markets. In various markets through different brands [Renti, Primero] company also provides rent-to-buy services, motorcycle financing and finance more expensive vehicles through strategic collaboration with local banks. The proven business model is built around high demand for quality used vehicles and it is realized through an innovative, data-driven, and fast process led by IT investments together with strong control and efficient debt collection process.

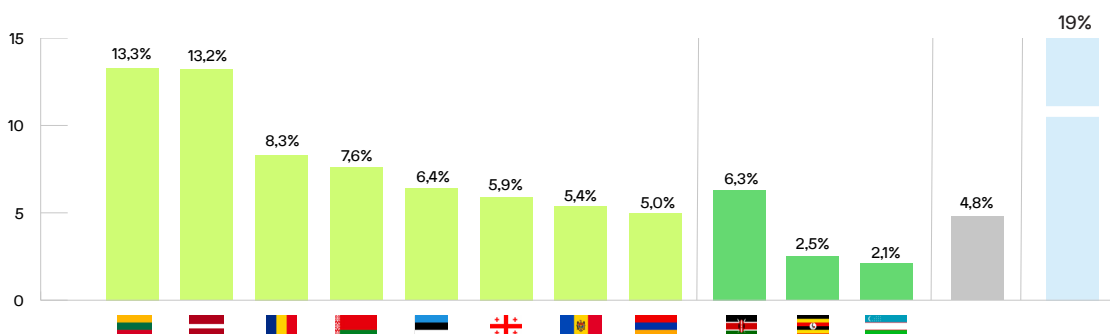
MOGO CONSUMER FINANCE

- » Unsecured loan: up to EUR 2 550
- » Loan term: up to 48 months
- » Sales channels: online web portal, offline branch network

Consumer Finance business entities focus on the markets where there are both – necessity for financial inclusion and underserved communities by conventional finance industry. In most cases there is no “middle way” between hard-to-access bank financing and very limited and expensive short-term loans. In majority of markets where Mogo Consumer lending companies operate, there are cash economy market conditions, thus our companies are often the only ones which offer both – online and offline customer service experience. While having more than 90 branches across 3 active markets we are offering flexible financial products from credit line to instalment loan with focus to provide accessibility to substantial amount of money in most convenient way with affordable rates.

Diversified loan portfolio

PRODUCT DIVERSIFICATION AS WELL AS OPTIMIZATION OF THE LOAN PORTFOLIO



NET LOAN AND USED CAR RENT PORTFOLIO BY COUNTRY



CAR FINANCING MARKETS:

Developed countries: markets where Group operates for more than 3 years with already substantial net portfolios [more than EUR 7 million]. Those are: Latvia, Lithuania, Estonia, Georgia, Armenia, Romania, Moldova, Belarus.

Developing countries: the Group operates for less than 3 years and portfolios are in their early growth stage. Those are Kenya, Uganda, Uzbekistan.

On-hold countries: markets where company have stopped or limited its issuances to minimum with the goal to exit some markets. Those are Poland, Albania, Bulgaria, Bosnia and Herzegovina, Kazakhstan.

CONSUMER FINANCING MARKETS:

Consumer lending: markets that offer Mogo Consumer loans only : Albania, North Macedonia, Moldova, Ukraine*.

MULTICHANNEL FINTECH APPROACH:



BUSINESS DRIVEN BY TECHNOLOGY

Mogo Finance Group uses state-of-the-art technological solutions that ensure that the financing is provided in market leading time, while still maintaining the flexibility needed to serve the underserved communities.

Care of our customers means open communication as well as tailor made solutions. Innovative and technology based internal processes allow us to analyze and assess all the possible customers` and vehicle data. Our decisions are made based on an in-house scoring model and data driven metrics` pool.

Mogo Finance Group as a responsible citizen of international business community encourages responsible lending, and it is our priority to ensure transparent and convenient customer journey for the customer. We ensure that customer data is processed and stored in a secured encrypted way.

Our daily business operations are supported by technological tool set and IT [Information Technology] infrastructure, like fraud prevention & scoring engine, risk evaluation engine and usage of alternative data sources. Our car assessment software automatically assesses the value of the specific vehicle by combining 10+ variables among thousands of cars in the market. To simplify customer journey, there is streamlined CRM [Customer Relationship Management] tool with multiple integrations with relevant credit bureaus, all major banks, and call center solutions. In order to provide convenient customer service, we use e-payments. Our proprietary algorithms in debt collection engine ensure high efficiency operations. Integrated GPS [Global Positioning System] tracking and alerts enables access to customer data information even when on the field. By using cloud service providers mission critical production systems utilize the advantages of high availability, fast scalability, and business continuity. We take full advantage of the managed and cost-efficient services and automation possibilities enabling Mogo Finance Group to have cost efficient IT operations with constant focus on information security.

*Utilising prior consumer finance teams` experience in the market, a selection of products are being tested

Value for Stakeholders

Every day, Mogo Finance Group helps to enable upward social mobility across diverse communities around the globe. Our products and services play a vital role in tackling current and future societal and economic challenges. A stakeholder-based approach helps us understand and manage both opportunities and risks to ensure sustainable profitability and growth.



EMPLOYEES:

- » Managing a diverse and flexible workforce with the right competences is vital to ensuring quality, innovation, and growth.
- » The Group employs a total of more than 1 400 employees [as of the end of the year 2020].
- » Diversity support: multicultural, race, age, gender, ethnic, sexual orientation, religion, disability diversity driven through Diversity and Inclusion Policy.
- » Healthy gender diversity: 55% women vs. 45% men
- » Culture of ownership: the management has implemented a share options program for the Mogo Finance Group employees. A dedicated part of Group's employees has access to a specific percentage of share options depending on job position and its direct impact on Group's profitability.
- » VALUE: career advancement and personal satisfaction.
- » THROUGH: global career opportunities, consistent learning and mentoring, competitive salary, health insurance, safe workplace.

CUSTOMERS:

- » Our customers range from private individuals to self-employed people. A varied customer base means vastly different expectations and needs, necessitating flexible offerings.
- » A total of more than 200 000 customers [as of the end of the year 2020]
- » The total number of loans and finance leases issued since inception - over EUR 650 million.
- » VALUE: enabled upward social mobility through financial inclusion across diverse communities.
- » THROUGH: strong online and on-site presence and broad partnership with local partners; fast, easy, available product and customer service; responsible lending practices.

INVESTORS:

- » The Mogo Finance Group investors` community is mainly comprised of investors from the Baltics, Western and Central Europe. Our investors value us as a trusted partner, with expected consistent growth, cost management, and strong sustainability performance.
- » Investors` community geography: Baltic region, Germany, Switzerland, Great Britain, France, Austria.
- » VALUE: return on the allocated capital.
- » THROUGH: compliance with the international capital market rules, terms and conditions of the bond documentation, a sustainable and profitable business model, and continuous growth strategy, transparent reporting practices, diversified income sources, and ESG performance.

REGULATORS:

- » By complying with the local laws and regulatory requirements, we ensure business sustainability, responsible lending practices, and fair treatment of our clients.
- » VALUE: a reliable, transparent and compliant entity.
- » THROUGH: the highest standard of legal compliance ensured by external compliance audits, regular reviews of internal documentation, policies and procedures, as well as following the best practices and regulator recommendations.

LOCAL ECONOMIES:

- » We contribute to the level of employment across the markets the Group operates in. By embracing gender diversity and promoting equal pay, Mogo Finance provides local communities with jobs with a competitive salary and bonus system, employing an average of 56 employees in each of its countries of operation. Through employment and development of our business operations, we also consistently contribute to tax revenues by the local economies. Also through productive lending concept we provide mobility to the customers, often while provide financing we elevate persons` ways to find the job or actual vehicle becomes value generating asset.
- » VALUE: regular tax revenues, a well-paid and educated workforce, and a non-discriminating attitude from an international employer.
- » THROUGH: the Group`s total tax contribution in 2020— EUR 12.5 million; regular trainings for employees—in 2020, more than 250 training courses for over 1 400 employees across all the countries the Group operates in.



Keynote from the CEO



Modestas Sudnius
CEO of Mogo Finance Group

Dear investors,

Last year turned out very differently to what we had originally envisaged. It was a year dominated by the Covid-19 pandemic, changing the way people live, economies function, and businesses run. Inevitably, it had a significant effect on the Mogo Finance business as well. Therefore, I would like to reflect on last year's results in light of the key things we had to change at our organisation in order to get where we are today and adapt to a "new reality".

TEAM

I would like to start with our employees. I was genuinely proud to see how our team coped with the new challenges, adapting to working from home and putting a sustained effort into delivering results on a day-to-day basis. Within a few weeks, we managed to build the necessary tools, adopt systems, and most importantly, gather up mental strength to delve into the new reality and continue servicing our clients in a seamless way, with most of the teams working from home. We evolved throughout the year, emerging as a more digital organisation than ever. Our business model still involves both offline [branches, partnerships, dealers] and online channels, but we digitalised the parts which, before the pandemic, did not seem likely to respond well to it. For example, now 70% of our clients in Romania sign their contracts and consents digitally and never visit a Mogo branch.

Covid-19 challenges have been mastered

Q2
2020

- » Prompt measures to mitigate Covid-19 impact on business
- » Cost and cash flow optimization
- » Focus on debt collection
- » Underwriting strategy reviewed

Q3
2020

- » Swift recovery after the first Covid-19 wave
- » Excellent sales and cash collection results

Q4
2020

- » Operations unaffected by the second Covid-19 wave
- » Company milestones achieved
- » Continued focus on debt collection and maintained stricter underwriting strategy

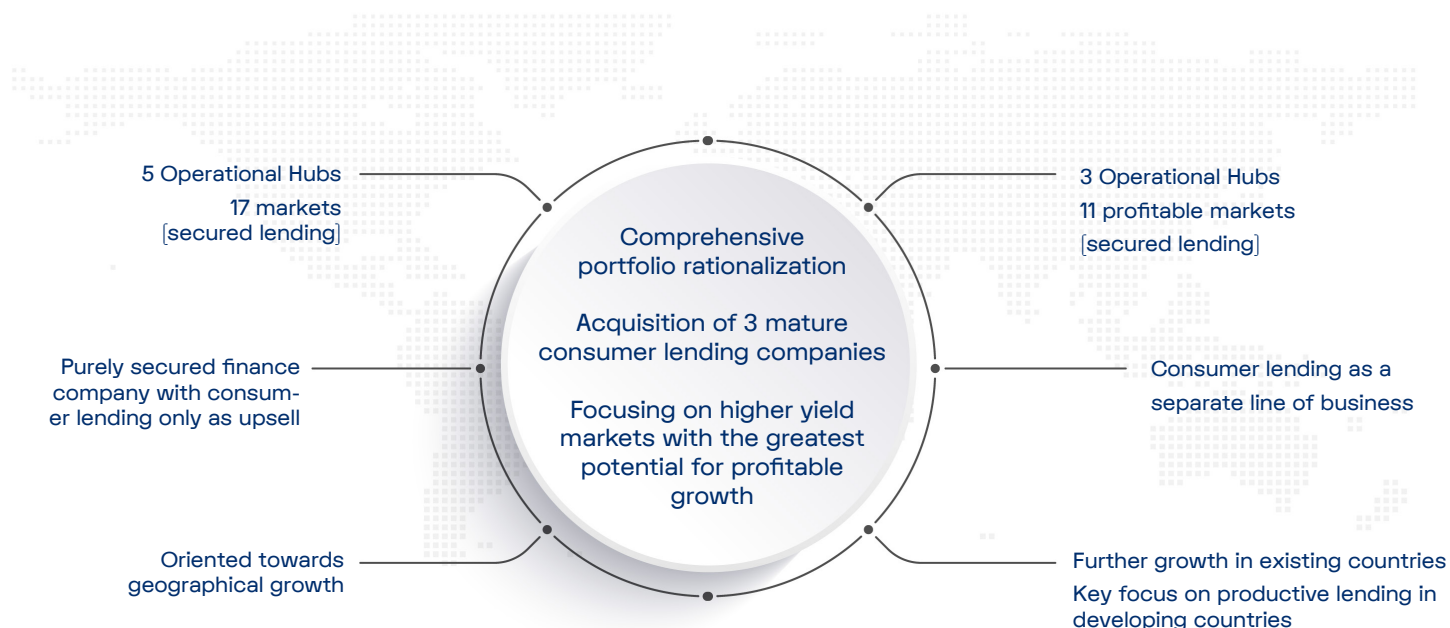
STRUCTURAL CHANGES

Our team adapted exceptionally well, yet the year took its inevitable toll. Originally, 2020 was anticipated as a year of significant expansion since Mogo Finance had launched and tested multiple markets, envisaging significant growth of portfolios in them. To that end, we had set up 5 regional hubs to reinforce operations in then 17 markets. However, the arrival of the pandemic altered our plans on portfolio growth in the relatively new regions. Instead, we shifted our focus on developed markets, as well as selected markets with most potential and best unit economics. We retained operations in 11 markets and put 6 markets on hold, with few possible scenarios in mind - including selling some of them or running down portfolios at a minimum cost. While optimising the markets, we also revamped our regional structure, keeping 3 hubs out of 5. This [despite additional business acquisitions] allowed us to decrease our cost to income ratio from 43% to 40% in 2020 and continue to maintain downwards slope.

OLD MOGO FINANCE

TRANSITION

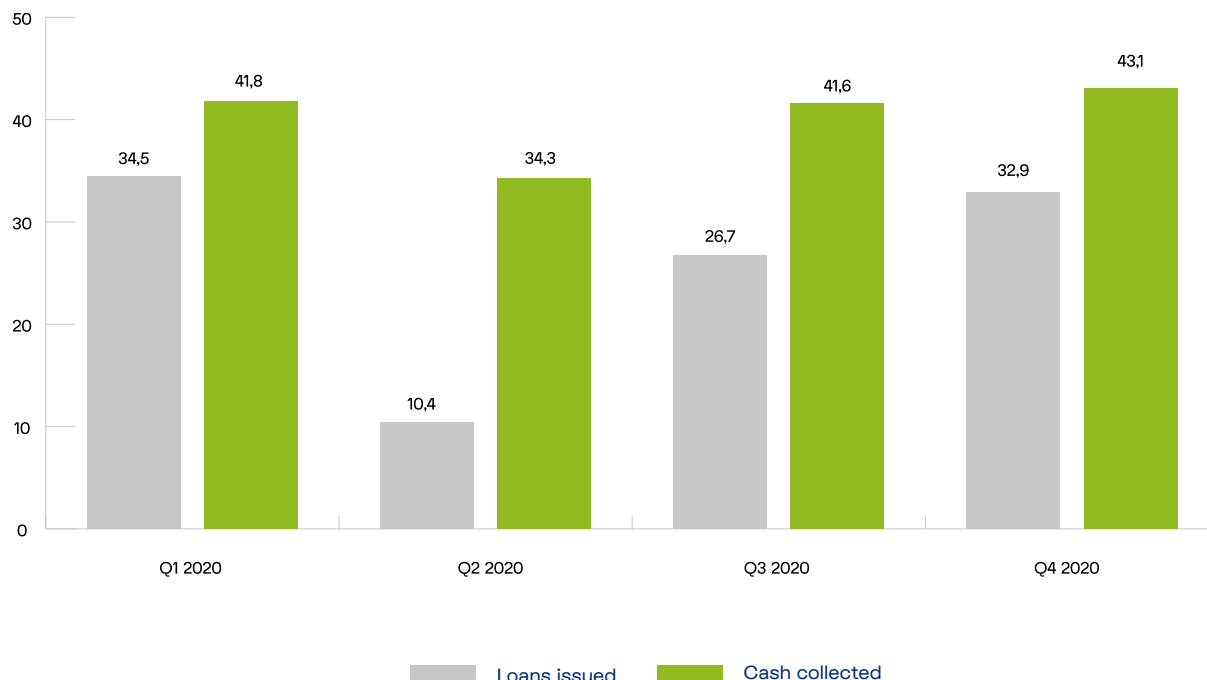
NEW MOGO FINANCE



PRODUCT PERFORMANCE AND MARKET TRENDS

Cost optimisation in the course of the year played a significant role, yet it was our product performance that rendered a strong year overall. Due to uncertainty around the world and multiple payment moratoriums imposed by the regulators across our markets, cash collections went down significantly in Q2 2020 but bounced back swiftly in Q3 and Q4. The long maturity and secured nature of our products together with our debt collection and debt restructuring measures helped us to fully bounce back in the second half of the year. Most of our clients, despite the tougher economic climate, retained good payment discipline. Those affected by the pandemic actively sought the proposed short-term debt relief programs, and the majority recovered in 3 to 6 months. A vehicle proved to be an asset that customers were unwilling to lose.

STRONG RECOVERY IN CAR LOANS ISSUED AND CASH COLLECTION, EUR million



We also see, that used car market remained active, and, in the second half of the year, the company managed to sell a record number of vehicles in the amount of EUR 6.4 million.

The demand for car finance remained strong, with the company seeing its sales bounce back in the second half of the year. This was achieved despite stricter underwriting rules, lower marketing investments, and movement restrictions in some markets. A personal vehicle gained new significance since public transport was seen as less safe. Also, we observed a decrease in competition as many local players were unable to resume their operations after the first Covid-19 wave. All this helped us to strengthen our flagship position across the jurisdictions.

ACQUISITIONS

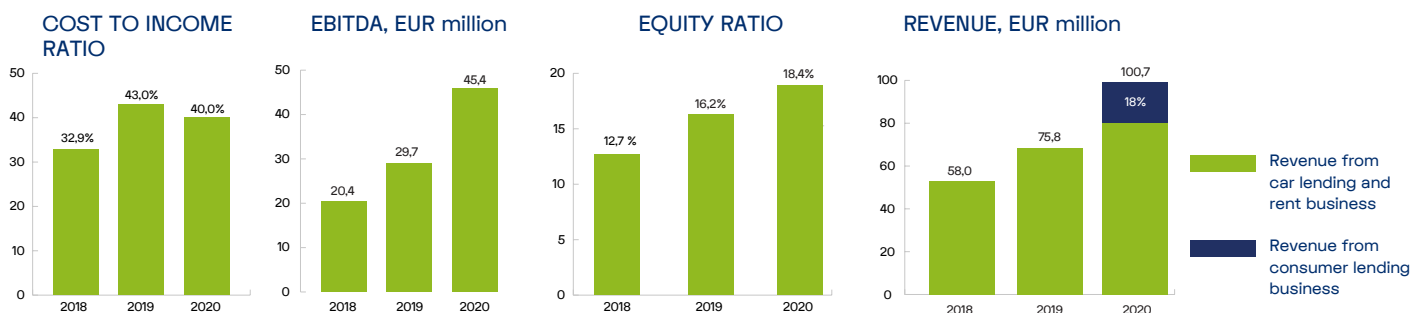
During the year Group has showed a strong cash generation potential which allowed increasing company cash position to almost EUR 30 million by end of May 2020. After conducting thorough analysis and due diligence, we decided to deploy part of this money to acquire consumer lending businesses in Moldova, North Macedonia, and Albania, the driving factors being their business potential and maturity. Given that they already had a strong position and presence in the markets where we had our vehicle financing business, we saw an opportunity to benefit from those acquisitions since we could achieve immediate operational synergy.

In retrospect, we may safely conclude that the completed acquisition was a successful move since we managed to achieve all our goals and deploy capital effective. Despite the different nature of the products, their overall business model is very similar to that of car financing. The acquired companies focus on long-term financing and have similar mixed sales channels via online platforms and offline branches. Also, they are data-driven companies with effectively run operations. The experience with unsecured vehicle loans in the Baltics facilitated faster integration of the new companies into the Group's structure.

FINANCIAL PERFORMANCE

A strong recovery in the second half of the year in tandem with successful consumer business acquisitions helped the Group to reach record EBITDA of EUR 45.4 million, more than 53% above the 2019 result, when the company produced EUR 29.7 million EBITDA. This resulted from a record-breaking revenue of EUR 100.7 million, which was more than 33% above the 2019 result. Despite the stagnating second quarter and multiple markets put on hold, the Group managed to maintain the vehicle finance issuances at the level of the previous year. It proves a strong demand for Mogo Finance products in the existing operational markets.

Growth in our developing markets through productive lending also proved a great demand and provided good unit economics for the Group. In 2020, we launched motorcycle taxi financing in Kenya and Uganda. This segment grew significantly and proved to be highly resistant to economic turbulences caused by the pandemic.



EBITDA: Earnings Before Interest, Taxes, Depreciation and Amortization, and Net Foreign Exchange Result
 Equity / Capitalization ratio: [Shareholders' equity + shareholders' loans] / Net loan portfolio

To recap, I must also mention foreign currency exposure [Forex] and its negative effect on the Group's financial results. Since the Group primarily borrows in the Euro but issues loans in local currencies, it is exposed to great forex risk. Due to the Covid-19-induced uncertainty in the world, we saw unprecedented currency fluctuations costing the Group more than EUR 14 million in losses. To mitigate this effect across multiple markets, we launched new products which are hedged to the Euro or the more stable USD currency. Also, we have hedged our USD/EUR exposure. We are still exposed to currency fluctuation risks in such markets as Georgia or Armenia, but it is significantly lower and partially covered by borrowing in local currencies from local banks as well as priced in the product offerings.

To conclude, I must say that I am pleased about our resilience and ability to remain strong compared to other players operating in alternative financing segment. Despite Covid-19, substantial Forex losses, a one-off costs - such as HUB structure optimization and warrant payment made to previous mezzanine lender, we managed to finish the year profitably while also strengthening our equity position.

FOCUS ON ESG AND NON-FINANCIAL REPORTING

Consistent development is one of our core values, we may say it is part of our DNA. We persistently seek to better ourselves, our people, our business processes, our communication, and our performance. The forthcoming brand identity change that Mogo Finance will undergo shortly has made us revisit our mission and the impact we make on the world.

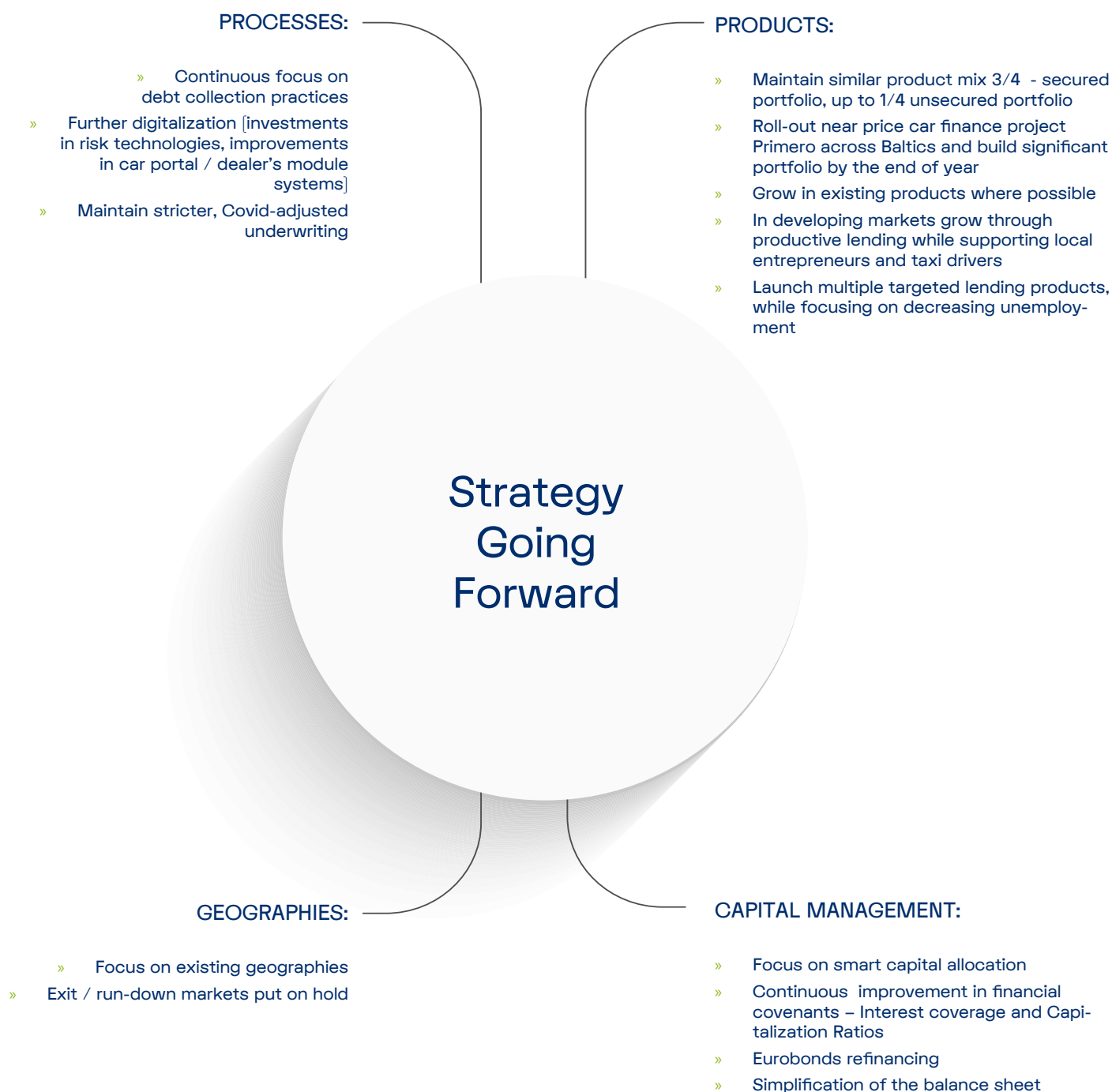
By transforming our corporate strategy in 2020, we did not only shift our business focus. That change brought about a shift of a wider scope—we set forth to make a transition from product and services orientation to impact making. By serving the communities that are underserved by conventional lenders we bring disruptive change to the financial industry. By providing financial inclusion we better the lives of people around the world. The ultimate purpose of our business is to empower diverse communities around the world by providing them with financial inclusion—thus enabling upward social mobility. This is what drives our mission and the business decisions made by every employee at Mogo Finance Group around the globe.

To fulfil our mission, sustainability of our business lies at the core of our existence. To keep our stakeholders—employees, customers, investors, and regulators—informed about the initiatives we implement, policies that guide us and best practices we follow, we are establishing our non-financial reporting practice. In our first Mogo Finance Group Integrated Annual report we have included both the financial and non-financial aspects of our business. For non-financial reporting purposes, we have chosen the ESG performance reporting framework, covering environmental, social, and corporate governance issues.

This Integrated Annual report lets you learn about the Mogo Finance Group ecosystem—what we have built, what we believe in, and how we are creating value for our stakeholders.

Modestas Sudnius, Mogo Finance Group CEO

Strategy and Goals for 2021



A person wearing a grey wool coat is holding a black folder and a notebook. The folder is open, showing a white document. The notebook is also open, showing a white page with some text and a small green tab. The person is standing outdoors, with a metal railing visible in the background.

Management Report

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The Group Management's Operational Review

A MORE COMPACT ORGANISATION FOCUSED ON SMART CAPITAL ALLOCATION



Modestas Sudnius, Mogo Finance Group CEO: “2020 in a nutshell - business resilience and strong footing for 2021”

“In 2020, not only did we pursue our business and corporate goals set for the Group’s continued growth and development, but we also rose up to the challenges posed by the global coronavirus pandemic that affected a number of business sectors around the world. Despite the turbulence brought by Covid-19, Mogo Finance ended its fiscal year 2020 on a strong note, producing record-breaking revenues, EBITDA, and excellent portfolio quality. These results were driven by effective capital allocation, with a profound focus on mature markets yielding highest returns, markets, and products with the best unit economics, as well as overall cost optimisation. The Group made strategic acquisitions that further strengthened its performance. Also, the pandemic required us to further strengthen our debt collection strategies and introduce more flexible schedules.

The strong focus on collection strategies rendered steadily growing cash inflow. Our customer support team’s ability to design individual solutions paid off with more regular repayments. On top of that, we refined our underwriting policy that performed exceptionally well. We managed to build Mogo Finance’s resilience and a strong footing for 2021.”



Maris Kreics, Mogo Finance Group CFO: “2020 - a year of repositioning for profitable growth onwards”

“Mogo Finance continued to show strong upside in 2020, proving sustainability of its predominantly secured loans and their importance to customers even against a backdrop of economic turmoil.

Covid hit us unexpectedly in 2020, our response was – stricter underwriting and focus on debt collection strategies. It is encouraging to note that, despite the stricter underwriting guidelines we introduced in March – on early stage of global pandemic – we continued to record strong demand for our products and thus increased loan issuances month after month. At the same time since June, we have observed a decline in the non-performing portfolio across all operating markets.

It was particularly pleasing that the full effect of the bolt-on acquisitions of profitable mature consumer credit companies made during 2020 have already materialized revenue-wise. Additionally, it allowed us to recognize a gain on the acquisition price. At the same time, we offset the acquisition-related 62% employee build-up on administrative expenses to an only moderate increase of 13% in employee salaries through the cost control measures initiated in early 2020. Less pleasing, although not as bad as expected, was the currency situation.

Nevertheless, we were able to generate a profit of EUR 0.7 million from our successful hedging activities in 2020. The record-high EBITDA of more than EUR 45 million, although offset by unprecedentedly high FX expense, still resulted in the net profit of EUR 1.6 million allowing Mogo Finance to have its fifth profitable year in a row.”

Operational and Financial Results

THE DIRECTORS OF THE GROUP PRESENT THE REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020. ALL THE FIGURES ARE PRESENTED IN EUR [EURO].

Despite headwinds from a global pandemic the year 2020 was another year of very consistent growth for the Group. Total assets of the Group grew up to EUR 279.8 million [10% increase, compared to 2019], Interest and similar income reached EUR 100.7 million [33%* increase, compared to 2019], and net profit of the Group amounted to EUR 1.6 million. The growth of the Group and its market leading position during 2020 was driven and further reestablished by its purposeful strategy as well as bolt-on acquisitions executed during the third quarter of 2020. The acquired companies are one of market leading companies in their respective countries that substantially contributed to the Group's bottom line during 2020. As a result of acquisition, the total number of employees of the Group grew up to more than 1 400 as of the end of the year. Additionally, total number of active clients increased to more than 200 thousand.

During 2020 the Group made a strategic decision to optimize its product and country portfolio by deliberately focusing on the highest yielding products and countries with the greatest growth and profitability prospects. As a result of this strategy put in motion the Group has divested its operations in North Macedonia by end of 2020 and is in process of finalizing several other sale transactions all of which are expected to release capital to be deployed in other markets as well as direct Group's management focus to a narrower set of countries than before.

In 2020 the Group continued to cooperate with continental Europe's leading peer-to-peer lending marketplace Mintos [www.mintos.com]. Currently the Group is the company with the largest loan portfolio listed on the platform and it offers investors to invest in Group's loans originated in more than ten operational entities.

On 27 January 2021 the Group received broad approval from its bondholders to amend the terms and conditions of its EUR 2022 bonds. The proposals included the replacement of the bondholders' representative, the amendment of financial conditions and the amendment of the definition of permitted debt.

On 1 March 2021, AS "mogo" [Latvian operational entity] issued bonds in the amount of EUR 30 million, thus, successfully completing the largest bond issue in recent years by a private company on Nasdaq Riga Stock Exchange. With an annual coupon rate of 11%, 3-year maturity and minimum subscription amount of EUR 1 000, the bonds were offered to existing AS "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.

During 2020 Mogo Finance managed to sustain its B- issuer as well as senior secured bond rating by Fitch.

Starting from 2019 the Group is also preparing a non-financial report.

Due to the specifics of the business model, the Group does not have activities in the field of research and development.

The Parent entity has not been engaged in any acquisition of its own shares during 2020. No Parent entity's shares are being held by the company itself or its subsidiaries.

Please refer to the Note 37 to the Consolidated Financial Statements for details on the structure of the share capital.

FUTURE OUTLOOK

In the light of events related to Covid-19, the Group's management has assessed the impacts of the coronavirus outbreak on the Group's ability to continue as a going concern. For further information and details on stress test performed please refer to the Note 2 "Going concern" to the Consolidated Financial Statements.

While the economic environment remains uncertain, we enter 2021 with improved operations and a strong funding position, and our employees, partners and customers have proven resilient to the challenges posed by the pandemic. The business model is highly relevant to the lives of many thousands of customers and plays an important role in enhancing the lives of people of modest means. We are confident that we will continue to serve our customers well and maintain high profitability and long-term growth.

Going in to 2021 the Group intends to:

- » Continue to develop its current set of 14 active markets with particular focus on productive lending in the fastest growing markets.
- » Develop premium car financing solution by engaging in mutually beneficial strategic partnerships with local banks.
- » Continue further digitalization across the key business areas.
- » Maintain stricter underwriting policies in place.
- » Launch of several ESG friendly products.
- » Explore capital market sentiment as it relates to a possible Eurobond refinance within 2021.
- » Continue simplifying its balance sheet.

*Including discontinued operations in Bulgaria and Kazakhstan

Risks and Risk Management

RISK MANAGEMENT

Mogo Finance as other companies operating across different geographies is exposed to various risks. Key risks are credit risk, risk of fraud and abuse, risk of collateral loss and damage, operational risk and full spectrum of financial risks.

Mogo Finance holds full accountability for the services provided. However, used cars markets have many aspects which may negatively affect customers' experience and directly or indirectly imply losses. To avoid any adverse impact, company sets up strong local operational teams from the first day of operations. These teams impose controls along the entire credit cycle and span into all processes and functions [e.g. our policy is to provide financing only after internal assessment of a car which is performed by dedicated Mogo team]. This control ensures correspondence between assets' price and its actual value. Local teams are in an ongoing contact with distribution partners and thus limit all potential abusive behaviors towards Mogo customers. Similar controls are imposed in other processes.

Mogo Finance has established a strong risk management system which significantly relies on the local teams and consists of three levels. Three level of defense is used across all processes with material exposition to risk or high repetitive rate:

1. Group CRO sets up group wide risk management strategy and policies;
2. Experienced Risk management teams are set up in each HUB [business units based on its geographical locations and on internal management structure]. HUB Risk management teams adopt Group wide policies to regional level and ensure consistency of execution on local level;
3. Local teams in operational offices manage and prevent risks in line with policies and procedures conveyed from the upper level.

Economical security department was established in 2019, and it started to work very closely with risk management teams. Department's objective is to combat fraud and minimize loses. The department has established cooperation with police and other lending companies operating within certain markets. As a result of successful cooperation, the awareness of fraud management practices has increased, and fraud levels within the industry have undoubtedly went down in late 2019.

Collegial bodies such as credit committees are established across all countries. All non-standard cases are escalated to credit committees. If it is beyond the limit of credit committee authority, the case is escalated to HUB management and further to the Group's management team, which consists of Group CEO, Group CFO and Group CRO.

The Group's management team takes care of all ad-hoc risks, which have direct or potential material impact. Risks related to the area of CSR fall under remit of Group's management team. No material events have been reported during 2020.

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.

The underwriting process is mostly performed automatically using Mogo's proprietary IT systems. The processes requiring manual input, e.g. receipt of customers' applications at physical points of sale and manual customer identification are as much automatic as possible. The day-to-day underwriting process is handled by local offices in each country of operation. Typically, with few country-specific exceptions, the review process of each application consists of the following steps:

1. Loan application processing and preliminary assessment.
2. Risk evaluation and scoring.
3. Vehicle inspection [in case of Financial Lease and Leaseback products] and finalizing loan terms.
4. Final loan approval and loan issuance.

Mogo Finance has established a dedicated customer service organization in each market where it has operations. This allows the provision of customer-focused service in line with local specifics and market practice. To ensure consistent quality of customer service operations across the Group, a developed group-wide customer service standard has been developed, which includes [i] customer service and quality principles, [ii] best practices and requirements for managing customer service departments, and [iii] internal procedures for each country operations to ensure effective knowledge sharing and continuous improvement of operations. On a daily basis, the customer service organization is improved through regular benchmarking, experience sharing, and targeted projects supervised by the Group's operations team to roll-out best practices across the Group.

Mogo Finance has established an efficient and effective debt collection process in each country where it operates. There is a dedicated team in each country and follows debt collection practices which are fully compliant with local regulations. Mogo's strategy is focused on maximizing the dialogue with customers. When Mogo assesses that a customer can repay its loan, it offers various options and tailors the offers to such customer. When Mogo assesses that the customer will not be able to continue a successful relationship, a quick and efficient repossession of the collateral and subsequent sale of it is strived, while maintaining full transparency with the customer about the process.

LEGAL RISKS

Legal risks are mainly derived from regulatory changes which the Group successfully manages with the help of in-house legal department and external legal advisors that closely follow latest developments and legal environment. While the majority of our operating entities are financial institutions, we are not regulated as a bank, payment institution or e-money institution in any of our operating jurisdictions. The regulatory framework applicable to our operating entities varies depending on the jurisdiction in which we are operating. The relevant regulations relate to, inter alia, lending and leasing activities, consumer rights protection, the processing of personal data, debt collection and the prevention of money laundering and financing of terrorism. Please refer also to the Note 47 to the Consolidated Financial Statements for additional financial risk management.



FINANCIAL RISKS

The Group's activities are exposed to variety of financial risks: market risk [including currency risk and interest rate risk], credit risk and liquidity risk. Group's overall risk management focuses on financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures that is carried out by central treasury department [Group's treasury].

» LIQUIDITY RISK

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

» CREDIT RISK

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 lease and loan granting process [including solvency check of the lessee or borrower], monitoring methods, as well as decision making principles. The Group uses financed vehicles as collaterals 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 and every customer. When the lease agreement has been signed, the Group monitors the lease object and customer's solvency. The Group has developed a lease monitoring process that helps to quickly spot any possible non-compliance with the provisions of the agreement. The receivable balances are monitored on an ongoing basis to ensure that the Group's exposure to bad debts is minimized, and, where appropriate, sufficient provisions are being made. The Group does not have a significant credit risk exposure to any single counterparty but is exposed to risks to group of counterparties having similar characteristics.

» MARKET RISK

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 and foreign exchange rates.

» CURRENCY RISK

The currency risk is defined as the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Group is exposed to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The most significant foreign currency exposure comes from Georgia, Kazakhstan, and Belarus, where the Group has evaluated potential hedging options, but due to the costs associated with it, has decided not to pursue hedging strategy for now and assume potential short to mid-term currency fluctuations with retaining potential upside from strengthening of the mentioned currencies. However the Group is making substantial progress in issuing as much as possible of loans in EUR and USD currencies, the USD loan issuances are linked to Belarus, Kenya and Uganda. Having now a significant amount of USD loan and lease portfolio the Group has started to proactively manage to foreign currency exposure risk towards USD. The proactive management of USD exposure can be observed by forward contract purchases that have started already in 2020 and continued to do so in 2021.

It is expected that Group's exposure to volatile foreign currencies will be continuing to decrease in future with Group's divestment of several of its subsidiaries.

» INTEREST RATE RISK

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates, particularly the Group's income or the value of its portfolios of financial assets might be affected as a result. Management believes that for the Group, interest rate risk is not material since all loans are issued and received at fixed rates and most of the borrowings as well as loans issued to customers are long term.

Corporate Governance Statement

INTRODUCTION

The Group is subject to and complies with – among the others – the Luxembourg law of 10 August 1915 on commercial companies, as amended and the law of 11 August 2008 on transparency requirements for issuers of securities, as amended [the “Luxembourg Company Law”], as well as the Rules and Regulations of the Frankfurt Stock Exchange. The Group does not apply additional requirements in addition to those required by the above.

MOGO FINANCE GROUP/SHAREHOLDING

Mogo Finance S.A. is the holding company of the Mogo Finance group [the “Group”]. In 2020 the Group continued to operate in 14 active markets. Each country’s subsidiary is entitled to take operational decisions regarding its business activities. Countries located in a certain region are combined in clusters [“Hubs”] coordinated by sub-holding companies controlled by the parent company. Each Hub is entitled to take decisions regarding the activities of the countries included in the Hub as well as Hub common frame activities.

“The share capital of the Group is indirectly held by the four founders of the Group [approximately 90%] and by present and former employees of the Group. The shareholders of the Group entered on 5 May 2015 into a shareholders’ agreement, amended from time to time [the “Shareholders’ Agreement”]. The Shareholders’ Agreement provides that, among other things,

- [i] all shareholders [unless such shareholder ceases to be an employee of the Group] need to be present or represented at a shareholders’ meeting;
- [ii] resolutions on certain material matters, including appointment of auditors and entry by the Group into material contracts, need to be passed unanimously [provisions to overcome deadlock scenarios are foreseen]; and
- [iii] limitation on the transfer of rights, tag-along, drag-along and right of first refusal.”

POWERS OF THE SHAREHOLDER

“The shareholders’ general meeting exercises the power granted by the Luxembourg Company Law including

- [i] appointing and removing the directors [the “Directors”] and the statutory or independent auditor of the Group as well as setting their remuneration,
- [ii] approving the annual financial statements of the Group,
- [iii] amending the articles of association of the Group,
- [iv] deciding on the dissolution and liquidation of the Group,
- [v] changing the nationality of the Group and,
- [vi] rights to amend the financial statements after their issue.”

GENERAL POWERS OF THE DIRECTORS / THE BOARD

The Group is currently managed by a board of directors [the “Board”] whose members have been appointed as type A Directors and type B Directors by the shareholders’ general meeting of the Group. In accordance with Luxembourg Company Law, each type A Director and type B Director may be removed at any time without cause [révocation ad nutum].

Meetings of the Board are convened upon request of the chairman of the Board or any two Directors of the Group as often as the interest of the Group so requires. The meetings of the Board are validly held if at the commencement of the meeting at least one type A Director and one type B Director is present or represented and decisions are validly taken by the majority of the Directors present or represented [including at least one type A Director and at least one type B Director]. Any Director may represent one or more other Directors at a Board’s meeting.

The Board of the Group may, from time to time, delegate its power to conduct the daily management [gestion journalière] of the Group to one or more Directors, i.e., the managing Director[s] [administrateur[s] délégué[s]], commit the management of the affairs of the Group to one or more Directors or give special powers for determined matters to one or more proxy holders.

Pursuant to its articles of association, where the Group is administrated by the Board comprising several categories of Directors, it shall be bound by the joint signatures of a type A Director and a type B Director. Thus the "four eyes" principle is established.

The Group is currently managed by a Board composed of two Directors of type A and two Directors of type B, elected pursuant to resolutions of the shareholders of the Group. Based on the articles of association of the Group, Directors of each category are vested with the same individual powers and duties. The Directors of type B are Luxembourg residents, whereas the Directors of type A are not a Luxembourg resident and at the same time hold the positions of CEO and CFO within the Group.

Specific Powers of the Directors / the Board

FINANCIAL REPORTING PROCESS

The Board is responsible for establishing and maintaining adequate internal control and risk management systems of the Group in relation to the financial reporting process. Such systems are designed to manage rather than eliminate the risk of failure to achieve the Group's financial reporting objectives and can only provide reasonable and not absolute assurance against material misstatement or loss. The Board has established processes regarding internal control and risk management systems to ensure its effective oversight of the financial reporting process. The Board is obliged to maintain proper books and records as required by Luxembourg Company Law. These include appointing Group management to maintain the accounting records and prepare for review and approval by the Board and annual accounts providing a true and fair view of the financial situation and result of the Group. The Board evaluates and discusses significant accounting and reporting issues as the need arises. From time to time the Board also examines and evaluates the external auditor's performance, qualifications and independence.

RISK ASSESSMENT

The Board is fully responsible for assessing the risk of irregularities whether caused by fraud or error in financial reporting and ensuring processes are in place for the timely identification of internal and external matters with a potential effect on financial reporting. The Board has also put in place processes to identify changes in accounting rules and recommendations and to ensure that these changes are accurately reflected in the Group's annual accounts.

The risk appetite of the Group is set by the Board. In line with the principles of the three lines of defense, the Group has a governance process enabling the business to understand, assess and manage risks in accordance to its defined risk appetite. The Group ensures a formal process of regular portfolio reviews, enabling the identification of risks associated with the portfolio, the definition and implementation of any corrective action, whenever required, consistent with the risk/reward approach set by the Board.

MONITORING

The Board is directly responsible for establishing a sound control environment. The Board has an annual process to ensure that appropriate measures are taken to consider and address any shortcomings identified and measures recommended by the external auditors.

CONTROL ACTIVITIES

The Board is responsible for designing and maintaining control structures to manage the risks which are significant for internal control over financial reporting. These control structures include appropriate divisions of responsibilities and specific control activities aimed at detecting or preventing the risk of significant deficiencies in financial reporting for all significant captions written in the annual accounts and related notes therein.

AUDIT COMMITTEE

The Audit Committee meets on a regular basis and, during its meetings but also by other means – e.g. review of specific documentation, site visits if necessary – oversees the Group's financial reporting process to ensure the transparency and integrity of published financial information, the effectiveness of the Group's internal control and risk management systems, the effectiveness of external audit processes including recommending the appointment and assessing the performance of the external auditor including its independence from the Group, any non-audit services the external auditor has

provided the Group with, any such services eventually submitted for approval, as well as the effectiveness of the process for monitoring compliance with laws and regulations affecting financial reporting codes of business conduct [where applicable]. The Audit Committee reads the additional report prepared to its attention by the external auditor and ensures that all points therein deemed relevant to the financial reporting are addressed to management and to those charged with governance.

The Audit Committee issues an annual report on its missions, its responsibilities, and the measures that it has taken to properly fulfil its tasks. This report which may be included in the Audit Committee annual report, shall include a summary of the Audit Committee roles and responsibilities, names and titles of all Audit Committee members, the number of meetings held since the last report, the actual attendance of its members and the conclusion on the performance of the Audit Committee missions.

The chairman of the Audit Committee shall attend any meeting of the Board discussing and approving the interim or annual accounts.



FULL BUILDING
FLAGSHIP OPPORTUNITY
OFFICE RETAIL
MULTIPLE DIVISIONS CONSIDERED
FOR OFFICE
GUS FIELD
212 841 5965
MARIA TRAVLOS
212 713 6795
MOBILE APP
212.0.
MyCHA

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Sustainability Approach

OUR BUSINESS MODEL AND BUSINESS SEGMENTS

Mogo Finance Group is international and fast-growing Financial Technology company with vast reach across the globe. Operating in 3 continents, Group's companies recognize the niche underserved by conventional lenders and provide financial inclusion by disruptively changing used car and consumer financing industry.

Founded in 2012 in Latvia, the Group revolutionized the way people purchased used cars. Having expanded to all the Baltics within a year of launch, the Group continued expansion in the following years, serving a total of 14 active markets as of the end of the 2020. Mogo Finance Group has disrupted the used vehicle market as well as the way people's social mobility can be elevated through the access to convenient and responsible lending.

Mogo Finance Group main car financing products are financial lease, where the Mogo services are used by customers to acquire vehicles, and leaseback financing, where the customer sells and leases back to Mogo the vehicle that it owns. The Group's consumer finance business entities offer flexible financial products from credit line to instalment loan with focus to provide accessibility to substantial amount of money in most convenient way with affordable rates.

Innovative financial solutions, transparency provided by presence in international capital markets and talented team of more than 1 400 people brings in life strong and ambitious mission, thus making Mogo Finance Group one of the top fastest growing companies in industry.

Entering the post-pandemic landscape, the main objectives of the Group for 2021 will be to consistently and profitably grow within the current markets and current product base. Also, with a rationalized geographical dispersion it is expected the Group will have a lower exposure to non-EUR currency fluctuations.

OUR PRIORITIES

As a financial institution with operations and clients around the world, Mogo Finance Group promotes sustainable business practices and helps clients capitalize on opportunities that achieve positive environmental and social impacts.

“Our health, our economic success and our environment are inextricably linked, therefore, despite the current challenges, we must sustain our efforts to drive positive social and environmental impact around the world” Modestas Sudnius, CEO of Mogo Finance Group

Economic

Strengthening financial self-sufficiency and economic opportunities in underserved communities. Financial success for our customers and our business starts with the success of local communities. We provide economic opportunities in underserved communities by empowering individuals and small businesses with the products, services, knowledge, and tools needed to achieve financial self-sufficiency, income mobility, and ultimately, improved well-being and quality of life.

Societal

A sound understanding of the role of a responsible corporate citizen of the global business community. To contribute to the building of prosperous and sustainable society, we plan and support social activities in the communities where the Group's companies operate. We encourage and support voluntary activities of our employees. Our business model provides an equal approach and treatment to all social levels in society. Also, we bring to developing societies Western values of equality and fair social treatment.

Environmental

Our products and services – vehicle financing solutions – make particular environmental footprint, which we recognize and strive to focus more deeply to offset it by compensational climate friendly activities like – zero paper policy and water saving initiatives in our office premises. Also, we are making commitment to prioritize neutralizing our environmental footprint activities in forthcoming years by implementing structured sustainability strategy.

OUR APPROACH

Mogo Finance Group's priority is to measure our non-financial performance according to internationally known metrics which is well respected and known in the global investors' community. Therefore, Mogo Finance Group in 2021 starts non-financial reporting practice in the framework of Environmental, Social, and Governance [hereinafter – ESG] reporting. ESG stands for information disclosure and data transparency for environmental, social, and corporate governance aspects, thus ensuring that the key stakeholders have the relevant information that is needed to make informed decisions about the company's ability to create value in the short, medium, and longer term.

We at Mogo Finance see the ESG data as a significant performance signal to all our main stakeholders as well as to society in general, therefore, to navigate a smooth transition to a regular and strategically-guided non-financial reporting process, we have set up a special task force in charge of Mogo Finance's Sustainability performance.

In several sustainability criteria Mogo Finance Group is a trendsetter, by introducing Western European values and incentives in developing countries, thus elevating lives of vulnerable and diverse communities. Though we have a sound understanding of environmental footprint left by our products and services, which are compensated with wide scope of activities, but needs to be treated in more structured way to reach goals that contribute to the global climate neutrality.

OUR ROADMAP IN NON-FINANCIAL REPORTING 2021



ALIGNMENT WITH UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS

To demonstrate our corporate adherence to the ethical standards of the industry and the national and international frameworks on corporate sustainability and sustainable development, we have chosen to make our sustainability commitments and align our practices with the United Nations Sustainable Development Goals.



HOW MOGO FINANCE GROUP CONTRIBUTES TO THE SUSTAINABLE DEVELOPMENT GOALS



Target 5.5.

Ensure women’s full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life.

In the Equality, Non-Discrimination, and Inclusion section [page 35] you can find more on the Mogo Finance Group Inclusion and Diversity Policy and the initiatives to foster gender equality, decrease gender pay gap and empower women professionally for equal opportunities across the Group’s companies. Thus, we contribute to the UN SDG number 5, in particular target 5.5.



Target 12.66.

Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle.

By starting the non-financial reporting practice as part of our annual reporting, we not only let all our stakeholders know about our initiatives and goals, but also encourage our stakeholders and partners to do the same, thus contributing to the UN SDG number 12, in particular target 12.66



Target 9.3.

Increase the access of small-scale industrial and other enterprises, in particular in developing countries, to financial services, including affordable credit, and their integration into value chains and markets.

By operating a business model which provides access to finance in two directions, vehicle finance and consumer lending, Mogo Finance Group enables financial inclusion across diverse communities around the world. By granting affordable funds in the vehicle financing business sector, we see productive lending as a rapidly growing niche, which, at the same time, is making a disruptive impact onto people’s lives, especially in developing countries. For example, by recognizing a specific niche underserved by traditional lenders, Mogo Finance is providing vehicle financing in the largest economy in East Africa – the Republic of Kenya, which has a reputation of the most stable, democratic, and business-friendly market in the region. Kenya also has a vibrant and growing transportation sector with approximately 30 thousand vehicles being registered per month. Financial technology operations executed in Kenya are referred to as “productive lending”, which is implemented through business-linked loans to self-employed customers. Most of the clients Mogo Kenya serve are self-employed or small business owners. Typical clients include entrepreneurs that are willing to take out a working capital loan against their vehicle as a collateral or drivers in taxi and ride hailing businesses. Thus, Mogo fills the funding gap and contributes to the empowerment of local entrepreneurs and promotes financial inclusion throughout the region. Thus, we find our companies contributing to the UN SDG number 9, target 9.3.



Target 17.16.

Enhance the global partnership for sustainable development complemented by multi-stakeholder partnerships that mobilize and share knowledge, expertise, technologies and financial resources to support the achievement of sustainable development goals in all countries, particularly developing countries.

Also, by running business operations in 14 countries across three continents, we do both—implement socially responsible business practice in all the regions we are represented and spread the knowledge and best practice across these regions by participating in industry events, such as conferences, masterclasses, webinars, training sessions, and the like. Also, we are an active member of the industry associations in order to raise awareness of the industry and financial inclusion. Thus, we see our contribution to the UN SDG number 17, in particular target 17.16.

Ethics and Anti-Corruption

ANTI-BRIBERY AND CORRUPTION POLICY

Mogo Finance Group is committed to comply with all applicable Anti-Bribery and Corruption laws and regulations in the jurisdictions in which it operates and has zero tolerance towards bribery and corruption as these are perceived as unethical and unacceptable activities inconsistent with Mogo Finance Group's core values.

We strive for transparency, trust, and integrity. This approach applies to all our business entities and markets where we operate as well as our client and business relations, serving as a guide in our daily work with all stakeholders.

Our Anti-Bribery and Corruption policy defines bribery as offering, promising, giving, agreeing, accepting, or soliciting of an advantage as an incentive for an action which is illegal, unethical or a breach of trust in exchange for a benefit of any kind. The benefit can take many forms such as money, loans, fees, lavish gifts, rewards, or other advantages [taxes, services, donations, favours made to a relative, friend or favoured cause]. However, corruption in our Anti-Bribery and Corruption policy is defined as any unlawful or improper behaviour that seeks to gain an advantage through illegitimate means. Bribery, abuse of power, extortion, fraud, deception, collusion, cartels, embezzlement, and money laundering are all forms of corruption, which we have zero tolerance against and try to fight with all legitimate means possible.

The aforementioned Anti-Bribery and Corruption policy is the source of information and guidance for our employees and is applicable to all employees within the Group, who have the obligation to follow these guidelines accordingly. The purpose of this policy is to clarify the responsibilities of Mogo Finance Group, its management and employees and emphasize our zero-tolerance position on bribery and corruption. The core principles set in this policy are:

- » our employees or third parties representing any of the Mogo Finance Group's entities shall not offer, promise, give, request, accept or receive bribes or other unfair advantage to facilitate our business. Provision, giving promise or offering any benefit to a person who exercises public authority, is strictly prohibited.
- » our employees are prohibited from offering, giving, accepting, requesting, or agreeing to receive gifts, events, trips, and other arrangements unless such activities comply with the allowed limits and if they are open, moderate and match clear business objectives and are appropriate for the nature of the business relationship.
- » our activities to strengthen and establish client and partner relationships shall be made in good faith and in compliance with requirements set by Mogo Finance Group.
- » we support contributions to the communities in which we operate and permit reasonable donations to charities and sponsorships. Sponsoring and donations to charities shall be performed in an open and transparent manner.
- » we do not give donations to political parties, politicians, or political campaigns – Mogo Finance Group is politically neutral.
- » in addition to this policy, we use centralized accounting and other systems to increase transparency on payment transactions. Over the recent years we have reduced the number of payments in cash to minimum and strictly follow dual control principle for digital payment transactions above a certain threshold.

Our employees have an obligation to fulfil their duties in an honest and ethical manner, to earn and safeguard client's and business partner's trust. Our employees have committed to comply with internal rules and procedures, which specify the obligation to conduct themselves in an ethical, polite, and respectful manner towards other team members, clients, and partners. We select our team carefully and for certain senior positions we perform an in-depth background check to exclude any possibility of criminal or corruptive elements. We have a zero tolerance policy for any illegal activities or unethical behavior towards other employees, clients, business partners and the community.

ANTI-MONEY LAUNDERING AND SANCTIONS COMPLIANCE

The challenges in the fight against money laundering are vast, and potential threats exist in every corner of the world, therefore as a responsible participant of the financial services sector we work very hard to stay ahead of increasingly sophisticated criminals that seek to exploit the global financial system. We fully cooperate with regulators and law enforcement agencies alike in order to identify any illegal funds we may have received from our clients, investors and/or cooperation partners.

Our Anti-Money Laundering [AML] policies are focused on protecting our business and clients from the risks of money laundering, terrorist financing, breach of sanctions or other illegal activities. These policies are tailor made to the various jurisdictions we operate and take into account not only the specific local legal requirements but also product nuances, our group AML practices and international recommendations and guidelines, thus ensuring the highest level of AML compliance reasonably possible.

Our AML policy is aimed at preventing the risks of money laundering, terrorism financing, proliferation financing and compliance with the requirements of applicable sanctions laws and regulations. Given that Mogo Finance Group entities are located in multiple jurisdictions, we adapt the AML policy to adhere to the specific local requirements on a regular basis.

To ensure full compliance with the AML legal requirements, we review and amend our AML practices at least once every 18 months according to globally consistent policies and standards. Along with our internal know-your-client [KYC] investigative practices, we use information technology services which enhance the compliance and provide faster and more efficient AML checks. This allows us to perform the required client due diligence and KYC checks, monitor and screen transactions and report any suspicious transactions or infringements on sanctions, as well as enables us to effectively evaluate the potential risks associated with each client relationship and ensure that we adhere to the globally consistent policies and standards.

Our Group AML teams include several qualified and trained AML specialists. The team works close with various internal departments and committees, including legal and compliance department and client support, to achieve our AML-related goals and adhere to the international and local legal requirements.

WHISTLEBLOWING PROCESS

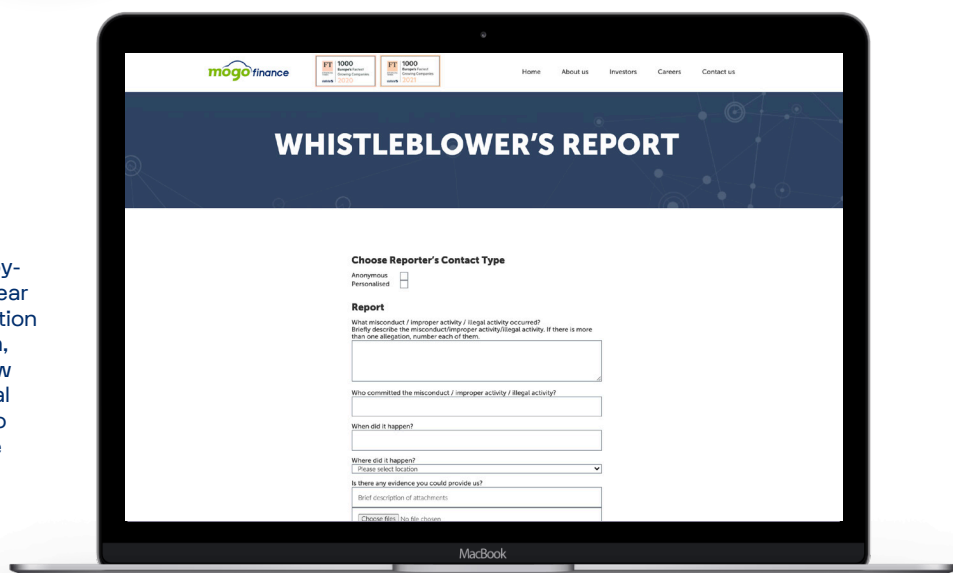
Our management structure is designed to ensure effective management of the team and transparency. It is designed to encourage team members to have mutual trust and respect and to be able to report any misconducts. We facilitate direct relationship among employees and all levels of the management team, so everyone would feel comfortable to communicate and escalate any issues through multiple avenues. We strongly believe that every employee working at Mogo Finance Group should feel safe and be assured that their rights and applicable laws are strictly followed. In the event of inappropriate treatment, employees always have the right and possibility to submit a complaint or suggestion to the respective manager or our HR department.

To facilitate the reporting of potential or suspected misconduct, improper activity, illegal activity within or in relation to Mogo Finance Group, including activity related with Anti-Bribery and Corruption, we have implemented a Whistleblowing reporting solution using a secured webform. This anonymous form is available for all our employees to report concerns related to misconduct, improper and/or illegal activity within or in relation to Mogo Finance Group. This solution allows to share concerns regarding violations of the Group's policies, local laws, regulations, fraud, and corruption without fear of negative consequences or retributions.



WHISTLEBLOWING IN 2020

In the Group`s annual internal survey, our employees describe the whistleblowing system as a clear and useful tool; we also provide regular information on internal trainings on the usage of the system, which allows us to be sure that employees know how to use it. In 2020, we received three internal whistleblowing reports, which all were related to matters that did not need interference from the outside, therefore, were resolved internally.



Picture of Mogo Finance Group Whistleblowing system report

INSIDER TRADING AND INFORMATION BARRIERS POLICY

The Mogo Finance Group's Policy on Preventing Insider Trading, as well as the laws of many countries in which we operate, prohibit trading in securities [in our case debt securities or bonds] while in possession of material non-public information regarding the issuer. According to this policy, all our employees must not engage or attempt to engage in insider trading or circumvent that obligation by any means, which includes:

- » improperly disclosing inside information or recommending a third party to trade or cancel or amend an order while in possession of inside information [tipping off]; or
- » using such a recommendation as referred to above where the employee knows or ought to know that it is based on inside information.

Furthermore, we advocate to our employees the general principle that in case of any doubt, the employees should treat non-public information as inside information and consult with the management prior to engaging in any transaction. This approach effectively ensures that employees do not enter into transactions that amount to or create the appearance of market manipulation.

In order to enhance compliance with insider trading prevention policies, we use information technology services that maintain an up-to-date list of persons who have access to insider [price sensitive] information and regularly inform these persons about their duties and obligations under this Policy on Preventing Insider Trading.

In addition to the above, we request all our employees to adhere to certain information barriers to protect insider [price sensitive] information. This includes:

- » prevention of confidential information from being shared with individuals who are not authorized to know such information;
- » restricting access to potentially material non-public information to those persons who do not necessarily need to see it in order to perform their employment duties;
- » addressing actual or potential conflicts of interest among business activities.

Failure to comply with this Policy may lead to Company-imposed sanctions, including dismissal for cause, whether or not the failure to comply with this Policy results in an actual violation of the law.

CHILD AND FORCED LABOUR STATEMENT

Mogo Finance Group firmly stands against human rights violations, including child and forced labour. We do not employ children and do not cooperate or engage with any suppliers or service providers who do not adhere to these principles. We believe any employee should be able to freely negotiate and accept terms and conditions of the employment relations and should not be coerced or forced to accept unfair or discriminatory terms. We educate our employees on ethical behavior and respect, child and forced labor topic is one of significant topics on these educational sessions.

HUMAN RIGHTS STATEMENT

Mogo Finance Group in its activities respects the Constitution of the Republic of Latvia, the European Convention for the Protection of Human Rights and Fundamental Freedoms Convention, the European Social Charter and other national and international regulatory enactments on fundamental human rights that are in force in the Republic of Latvia and European Union.

Responsible Lending

The Mogo Finance Group companies always operate under direct supervision and in full compliance with the local regulatory institutions [Financial Services Supervisory authorities, Central Banks, Consumer Right Protection authorities and/or Ministries of Finance]. Mogo Finance Group encourages responsible lending, and it is our priority to ensure that our services and lending decisions are transparent and clear. We follow our internal standards of Responsible Lending and fair treatment to our clients. These standards are based on the following key principles:



INTEGRITY

We obey the law. Undisputable compliance is our key priority. We adhere to the highest ethical standards when working with our customers.

AVAILABILITY

Our decisions are made based on in-house scoring models and data driven metrics` pool. Our products and services are available to customer from diverse communities around the globe. Everyone has an opportunity to use our services pursuant to the conditions specified in the contract between a Mogo Finance Group entity and the client. We are prone to look for personalized solutions and provide financial inclusion to the communities that are underserved by traditional lenders.

CARE

Caring of our customers means open communication as well as tailor-made solutions. Innovative and technology based internal processes allow us to analyse and assess all the possible risks associated with every client. We care for our customers` payment discipline but are ready to offer deferred payment options and find the most propiate solutions in situations when our customers experience difficulties. We take proper care for our customers` data by ensuring compliance with the GDPR and data privacy policies across all the Group companies.

TRANSPARENCY

We make sure all of the relevant information, including fees, key terms and conditions, legal documentation, and advertising is clear, understandable and accessible to each of our clients.

BASIC COMMITMENTS

1. We always act in an honest and responsible manner pursuant to the principles set forth to promote responsible borrowing, to evaluate a client's financial situation and their ability to fulfil their obligations throughout the term of the contract.
2. Before concluding an agreement, we explain the nature of the deal in detail, disclosing all the key terms and conditions of our cooperation.
3. Before approving the loan, we check whether the loan, if approved, corresponds to the client's stated material conditions.
4. Before concluding an agreement, we assess the suitability of the proposed solution to the client's needs and financial situation.
- 4.1. We provide the client with the information needed to compare different offers and make an informed decision.
- 4.2. We provide the client with clear and unambiguous information on the total cost arising from the agreement, the rules and procedures for making contractual payments, and the consequences that will arise if they fail to comply with the terms of the concluded contract.
- 4.3. We inform the client about their vested rights and the normative acts that enable them to withdraw from the agreement.
- 4.4. We always provide the client with the necessary clarifications about the terms and conditions of the agreement and other information that they legally need to receive [including the details of your payments].
5. We guarantee that the loan agreement includes all the information and provisions of the normative acts, and that it is prepared in a simple and understandable language.
6. We inform the client how they may contact us during the term of the loan agreement, and we also tell them how we will get in touch [by phone, email, SMS or online]. At the client's request, we always promptly notify the client in advance about the maturity or any changes in the terms and conditions of the signed agreement.
7. We ensure that the loan agreement and its terms and conditions are in full compliance with the local requirements and regulations [regarding the APR, fees, termination, and other terms and conditions applied].

VERIFICATION OF THE CUSTOMER BEFORE LOAN ISSUANCE

We pay particular attention to the customer verification process before the disbursement of funds. We make sure that we comply with the local regulations [and other binding regulations] and the high standards of international lending practices.

1. To assess the customer's creditworthiness and protect them from undertaking undue financial obligations, we assess their solvency pursuant to the laws, but also by using our own risk assessment models.
2. We always consult the credit bureau and do not provide funds to customers with seriously delinquent loans and bad credit history. We follow regulatory guidelines, where available, or proprietary models to set up tolerance thresholds.
3. We strictly follow requests from our customers or their relatives not to lend money to them. Upon reception and verification of such information, we enter it in the system to be used in the verification process.
4. We never discriminate customers on the grounds of age, gender, religion, political preferences, or the like. This means that we do not reject a loan based solely on these characteristics without any data driven historical evidence.

DEBT COLLECTION PRACTICES

Our debt collection practices are compliant with all local regulations [and other binding regulations] and are fair:

- » we do not make calls in the hours/on days which are forbidden by law.
- » we do not impose unfair penalties and never charge in penalties more than allowed by law.
- » we do not cooperate with external firms with a reputation of abusive behaviour with customer or those that are known for charging unfair fees.
- » we maintain full transparency in our communication with customers so they are always aware of the next steps and what they entail.
- » we always explore ways to reach amicable agreement rather than proceed to the harsh measures, such as car repossession [in car business], transfer to court, or debt sale.
- » we offer amendments to schedules if the customer is not able to repay according to the original schedule agreed upon.

When the Covid-19 pandemic hit the globe, many of our customers were faced with difficulty repaying their loans. Others suspended payments because of uncertainty.

- » we introduced several repayment reliefs: payment postponement, reduced monthly payment. In some cases, we granted payment postponement free of charge.
- » we followed all moratoriums and regulator's guidelines related to the financial burden relief in the following countries: Lithuania, Romania, Moldova, Georgia, Armenia, Bulgaria, Albania, Bosnia Herzegovina, North Macedonia, Kazakhstan.
- » in such countries as Latvia, Belarus, Poland, Estonia, Uzbekistan, Kenya, Uganda, where no official moratorium or guidelines by the responsible regulator were imposed, we proactively applied the same policy as elsewhere, i.e., reduced payment or postponed payment upon a customer's request.

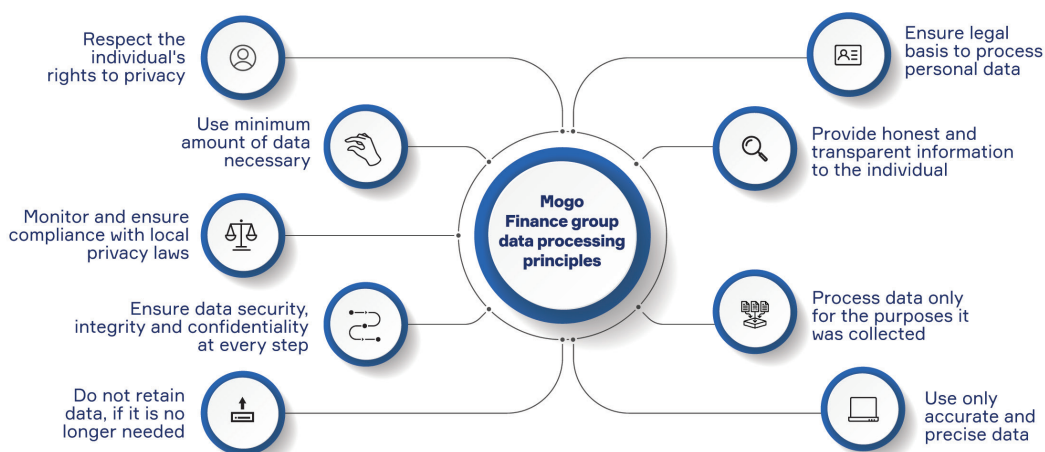
Data Privacy

Mogo Finance Group protects its customers', employees' and partners' privacy and ensure compliance with the applicable data protection laws and regulations. As business entities of Mogo Finance Group enter new markets and our customer base grows, the work on data privacy is ongoing. Globally, more than 200 000 customers, more than 1 400 employees, and 2 000 partners have entrusted us with their personal data.



Our goal is to ensure that this information is processed securely and in accordance with applicable laws and regulations. To achieve this, we have set goals and internal requirements, which we follow when dealing with persona data.

MOGO FINANCE GROUP DATA PROCESSING PRINCIPLES



As we operate in different markets and jurisdictions, we are subject to different requirements for personal data protection. At entities located in the European Union, Mogo Finance Group has carried out multiple privacy-related external audits, reviewed its procedures, and adopted documentation to address GDPR requirements and improve data protection standards. Mogo Finance Group strives to achieve a unified approach across the Group and provide a high level for technical and organisational security measures. All Mogo Finance Group business entities have adopted the same general privacy framework, which is complemented by additional local requirements. We continuously review existing procedures and educate our employees on applicable laws and regulations in relation to privacy, data protection, and other relevant matters. In addition to this, starting from the end of 2020, we use OneTrust, a group-wide privacy management system, to monitor and verify a common approach for different data protection aspects and compliance requirements.

Security measures' common approach

General privacy framework

Improvement audits

Staff education & training

Privacy management system "OneTrust"

Privacy and data protection projects are coordinated throughout the Group by the Group's general data protection counsel, with the assistance of local data protection officers, legal, risk, business development and IT teams, to address the legal requirements and implement the general principles of data protection. Each Mogo Finance Group business entity has published a privacy policy, which is available on the entity's webpage.

local data protection officers

legal team

risk officers

business development experts

IT team

Due Diligence Process

Due diligence is an essential part of business expansion and is being carried out in order to identify, prevent and mitigate any potential adverse impacts on successful growth of Mogo Finance Group. Therefore, prior to entering a new market, Mogo Finance Group performs due diligence procedures, covering as a minimum following area:

- » assessment of business conditions necessary for entering the market;
- » key legal regulations to be applied to Mogo Finance Group products;
- » tax regulation;
- » local currency risks.

The period of time dedicated to researching and carrying out detailed analyses of the target market, contributes to form a sound management's decision on entering into new market and the best possible strategy for entrance.

Before starting any cooperation, Mogo Finance Group selects its potential cooperation partners in a careful and balanced way, on the basis of company standarts recognised in commercial practices, which include ethical business practices and principles for observation of any regulatory enactments.

Equality, Non-Discrimination, and Inclusion

Respectful workplaces do not just happen, they are built through the values we hold and the way we treat each other every day.

Mogo Finance Group strives for an organization that is diverse, fair, and inclusive. We acknowledge that our services and business are enhanced when they reflect the diversity of our people and ensure that our workplaces are safe and inclusive for all employees.

Mogo Finance Group has made a commitment to create and maintain the work environment that is open, inclusive, and free from discrimination and harassments throughout our business. No one, internal employees or external candidates, should feel discriminated or harassed in the process of recruitment, promotion, or employment.

Mogo Finance Group recruits, promotes, and employs people based on their individual merits and skills, and encourages and supports equal opportunity. There is a zero tolerance against discrimination and harassment in all work-related activities and interpersonal relationships at work.

EQUALITY, NON-DISCRIMINATION, AND INCLUSION POLICY IS BASED ON THREE FUNDAMENTAL PRINCIPLES:

- » equality as the number one consideration. All humans are born equal. Therefore, equal treatment of all individuals regardless of ethnicity, cultural background, sex, gender identity, sexual orientation, religion, disability, age, or any other factor are our overriding priority.
- » zero tolerance against discrimination, harassment, sexual harassment, and victimization.
- » respect for individuals' differences in ethnicity, sex, gender identity, sexual orientation, culture, religion, and other factors.

APPLICABILITY OF THE POLICY

The Policy applies to the Mogo Finance Group's management, employees, agency workers, contractors, business partners and suppliers. The Policy shall be read and understood on a regular basis to ensure full compliance and respect throughout Mogo Finance Group.

The Policy applies in relation to all work-related activities including but not limited to recruitment and selection, conditions and benefits, training and promotion, task allocation, shifts, hours, leave arrangements, workload, equipment, as well as to interpersonal relationships at work related situations such as travels, events, parties, and after-work gatherings.

GRIEVANCE CHANNELS

Mogo Finance Group's employees should report harassment and discrimination incidents directly to their site HR or to global HR, rather than reporting via the Mogo Finance Group Whistleblowing Tool. Note that the Whistleblowing Tool is primarily to be used for ethical misconduct such as bribery, corruption, senior management abusing their power, or breaches of legal compliance.

However, the Mogo Finance Group Whistleblowing Tool can be used as a reporting tool if (i) the incident concerns persons in leading positions and (ii) it concerns serious cases of discrimination or harassment.

OUR APPROACH

To ensure equal treatment of all individuals regardless of ethnicity, cultural background, sex, gender identity, sexual orientation, religion, disability, age, or any other factor we perform various activities.

We recruit diverse workers. We are operating in 14 countries and our staff is diverse, not only in terms of national diversity, but also within each country we are operating. For example, in Kenya, the country with the currently highest number of employees we employ, there are 300+ people from 20+ different tribes, multiple races, nationalities and religions. We have employed more than 40% of our staff outside Nairobi in 25 different cities and towns across Kenya. We provide opportunities for fresh graduates to join the labour market straight out of university. In 2020, we have employed 60+ interns most confirmed or expected to be confirmed as full-time employees.

Initial candidate blind screening. Blind screenings are application screens that are based on applicable experience and skills only. This should allow the candidate some time to discuss their unique assets in an interview. In most of our countries we use structured interview process, it gives all candidates the same chance at the job.

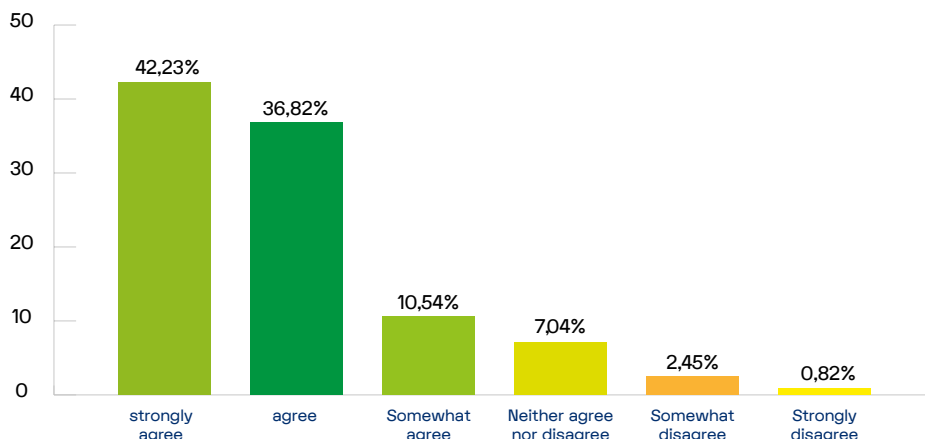
For all new hires we ensure onboarding and necessary training, to make sure that our novices feel welcomed, and that they are a valued new member of the team. Onboarding is carried out at the local companies in the first days / weeks of employment. Once per quarter we organize a wider onboarding event, previously known internally as “Mogo Wash” for all newcomers with the involvement of the company’s management/board.

We promote different type of activities to build better and more cohesive teams with diversity and inclusion in mind. Starting from practical business trips to our countries and from our countries to our HQ, where employees have a chance to learn about new cultures, different viewpoints, and other lifestyles, continuing with educational workshops for all employees, as well with some informal teambuilding actives.

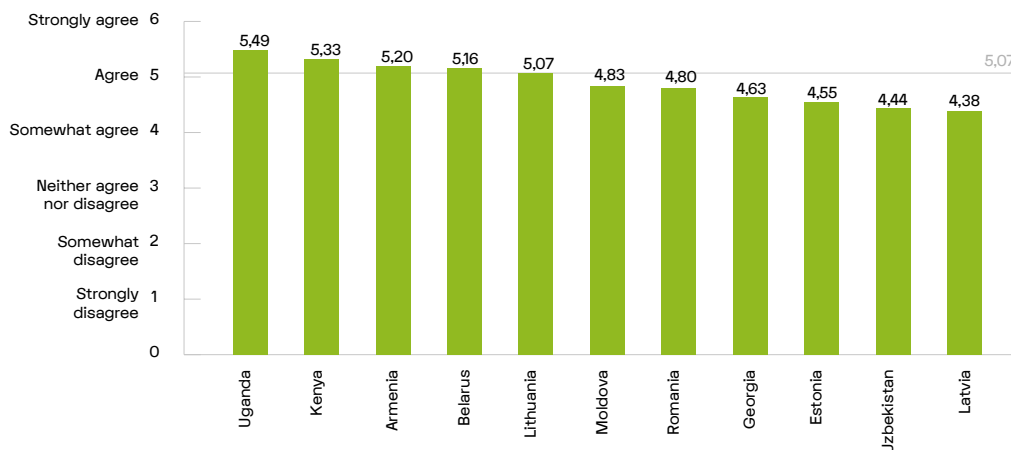
We encourage the management to embrace diversity and inclusion, as mentioned earlier, diversity and inclusion occurs from the top down. We have regular company meetings to keep everyone up to date with topicalities, and feel the pulse of the company. It lets employees feel that they are an important part of the company.

Once per year, we conduct employee survey where we ask our employees to answer the following question: “I feel that Mogo Finance Group values diversity [e.g. age, gender, ethnicity, language, education, ideas and perspectives]”. The average rating among all our countries was 5.07 points out of 6.

I FEEL MOGO FINANCE VALUES DIVERSITY
[E.G. AGE, GENDER, ETHNICITY, LANGUAGE, EDUCATION, IDEAS AND PERSPECTIVES]



AVG BY COUNTRY: I FEEL MOGO FINANCE VALUES DIVERSITY
[E.G. AGE, GENDER, ETHNICITY, LANGUAGE, EDUCATION, IDEAS AND PERSPECTIVES]



Mogo Finance Group has a zero-tolerance approach to bullying, harassment, and victimization and to this end is committed to providing a workplace free from discrimination, harassment, bullying and victimization and to providing a safe, productive, and positive work environment for all employees. This commitment is based on the need to work together to prevent and eliminate discrimination, harassment, and bullying.

Mogo Finance Group operates in 14 countries, our employees represent more than 20 different nationalities. We employ people of different ages, both by offering internship opportunities to students and by employing experienced specialists. The gender distribution is very balanced at all levels of employment. We believe that diversity in the composition of employees helps to spot opportunities much better and use them for the development of the company.

EQUALITY IN FIGURES FOR 2020

The gender pay ratio measures the remunerative scope and impact of the gender pay gap within the company. The ratio reflects median male compensation to median female compensation. The gender pay gap reflects ongoing discrimination and inequalities in the labour market, which, in practice, mainly affect women. In 2019, women’s gross hourly earnings were on average 14.1% lower than those of men in the EU*. Latvia, where Mogo Finance Group has its HQ, had the second highest gender pay gap in the EU with 21.2%. Across the Mogo Finance Group total job positions` pool, we have an average gender pay gap of 21%, yet, when comparing entry and mid-level positions, the gap is only 9%, and at the senior and executive level, the gender pay gap is only 7%.

GENDER PAY GAP

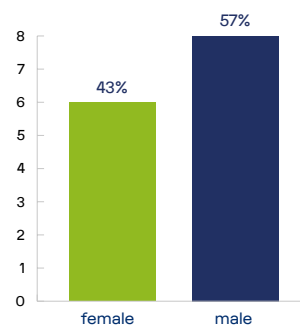
Mogo Finance Group	all female employee median salary / all male employee median salary	79%
	all entry and mid-level female employees / all entry and mid-level male employees	91%
	all senior [c-level] and executive level female employees / all senior [c-level] and executive level male employees	93%

Gender diversity reflects the percentage of full-time female employees. This ratio can indicate risks related to workplace inequality. At Mogo Finance Group, we see a very balanced gender ratio—its 55% women across all the positions vs. 45% men. The ratio is even better across entry and mid-level positions, while across senior and executive positions there is a healthy balance of 45% female to 55% male employees. Constant attention is needed to sustain the balance and enable women’s full and effective hiring, engagement, and leadership.

GENDER DIVERSITY

Gender diversity	Female	Male
Total	55%	45%
Entry and mid-level positions	56%	44%
Senior [c-level] and executive positions	45%	55%

BOARD DIVERSITY [C-level]

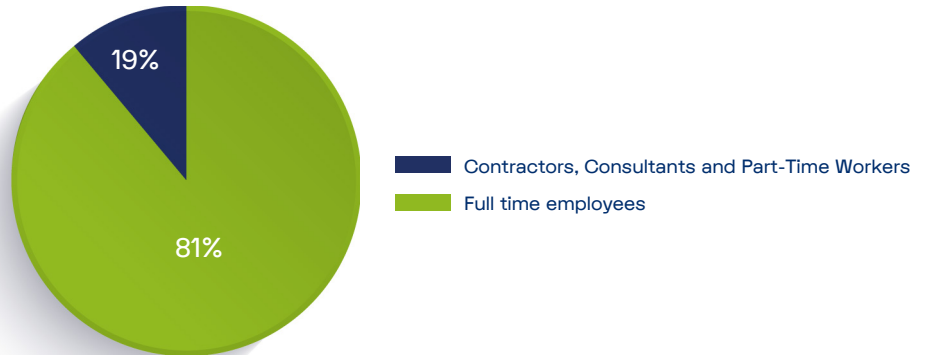


Board diversity reflects the percentage of total board seats occupied by women compared to men, as well as the percentage of committee chairs occupied by women as compared to men. As at Mogo Finance Group all business management-related and decision-making processes are implemented through the regional hubs` senior [C-level] managers, then for Mogo Finance Group it is crucial to provide and take care of gender diversity exactly at this management level.

When measuring senior [C-level] positions, we considered following job positions: Chief Executive Officer, Chief Financial Officer, Chief Operational Officer, Chief Risk Officer, Chief Human Resources Officer. At this company management level, the gender diversity ratio stands at 43%, meaning that 6 out of the total of 14 management seats are occupied by women.

* EUROSTAT Gender pay gap statistics, 2019 https://ec.europa.eu/eurostat/statistics-explained/index.php/Gender_pay_gap_statistics

Contractors, Consultants and Part-Time Worker Ratio offers an indication and the level of benefits the company offers and shows the percentage of full-time positions compared to part-time, contracting or temporary workers. With 81% of the workforce on full-time contracts, Mogo Finance Group contributes to social stability and job security.



COMMITMENTS 2021:

- » Equality as the number one consideration. All humans are born equal. Therefore, equal treatment of all individuals regardless of ethnicity, cultural background, sex, gender identity, sexual orientation, religion, disability, age, or any other factor is our overriding priority.
- » Zero tolerance against discrimination, harassment, sexual harassment, and victimization.
- » Respect for individuals' differences in ethnicity, sex, gender identity, sexual orientation, culture, religion, and other factors.
- » To measure diversity and inclusion initiatives, introduce global diversity and inclusion index metrics as the main approach.

Global Health and Safety

Health, safety, and working conditions are of great importance in the workplaces across all companies of Mogo Finance Group. At Mogo Finance, we aspire to create an occupational injury- and occupational illness-free workplace in all countries where we operate.

We expect all geographies and lines of business to continuously review, monitor, and improve our health and safety performance by complying with the local legal requirements, implementing our Global Policy and Standards, reducing risk, and working towards Health and Safety goals across all operations. When implementing any business decisions, the impact on the health and safety of those affected must be considered. We strive to prevent injuries and causes for ill-health, and if they occur, promptly report and investigate them.

We aim to ensure that all staff and those who work for Mogo Finance Group foster an attitude of good grace and cooperation to achieve high standards of health and safety.

HEALTH AND SAFETY COMMITMENTS:

- » achieve and maintain good standards in our health and safety performance by making the health and safety of our employees our top priority;
- » proactively prevent potential safety risks and hazards by implementing and monitoring/measuring various activities and procedures;
- » provide appropriate and sufficient information, instruction, and training to ensure that our staff are well-informed, trained and equipped and their health, well-being, and safety safeguarded.
- » lead by example, with the Mogo Finance Group leaders demonstrating awareness and responsibility, making sure that all policies, procedures, and rules related to employee safety and health, and compliance is consistently communicated and followed.

OUR APPROACH

Health and safety of our employees is our top priority. All employees are regularly instructed on general work safety and fire alarms. At the new employee on-boarding and annually, we give our employees information, instructions, and trainings so that they can work safely and take steps to protect themselves from hazards. In addition, with certain regularity, everyone is required to perform a compulsory health check. The Mogo Finance Group employees are provided with annual health insurance, which gives an opportunity to use a wide range of health services when needed. Healthy and active lifestyle is promoted and supported on a daily basis. Our employees have access to the office gym; in some country's gym membership is covered by the company.

Healthy lifestyle, sport activities, and employee well-being became especially significant during 2020, when we faced the global coronavirus pandemic. By making the health and well-being of our employees our top priority, and to provide safe working conditions, we put in place large-scale remote work models, which were implemented across many offices around the world.

By implementing and monitoring/measuring various activities and procedures, proactively prevent potential safety risks and hazards. In accordance with the legislation, work environment risks are assessed, employees are instructed and health and safety trainings done through labour protection management system, provided from the competent authority FN Serviss.

During 2020, when we faced the global coronavirus pandemic, we put in place large-scale remote work models, which were implemented across many offices around the world.

As these changes significantly affected the daily lives of our employees, we conducted measurements/surveys. The purpose of those surveys was to detect and implement the necessary improvements to ensure employee well-being while working from home.

As a result of this survey, we conducted various activities, such as "Mogo Summer Challenge" to encourage active lifestyle among employees. We invited our employees to be active, "collect" minutes of any type of activity, like walking, jogging, cycling, swimming, and the like, and compete for the "Most active employee" title. We organised "Water cooler meetings" to facilitate informal communication between employees or more frequent "All hands meetings" to inform and answer our employees' questions.

When our people returned to the office premises, we updated them on such safety measures as wearing face masks or sanitising hands. We also redesigned our office to meet the requirements of a safe workplace by introducing a two-meter distance between individual working stations.

CHALLENGE: Mogo Summer challenge

Hey, hey, Free your endorphins! And take part in Mogo Summer sports challenge!

This challenge is meant to be a fun and motivating way to help employees stay active, unplug after work and at the same time have a friendly competition within your teammates.
[See More](#)

Goal: Most active minutes - All sports

Start: Jun 15, 2020 6:00 AM
End: Aug 28, 2020 10:00 PM

22 participants	1.76 months	8,902 km	639,013 calories
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By providing appropriate and extensive information, instruction, and training, we ensured that our staff are well informed, trained and equipped and their health, well-being, and safety safeguarded. In 2019, to ensure favourable working conditions and productive environment for the staff, Mogo Finance Group redesigned its HQ to become a “smart office”, with ergonomic work environment and facilities friendly to people with disabilities.

In addition to the safety instructions and trainings required by law, we also provide our employees with various types of informative trainings and activities to improve their well-being and health. For example, September was declared the “Month of Health”, with fitness coach lectures on fit and active lifestyle, healthy snacks and fruit at employee disposal, lectures on ergonomics at the workplace and a computer glasses testing session.

Leading by example, the Mogo Finance Group leaders demonstrate awareness and responsibility, making sure that all policies, procedures, and rules related to employee safety and health, and compliance are consistently communicated and followed. The company management practice safe behaviours and make safety part of the daily conversations with employees.

The company’s “All hands meetings” were started with information on the preventive actions taken to ensure employee health and safety. Employees also have an opportunity to ask questions openly or anonymously, through a Q&A application, and address any type of safety questions and issues.

The extent of activities introduced and carried out varied slightly from country to country. We strived to mitigate the negative effects of the global spread of COVID-19 by providing the maximum possible protection for our employees.

Mogo Finance Group ensures that both physical and emotional work environment promotes productivity, and that each employee can realise their professional potential.

COMMITMENTS 2021:

- » to sustain the health and safety of our employees is our top priority.
- » to create and implement guidelines for labour protection for all Mogo Finance Group entities.
- » to continue to measure various activities and procedures to prevent any potential safety risks and hazards and implement where needed.
- » to make sure the Mogo Finance Group employees are well informed, trained and equipped.
- » to make sure that the Group’s leadership is involved and ensures that all policies, procedures, and rules related to employees’ safety and health, and compliance is consistently communicated and followed.

Environmental Footprint

GhG EMISSIONS & INTENSITY

One of the Mogo Finance Group’s business directions is vehicle finance, which means that through the products we provide, we leave a certain environmental footprint. In total, 36 723 vehicle loans were issued in 2020, of which almost 30% were loans for purchasing motorcycles, which is the most used type of vehicle in the African countries where the Group operates under the Mogo brand. Also, it is worth mentioning that the fuel consumption of an average motorcycle is 1l/70km [165 MPG], making it one of the most efficient and environmentally friendly means of transport.

The EU regulations set the environmental targets that recognize vehicles as climate friendly with greenhouse gas emission amount for vehicle with average 95 grams CO₂/km .

30% of vehicles [motorcycles] financed by the Mogo Finance Group companies in 2020 produced the GhG in the amount of 37.5g CO₂/km, that is more than twice below the EU average emissions target.



In 2020, eco-friendly cars constituted a minor share of the total number of vehicles financed by the Mogo Finance Group companies—1.3% electric/hybrid cars and 0.6% of cars that are manufactured in 2020.

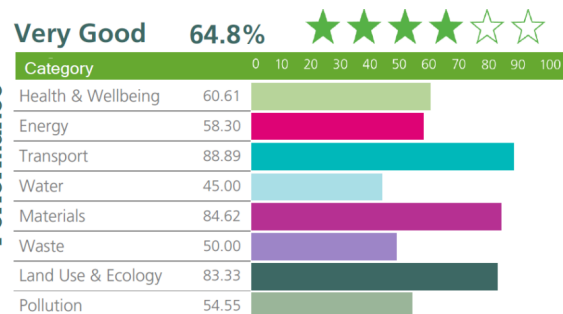
To encourage society and the Group’s customers to look for more climate neutral vehicles, we are working to set up better conditions for buying “green vehicles” like electric cars, motorcycles, hybrid vehicles. For example, already in 2020, a Mogo Finance Group’s business entity in Kenya was supporting electric motorcycle [Stima Boda] entrance into the Kenyan market, offering special terms for riders upgrading to electric bikes.

ENERGY USAGE & INTENSITY

The Mogo Finance Group Headquarters are located in Riga, Latvia, in Skanstes City, a brand-new multifunctional business district, which is currently the only BREEAM In-Use certified office complex in Latvia. Modern offices, developed infrastructure, and sustainability were among the top reasons why Mogo Finance Group chose Skanstes City.

In 2020, the Mogo Finance Group office was certified as an energy efficient workplace, receiving the BREEAM In-Use assessment “Very Good”, an upgrade of our sustainability metrics from “Good”. Also, there were significant investments made into modernising the ventilation systems and making technical upgrades, improving the building’s public spaces, accessibility, and cycling infrastructure. After renovation, it become one of the most modern and sustainable office buildings in Riga in its class.

Asset Performance:
Very Good



WATER USAGE

To provide employees at the Mogo Finance Group HQ with fresh and clean drinking water and reduce plastic waste, we equipped our office with water dispensers, which allows us both - to save water and reduce plastic waste to tackle climate change. By using an average of 1.94 m³/m² of water in 2020 on all Mogo Finance Group’s premises, we keep water usage in check across all our international offices. By daily using water dispensers at our HQ in Riga, Latvia, we saved 255 thousand 0.5l plastic water bottles in 2020, thus contributing to the reduction of plastic waste.



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General information

Name of the Parent Company	Mogo Finance	
Legal status of the Parent Company	Société Anonyme	
Unified registration number, place and date of registration	B 174.457, Luxembourg, 18 December 2012	
Registered office	9, Allee Scheffer, L-2520 Luxembourg	
Major shareholders		31.12.2020.
	SIA AK Family Investments [Latvia]	45.59%
	AS Novo Holdings [Latvia]	15.23%
	LVS Limited [Malta]	15.23%
	AS Obelo Capital [Latvia]	15.23%
	Other shareholders	8.73%
	TOTAL	100.00%
Directors	Māris Kreics [type A], from 25.07.2018 Sebastian Koller [type B], from 25.07.2018 to 29.04.2020 Delphine Glessinger [type B], from 14.09.2018 Modestas Sudnius [type A], from 09.03.2019 Attila Senig [type B], from 29.04.2020	
Financial year	1 January - 31 December 2020	
Previous financial year	1 January - 31 December 2019	
Auditors	KPMG Luxembourg, Societe cooperative Cabinet de révision agréé 39 avenue John F. Kennedy, L-1855 Luxembourg	

Consolidated Financial Statements

Consolidated Statement of Profit and Loss and Other Comprehensive Income

	Notes	2020 EUR	2019 EUR
Continuing operations			
Interest revenue	4	83 475 096	68 021 138
Interest expense	5	[26 053 377]	[21 175 256]
Net interest income		57 421 719	46 845 882
Fee and commission income related to finance lease activities	6	5 235 490	3 807 816
Impairment expense	7	[26 141 471]	[15 793 555]
Net gain/[loss] from de-recognition of financial assets measured at amortized cost	8	566 747	[305 005]
Expenses related to peer-to-peer platform services	9	[1 032 219]	[697 484]
Revenue from leases	10	6 247 484	3 992 485
Revenue from car sales	11	50 299	1 800 206
Expenses from car sales	11	[59 019]	[1 799 081]
Selling expense	12	[2 768 923]	[3 054 744]
Administrative expense	13	[35 028 469]	[29 390 090]
Other operating income	14	14 458 649	1 584 017
Other operating expense	15	[5 322 746]	[2 021 148]
Net foreign exchange result	16	[13 208 995]	[233 471]
Profit before tax		418 546	4 735 828
Corporate income tax	17	[709 025]	[1 331 785]
Deferred corporate income tax	18	1 423 618	1 001 784
Profit from continuing operations		1 133 139	4 405 827
Discontinued operations			
Profit from discontinued operation, net of tax	20	486 163	2 147 353
Profit for the period		1 619 302	6 553 180
Other comprehensive income/[loss]:			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Translation of financial information of foreign operations to presentation currency		[1 518 423]	[362 446]
Other comprehensive income/[loss]		[1 518 423]	[362 446]
Total profit and loss for the year		100 879	6 190 734
Profit is attributable to:			
Equity holders of the Parent Company		2 045 501	6 330 926
Non-controlling interests		[426 199]	222 254
Net profit for the year		1 619 302	6 553 180
Other comprehensive income/[loss] is attributable to:			
Equity holders of the Parent Company		[1 498 046]	[355 254]
Non-controlling interests		[20 377]	[7 192]
Other comprehensive income/[loss] for the year		[1 518 423]	[362 446]

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

Signed on behalf of the Group on 17 May 2021 by:



Māris Kreics
Type A director



Delphine Glessinger
Type B director

Consolidated Statement of Financial Position

ASSETS

	Notes	31.12.2020. EUR	31.12.2019. EUR [reclassified]
NON-CURRENT ASSETS			
Intangible assets			
Goodwill	21	6 603 307	4 091 729
Internally generated intangible assets	21	5 868 613	3 576 006
Other intangible assets	21	2 338 498	180 203
Total intangible assets		14 810 418	7 847 938
Tangible assets			
Right-of-use assets	22, 23	7 500 117	7 894 460
Rental fleet	22	14 549 784	13 492 048
Property, plant and equipment	22	2 138 603	1 614 404
Leasehold improvements	22	443 330	327 318
Advance payments for assets	22	2 046	37 583
Total tangible assets		24 633 880	23 365 813
Non-current financial assets			
Finance lease receivables	24	60 433 229	68 625 093
Loans and advances to customers	25	37 935 401	49 650 706
Loans to related parties	26, 45	8 251 405	19 964 731
Equity-accounted investees	27	91 585	252 630
Other non-current financial assets	28	-	1 305 958
Other loans and receivables	30	187 315	31 650
Deferred tax asset	18	2 874 180	1 610 639
Total non-current financial assets		109 773 115	141 441 407
TOTAL NON-CURRENT ASSETS		149 217 413	172 655 158
CURRENT ASSETS			
Inventories			
Finished goods and goods for resale	29	1 600 343	628 114
Total inventories		1 600 343	628 114
Receivables and other current assets			
Finance lease receivables	24	34 025 363	33 835 672
Loans and advances to customers	25	54 496 491	27 974 671
Loans to related parties	26, 45	7 577 108	2 108 765
Other loans and receivables	30	2 681 817	876 603
Prepaid expense	31	1 932 932	1 025 041
Trade receivables	32	3 333 549	1 433 025
Other receivables	33	4 076 535	2 509 672
Cash and cash equivalents	34	9 315 430	8 656 530
Total receivables and other current assets		117 439 225	78 419 979
Assets of subsidiaries held for sale	35	9 416 927	-
Assets held for sale	36	2 094 204	1 934 248
Total assets held for sale		11 511 131	1 934 248
TOTAL CURRENT ASSETS		130 550 699	80 982 341
TOTAL ASSETS		279 768 112	253 637 499

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

Signed on behalf of the Group on 17 May 2021 by:



Māris Kreics
Type A director



Delphine Glessinger
Type B director

Consolidated Statement of Financial Position

EQUITY AND LIABILITIES

	Notes	31.12.2020. EUR	31.12.2019. EUR
EQUITY			
Share capital	37	1 000 000	1 000 000
Reserve	37	317 347	253 088
Foreign currency translation reserve		[2 291 798]	[793 752]
Retained earnings		22 874 235	21 383 446
brought forward		20 828 734	15 052 520
for the period		2 045 501	6 330 926
Total equity attributable to equity holders of the Parent Company		21 899 784	21 842 782
Non-controlling interests		338 439	462 969
TOTAL EQUITY		22 238 223	22 305 751
LIABILITIES			
Non-current liabilities			
Borrowings	39	160 825 463	187 478 935
Other non-current financial liabilities	44	66 508	22 569
Total non-current liabilities		160 891 971	187 501 504
Current liabilities			
Provisions	38	432 922	892 737
Total provisions for liabilities and charges		432 922	892 737
Current liabilities			
Borrowings	39	82 408 465	34 770 910
Liabilities directly associated with the assets held for sale	35	3 936 318	-
Prepayments and other payments received from customers	40	533 346	162 048
Trade and other payables		1 282 953	1 285 498
Current corporate income tax payable	17	784 197	308 974
Taxes payable	41	1 977 669	1 461 146
Other liabilities	42	1 877 198	2 361 747
Accrued liabilities	43	3 305 901	2 553 021
Other current financial liabilities	44	98 949	34 163
Total current liabilities		96 204 996	42 937 507
TOTAL LIABILITIES		257 529 889	231 331 748
TOTAL EQUITY AND LIABILITIES		279 768 112	253 637 499

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

Signed on behalf of the Group on 17 May 2021 by:



Māris Kreics
Type A director



Delphine Glessinger
Type B director

Consolidated Statement of Changes in Equity

	Share capital	Foreign currency translation reserve	Retained earnings	Reserve	Total equity attributable to Equity holders of the Parent Company	Non-controlling interest	Total
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Balance at 01.01.2019.	31 036	[438 498]	15 113 700	86 568	14 792 806	498 440	15 291 246
Profit for the reporting year	-	-	6 330 926	-	6 330 926	222 254	6 553 180
Other comprehensive income	-	[355 254]	-	-	[355 254]	[7 192]	[362 446]
Total comprehensive income	-	[355 254]	6 330 926	-	5 975 672	215 062	6 190 734
Increase of share capital [Note 37]	968 964	-	-	-	968 964	-	968 964
Acquisition of non-controlling interests [NCI] [Note 19]	-	-	105 340	-	105 340	[250 533]	[145 193]
Reserve [Note 37]	-	-	[166 520]	166 520	-	-	-
Balance at 31.12.2019.	1 000 000	[793 752]	21 383 446	253 088	21 842 782	462 969	22 305 751
Balance at 01.01.2020.	1 000 000	[793 752]	21 383 446	253 088	21 842 782	462 969	22 305 751
Profit for the reporting year	-	-	2 045 501	-	2 045 501	[426 199]	1 619 302
Other comprehensive income	-	[1 498 046]	-	-	[1 498 046]	[20 377]	[1 518 423]
Total comprehensive income	-	[1 498 046]	2 045 501	-	547 455	[446 576]	100 879
Increase of share capital [Note 37]	-	-	-	-	-	1 823	1 823
Sale of shares to NCI [Note 49]	-	-	[482 048]	-	[482 048]	512 836	30 788
Acquisition of NCI without change in control [Note 19]	-	-	[42 289]	-	[42 289]	[178 801]	[221 090]
Acquisition of subsidiary with NCI [Note 19]	-	-	-	33 884	33 884	51 380	85 264
Reserve [Note 37]	-	-	[30 375]	30 375	-	-	-
Dividends distribution	-	-	-	-	-	[65 192]	[65 192]
Balance at 31.12.2020.	1 000 000	[2 291 798]	22 874 235	317 347	21 899 784	338 439	22 238 223

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

Signed on behalf of the Group on 17 May 2021 by:



Māris Kreics
Type A director



Delphine Glessinger
Type B director

Consolidated Statement of Cash Flows

	Notes	2020 EUR	2019 EUR
Cash flows to/from operating activities			
Profit before tax		904 709	6 895 039
Adjustments for:			
Amortization and depreciation	21, 22	5 682 774	3 779 777
Interest expense	5	26 053 377	21 907 740
Interest income	4	[83 475 096]	[72 433 672]
Loss from disposal of property, plant and equipment	13	1 371 615	987 063
Impairment expense	7	26 141 471	16 716 007
Gain on acquisition of subsidiaries		[11 473 296]	-
[Gain]/loss from fluctuations of currency exchange rates		11 709 433	[121 524]
Operating profit before working capital changes		[23 085 013]	[22 269 570]
Decrease/(increase) in inventories		[952 225]	1 083 087
Increase in finance lease receivables, loans and advances to customers and other current assets		[24 646 016]	[66 312 131]
[Decrease]/increase in accrued liabilities		[83 224]	[207 042]
Increase in trade payable, taxes payable and other liabilities		7 172 541	3 455 208
Cash generated to/from operations		[41 593 937]	[84 250 448]
Interest received		83 348 693	70 490 049
Interest paid	39	[22 618 675]	[19 387 193]
Corporate income tax paid		[972 031]	[1 815 039]
Net cash flows to/from operating activities		18 164 050	[34 962 631]
Cash flows to/from investing activities			
Purchase of property, plant and equipment and intangible assets	21, 22	[3 917 212]	[5 444 084]
Purchase of rental fleet	22	[9 045 289]	[13 423 404]
Acquisition of a subsidiary, net of cash acquired	19	[4 132 469]	[757 889]
Disposal of discontinued operation, net of cash disposed of	20	[317 276]	[1 447 089]
Advance payments for acquisition of subsidiaries		-	[322 479]
Received payments for sale of shares in subsidiaries	26	5 280 400	239 212
Loan repayments received		3 269 702	9 163 133
Loans issued		[400 000]	[11 355 762]
Net cash flows to/from investing activities		[9 262 144]	[23 348 362]
Cash flows to/from financing activities			
Proceeds from issue of share capital	37	-	968 964
Proceeds from borrowings	39	212 767 328	108 315 210
Repayments for borrowings	39	[216 327 206]	[45 512 722]
Payments made for acquisition costs of borrowings	39	[227 329]	[1 512 706]
Repayment of liabilities for right-of-use assets	39	[4 324 078]	[1 789 473]
Payments for acquisition of non-controlling interests		[104 264]	[95 207]
Net cash flows to/from financing activities		[8 215 549]	60 374 066
Effect of exchange rates on cash and cash equivalents		[27 457]	70 619
Change in cash		658 900	2 133 692
Cash at the beginning of the year		8 656 530	6 522 838
Cash at the end of the year	34	9 315 430	8 656 530

The Group has elected to present a statement of cash flows that includes an analysis of all cash flows in total – including both continuing and discontinued operations. Amounts related to discontinued operations by operating, investing and financing activities are disclosed in Note 20.

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

Signed on behalf of the Group on 17 May 2021 by:



Māris Kreics
Type A director



Delphine Glessinger
Type B director

Notes to the Consolidated Financial Statements

1. Corporate Information

Mogo Finance S.A. [hereinafter "the Parent Company"] is a Luxembourg company incorporated on 18 December 2012 as a Société Anonyme for an unlimited duration, subject to general company law.

The consolidated financial statements of the Group include:

Subsidiary name	Country of incorporation	Registration number	Principal activities	% equity interest	
				2020	2019
Mogo LT UAB	Lithuania	302943102	Financing	100%	100%
Mogo Sp. z o.o.	Poland	7010514253	Financing	100%	100%
Mogo Bulgaria EOOD	Bulgaria	204009205	Financing	100%	100%
Mogo IFN SA	Romania	35917970	Financing	91.2488%	100%
Mogo Iberia	Spain	B87587754	Financing	100%	100%
Mogo Albania SHA	Albania	NUIS L71528013A	Financing	100%	100%
Mogo Balkans and Central Asia AS	Latvia	40203150045	Management services	100%	100%
Mogo Consumer Finance AS*	Latvia	40203150030	Management services	100%	100%
Mogo Kazakhstan T00	Kazakhstan	180940010094	Financing	100%	100%
FD Mogo krediti DOOEL	North Macedonia	7342683	Financing	100%	100%
Mogo DOOEL	North Macedonia	7273614	Financing	100%	100%
Mogo Leasing d.o.o.	Bosnia	4202540500009	Financing	100%	100%
Kredo Finance SHPK	Albania	L71610009A	Financing	100%	-
TIGO Finance DOOEL Skopje	North Macedonia	7229712	Financing	100%	-
Insta Finance LLC	Ukraine	43449827	Financing	100%	-
Next Fin LLC	Ukraine	42273138	Financing	100%	-
Hima UCO LLC	Armenia	53	Financing	100%	-
Hima Finance	Armenia	286.110.1121811	Management services	100%	-
Funderly Group AS	Latvia	54103145421	Management services	100%	-
NF Capital, AS	Latvia	40203249386	Management services	100%	-
YC Group AS	Latvia	50203247781	Management services	100%	-
Zen Group AS	Latvia	40203249333	Management services	100%	-
For sale Five Sp. z.o.o.	Poland	0000830343	Management services	100%	-
Mogo Car Finance AS*	Latvia	42103088260	Management services	99.4171%	100%
Mogo OU	Estonia	12401448	Financing	98.8015%	100%
Mogo LLC	Georgia	404468688	Financing	98.8015%	98%
Mogo UCO LLC	Armenia	42	Financing	98.8015%	100%
Mogo Baltics and Caucasus AS	Latvia	40203145805	Management services	98.8015%	100%
Longo Georgia LLC	Georgia	402095166	Retail of motor vehicles	98.8015%	100%
Longo LLC	Armenia	286.110.1015848	Retail of motor vehicles	98.8015%	100%
Renti AS	Latvia	40203174147	Rent services	96.8255%	100%
Mogo AS	Latvia	50103541751	Financing	96.8255%	98%
OCN Sebo Credit SRL	Moldova	1017600000371	Financing	96.2563%	-
OCN SE Finance SRL	Moldova	1020600028773	Financing	96.2563%	-
Mogo Eastern Europe AS	Latvia	40103964830	Management services	91.2579%	100%
Mogo Eastern Europe LT UAB	Lithuania	305018069	Management services	91.2579%	100%
Renti UAB	Lithuania	305653232	Financing	91.2577%	-
Mogo Loans SRL	Moldova	10086000260223	Financing	91.2577%	100%
MOGO Kredit LLC	Belarus	192981714	Financing	91.2577%	100%
Mogo Africa AS	Latvia	40203182962	Management services	87.5498%	100%
Mogo Africa UAB	Lithuania	304991028	Management services	87.5496%	100%
Avtopark-Slezheniye LLP	Kazakhstan	200740017269	Other services	87.5496%	-
MOGO LOANS SMC LIMITED	Uganda	80020001522601	Financing	87.5496%	100%
Mogo Auto Ltd	Kenya	PVT-AJUR7BX	Financing	87.5496%	100%
Mogo Kenya Ltd	Kenya	PVT-BEU3ZKD	Financing	87.5496%	98%
Mogo Lend LTD	Uzbekistan	305723654	Financing	86.7616%	100%
Risk Management Services OU [till 21.12.2020.]	Estonia	14176671	Financing	0%	100%
Mogo Ukraine LLC [till 27.08.2020.]	Ukraine	41738122	Financing	0%	100%

* - names of these entities have been changed during 2020.

The core business activity of the Group comprises of providing finance lease services, leaseback financing services and loans and advances to customers.

These Consolidated financial statements have been approved by decision of the directors on 17 May 2021.

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

Following entities were also included in consolidated financial statements of 2019 - Longo Shared Services UAB, Lithuania; Longo Group AS, Latvia; Longo Estonia OU, Estonia; Longo LT UAB, Lithuania; Longo Netherlands B.V., Netherlands; Longo Belgium B.V.B.A, Belgium; Longo Latvia AS, Latvia; Maxxus GmbH, Germany [all consolidated till 31.12.2019.]; Primero Finance AS, Latvia [consolidated till 26.06.2019.]

2. Summary of significant accounting policies

a) Basis of preparation

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

The Group's consolidated annual financial statements and its financial result 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's management 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 financial statements, when determinable.

The consolidated financial statements are prepared on a historical cost basis as modified by the recognition of financial instruments measured at fair value, and except for inventory which is accounted in net realizable value and contingent consideration that has been 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 financial statements cover the period from 1 January 2020 until 31 December 2020. Accounting policies and methods are consistent with those applied in the previous years, except as described below.

Going concern

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

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

The wider economic impacts that the Group faced upon initial outbreak back in Q1 of 2020 similarly to other entities:

- Disruption to business operations and economic activity in Mogo operating markets, with a cascading impact on both upstream and downstream supply chains;
- Significant disruption to businesses in certain sectors, both within Mogo operating markets and in markets with high dependence on a foreign supply chain as well as export-oriented businesses with high reliance on foreign markets. The affected sectors include trade and transportation, travel and tourism, entertainment, manufacturing, construction, retail, insurance, education and the financial sector;
- Significant decrease in demand for non-essential goods and services;
- An increase in economic uncertainty, reflected in more volatile asset prices and currency exchange rates.

Management then considered the following operating risks that could adversely affect the Group:

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

In order to mitigate the risks resulting from potential adverse scenarios, the management started to implement measures, which notably included:

- Formation of a crisis management team, to ensure an instant reaction to the situation, dedicated resources reviewing public health requirements and other related government announcements and ensuring the Group stays informed;
- To address increasing credit risk the Group has focused and reconsidered debt collection strategy for the existing portfolios;
- Strengthening the new loan issuance policy;
- Implemented set of cash preserving activities to manage liquidity risk;
- Developing alternative ways of accepting payments such as integration with paybox companies, online payment providers, remittance services;
- Successful implementation of work from home ensuring continuity of core processes;
- Employees have been required to adhere to very strict precautionary standards including social distancing and other health and safety best practices followed by published government guidelines;
- Monitoring and applying for any reliefs and support mechanisms provided by the governments in operating markets, to which the Group could qualify, including discussions with the tax authorities to renegotiate the tax payment schedules. For instance, in agreement with the State Revenue Service certain taxes due for the period March-May 2020 were postponed in Latvia and transferred to June, 2021 for payment.
- Reviewing and renegotiating payment terms with suppliers.

2. Summary of significant accounting policies (continued)

Going concern (continued)

The Group's performance under the ongoing Covid-19 situation

After the initial decline in the operations in the first half of 2020 the Group has successfully performed through second and third Covid-19 waves, all of which have left minimal if any impact on the operational performance of the Group. The Group's income increased by 25% as compared to 2019 and reached EUR 95.0 millions, which resulted in all time high EBITDA [Earnings before interest expense, taxes, depreciation and amortization and net foreign exchange result] of EUR 45.4 millions. The Group has had a stable and improving portfolio quality throughout this period and it comfortably enters 2021 from both operational perspective as well as the future funding availability perspective as evidenced by performance in January - April 2021.

Nevertheless and despite the overall increased global optimism associated with Covid-19 vaccination commencement, Management has identified the fall in profitability in the course of 2020 as being an event or condition which may cast significant doubt over the going concern ability of the Group. The Group has performed a quantitative analysis with a set of critical scenarios of Group's operations assuming continued disruption in the core processes or 'full lockdown' due to COVID-19 for further months. The key assumptions of this analysis include limited or entirely paused issuance of loans and car sales for a certain period up to 5 months and severe cost reduction related with the issuance of loans. The Covid-19 impact on 2020 results was most pronounced through first and foremost new loan disbursements, which are under the direct control of the Group and can be instantly adjusted or even cut to zero or a bare minimum. The issuance volume is one of key drivers of the size of Net portfolio and indirectly Revenues afterwards. The other area of Covid-19 impact on the financial results of the Group is the portfolio quality that drives the size of net loan portfolio and impairment expenses subsequently. Although to a lesser extent than issuances, the portfolio quality is partially under Group's control through its debt collection practices and policies. The analysis includes two scenarios and the key assumptions are as follows:

1) Baseline scenario:

Loan issuance volumes:

April 2021	22.1 million
May 2021	24.3 million
June 2021	24.3 million
July 2021	25.3 million
August 2021	26.3 million
September 2021	27.9 million
October 2021	28.9 million
November 2021	30.3 million
December 2021	31.3 million

For comparison:

January 2021	16.5 million	January 2020	14.1 million
February 2021	20.9 million	February 2020	17.3 million
March 2021	22.0 million		

Comparative figures are shown for only January and February 2020 because those were months yet not impacted by first Covid-19 first wave.

- The operations were unaffected by the second Covid-19 wave in 2020, therefore Group's management believes that further growth in loan issuance volumes is a reasonably conservative assumption;
- Total revenue for the twelve-month period ended 31 December 2021 expected to increase by more than 92% compared to the same period last year. This is expected to be achieved by focusing on highest-yielding markets and products such as newly acquired consumer lending companies and their respective products as well as growth markets in the African region;
- Net impairment losses on loans and receivables [including Net gain/[loss] vs total revenue for the twelve-month period ended 31 December 2021 expected to reach 32% compared to 27% for the same period last year;
- Selling expense expected to be at the level of 3% from the total issued loan volumes, administrative expenses at the level of 18% from planned net loan portfolio as of 31 December 2021;
- FX losses are expected to be at the level of 2% from the net loan portfolio as of 31 December 2021 [7% as of 31 December 2020]. It is expected to be achieved with purchase of the currency forward instruments [USD/EUR], optimization of high FX volatility portfolios and introduction of products linked to USD and EUR in multiple countries.

2) Pessimistic scenario:

Loan issuance volumes:

April 2021	22.1 million
May 2021	2.0 million
June 2021	2.0 million
July 2021	2.0 million
August 2021	2.0 million
September 2021	2.0 million
October 2021	28.9 million
November 2021	30.3 million
December 2021	31.3 million

Pessimistic scenario includes 2.0 million EUR issuance volumes for 5 months based on worst case scenario experienced in 2020 Covid-19 first wave.

2. Summary of significant accounting policies (continued)

- Average decrease of 39% for loan issuance volumes compared to base scenario due to potentially imposed drastic moratoriums on operations;
- Total revenue for the twelve-month period ended 31 December 2021 expected to increase by 70% compared to the same period last year, such increase is mainly driven by the existing consumer lending portfolio acquired in the second half of 2020. A decrease of 22 p.p. compared to base scenario due to substantially lower loan issuance volumes and net loan portfolio;
- Net impairment losses on loans and receivables vs total revenue for the twelve-month period ended 31 December 2021 expected to reach 38%;
- Selling expense expected to be at the level of 4% from total issued loan volumes, administrative expenses at the level of 20% from planned net loan portfolio as of 31 December 2021;
- FX losses are expected to be at the level of 2% from net loan portfolio as of 31 December 2021 [7% as of 31 December 2020].

In management's view, and having considered the positive results of the stress testing under two scenarios outlined, the above circumstances support the assertion that the Group will have sufficient resources to continue for a period of at least 12 months from the reporting date. Management concluded that the range of possible outcomes considered at arriving at this judgment does not give rise to material uncertainties related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern.

Management cannot however preclude the possibility that further extended lock down periods, an escalation in the severity of such measures, or a consequential adverse impact of such measures on the economic environment the Group operates in will not have an adverse effect on the Group, and its financial position and operating results, in the medium and longer term. We continue to monitor the situations closely and will respond to mitigate the impact of such events and circumstances as they occur.

The Group monitors its liquidity ratios on an ongoing basis. The main liquidity ratios for the Group are capitalization ratio and interest coverage ratio. As at 31 December 2020, the Group's capitalization ratio and interest coverage ratio were accordingly 18% and 1.9 [31.12.2019: 16% and 1.5], indicating stable liquidity shape of the Group. The Group has maintained strong funding and liquidity position with its robust diversified funding base. As at 31 of December 2020 the Group is compliant with all financial covenants. The Group's management foresees that it will be able to fully satisfy the requirements of financial covenants also in the future assuming both development scenarios as outlined below. The Group maintains stable cash position, as at 31 December 2020 the Group's quick ratio [cash and cash equivalents vs current liabilities] was 10% [31.12.2019: 20%].

"Capitalization Ratio" means, for the Issuer as of any date of determination, the result [expressed as a percentage] obtained by dividing [x] Consolidated Net Worth of the Issuer [calculated as of the end of the Relevant Period ending on the last day of the period covered by the most recent Financial Report prior to the date of the transaction giving rise to the need to calculate Consolidated Net Worth] by [y] Net Loan Portfolio as of such date of determination.

"Interest Coverage Ratio" means the ratio of EBITDA to Net Finance Charges

The Group controls its liquidity by managing the amount of funding it attracts through P2P platform Mintos and other sources. P2P platform Mintos provides management greater flexibility to manage the level of borrowings and available cash balances. Despite the current uncertainty in the global economy, the amount of loans funded through Mintos have remained stable, demonstrating that investors trust in the Group, and they continue to invest in Mogo loans. The Management believes that current macroeconomic environment is favourable for further sustained debt raise or refinance activities, which was recently proved by successful Latvian bonds' refinance that closed on 1st and 2nd of March. The Group [through its Latvian subsidiary] provided an exchange offer to existing bondholders of two Latvian bonds ISIN LV0000801363 [nominal value of EUR 20 million] and ISIN LV0000880029 [nominal value of EUR 10 million] to swap their holdings into the new bond ISIN LV0000802452 [nominal value of EUR 30 million], in addition to exchange offer, new subscriptions were also accepted. In total EUR 21 419 000 investments were exchanged from two previous Latvian bonds into the new bond, with remaining EUR 8 581 000 being new subscriptions. New bond ISIN LV0000802452 was issued on 2 March 2021 and listed on the Nasdaq Baltic Bond List as of 11 March 2021.

The Group continues to closely monitor the updates of eligible reliefs and support mechanisms provided by the governments.

Consequently, and based on the analysis provided above, these consolidated financial statements have been prepared on the going concern basis.

Further information provided in Note 3 and Note 51.

b) Reclassification of comparative Indicators

As at 31 December 2019 the Group had identified that the presentation of sale and leaseback transactions was previously misstated in its consolidated financial statements. The Group reported receivables from these activities together with finance lease receivables under IFRS16. The Group had identified that sales and leaseback activity is rather subject to IFRS 9. As a result, reclassification was made from the statement of financial position caption "Finance lease receivables" to "Loans and advances to customers" with corresponding effect on interest income presentation in Note 4. During 2020 the Group has identified that reclassification amounts as at 31 December 2019 were not fully accurate therefore it has made further correction of comparative figures in these financial statements.

Statement of financial position - Assets	Balance at 31.12.2019 In annual report for 2019	Reclassifications	Balance at 31.12.2019 after restatement
<i>Reclassification of sales and leaseback receivables</i>			
Finance lease receivables [long term]	78 213 431	[9 588 338]	68 625 093
Finance lease receivables [short term]	37 938 035	[4 102 363]	33 835 672
Loans and advances to customers [long term]	40 077 725	9 572 981	49 650 706
Loans and advances to customers [short term]	23 856 951	4 117 720	27 974 671
TOTAL:	180 086 142	-	180 086 142

2. Summary of significant accounting policies (continued)

Due to reclassification of sales and leaseback receivables, also the information in interest income disclosure have been reclassified (Note 4).

<i>Statement of profit and loss and other comprehensive income</i>	Balance at 31.12.2019 In annual report for 2019	Reclassifications	Balance at 31.12.2019 after restatement
<i>Reclassification of sales and leaseback interest income</i>			
Interest income from finance lease receivables	45 503 173	[6 671 877]	38 831 296
Interest income from loans and advances to customers according to effective interest rate method	20 622 364	6 671 877	27 294 241
Other interest income according to effective interest rate method	1 895 601	-	1 895 601
Total interest income calculated using effective interest method for financial assets that are measured at amortised cost	22 517 965		29 189 842
TOTAL:	68 021 138	-	68 021 138

c) Changes in accounting policy and disclosures

The accounting policies adopted are consistent with those of the previous financial year.

d) Standards issued but not yet effective

A number of new standards are effective for annual periods beginning after 1 January 2020 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements except amendments related to IFRS16.

IFRS 16: Leases

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

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

The amendments specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous. The amendments apply for annual reporting periods beginning on or after 1 January 2022 to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments is recognised as an opening balance adjustment to retained earnings or other components of equity, as appropriate. The comparatives are not restated.

Other standards

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

- COVID-19 - Related Rent Concessions (Amendment to IFRS 16).
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16).
- Reference to Conceptual Framework (Amendments to IFRS 3).
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1).
- Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)
- IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts.

2. Summary of significant accounting policies (continued)

Basis of Consolidation

The consolidated financial statements comprise the financial statements of Mogo Finance S.A. [Parent Company] and entities controlled by the Parent Company [its subsidiaries] as at 31 December 2020. The financial statements of the subsidiaries 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 controlled members of the Group are eliminated in full on consolidation. The equity and net income attributable to non-controlling interests are shown separately in the statement of financial position and the statement of profit and loss and other comprehensive income.

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

If the Group loses control over a subsidiary, it:

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

Foreign currency translation

The financial statements are presented in euro [EUR], which is the presentation currency of the Group. EUR is the monetary unit of Luxembourg, where the Parent Company is established. Transactions in foreign currencies are translated into the euro at the reference exchange rate fixed by the European Central Bank or other local central bank for currency rates which are not published by ECB at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the euro applying the reference exchange rate established by the European Central Bank at the last day of the reporting year. The differences arising on settlements of transactions or on reporting foreign currency transactions at rates different from those at which these transactions have originally been recorded in the profit and loss and presented within finance costs.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. The non-monetary items are carried at historical cost and no further retranslation is performed.

For the purpose of presenting consolidated financial statements, the assets and liabilities of foreign operations are translated into euros at the rate of exchange prevailing at the reporting date and their statements of profit and loss and other comprehensive income are translated at exchange rates prevailing at the dates of transactions. If subsidiary's functional currency differs from the presentation currency of the Group, income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during the period, in which case the currency exchange rates at the date of the transactions are applied. The exchange differences arising on translation for consolidation are recognized in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is reclassified in profit or loss.

Currency exchange rates used for translation of foreign operations into euros:	31.12.2020.	31.12.2019.
	1 EUR	1 EUR
GEL	4.0233	3.2095
PLN	4.5597	4.2568
RON	4.8683	4.7830
BGN	1.9558	1.9558
ALL	123.70	121.77
MDL	21.1266	19.2605
BYR	3.1680	2.3524
UAH	27.4759	26.4220
UZS	12 786.03	10 624.70
KZT	516.13	426.85
AMD	641.11	537.26
MKD	61.6940	61.4856
BAM	1.95583	1.95583
KEL	133.9000	113.3679
UGX	4 473.74	4 110.72
USD	1.2271	1.1234

2. Summary of significant accounting policies (continued)

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, including contingent consideration, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether it measures the non-controlling interest in the acquiree 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.

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 acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date and any difference is recognized in profit and loss.

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 profit or loss. 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 of IFRS 9, it is remeasured at fair value at each reporting date and subsequent changes in fair value are recognized in profit or loss.

Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

- represents a separate major line of business or geographic area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographic area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale.

When an operation is classified as a discontinued operation, the comparative statement of profit or loss and OCI as well as statement of cash flows is re-presented as if the operation had been discontinued from the start of the comparative year.

Goodwill

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests, over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the gain is recognized in profit or loss statement immediately.

Goodwill is carried at cost less accumulated impairment losses, if any. The Group tests goodwill for impairment at least annually and whenever there are indications that goodwill may be impaired. Goodwill is allocated to the cash-generating units. Such units represent the smallest groups of assets that generate cash inflows from continuing use that are largely independent of the cash flows of other assets or CGUs. Measurement of gains or losses on disposal of an operation within a cash generating unit to which goodwill has been allocated include the carrying amount of goodwill associated with the disposed operation, generally measured on the basis of the relative values of the disposed operation and the portion of the cash-generating unit which is retained. Impairment is recognized whenever the carrying value of CGU to which goodwill is allocated is above the recoverable value of such CGU.

The recoverable amount of cash generating units has been determined based on value in use calculations. These calculations require the use of estimates as disclosed in Note 21.

Internally generated intangible assets

Internally generated intangible assets primarily include the development costs of the Group's information management systems. These costs are capitalized only if they satisfy the criteria as defined by IAS38 and described below.

Internal and external development costs on management information systems arising from the development phase are capitalized. Significant maintenance and improvement costs are added to the initial cost of assets if they specifically meet the capitalization criteria.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. Internally generated intangible assets cost value is increased by Group's information technology costs - salaries and social security contribution capitalization. All other expenditure is recognised in profit or loss as incurred. Asset useful life is reassessed by management at each year end and amortization periods adapted accordingly.

Internally generated intangible assets are amortized over their useful lives of 7 years. The main internally generated intangible assets are CRM systems.

2. Summary of significant accounting policies (continued)

According to IAS38, development costs shall be capitalized if, and only if, the Group can meet all of the following criteria:

- the project is clearly identified and the related costs are itemized and reliably monitored;
- the technical and industrial feasibility of completing the project is demonstrated;
- there is a clear intention to complete the project and to use or sell the intangible asset arising from it;
- the Group has the ability to use or sell the intangible asset arising from the project;
- the Group can demonstrate how the intangible asset will generate probable future economic benefits;
- the Group has adequate technical, financial and other resources to complete the project and to use or sell the intangible asset.

When these conditions are not satisfied, development costs generated by the Group are recognized as an expense when incurred.

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is completed and the asset is available for use.

Additional information is included in Notes 3 and 21.

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

IT systems - over 7 years.

Other Intangible assets

Other intangible non-current assets are 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, licences and similar rights - over 1 year;
Internally developed intangible assets - over 7 years;
Other intangible assets - over 2 to 7 years.

Trademarks, licenses and customer contracts (if separable) acquired in a business combination are recognised at fair value at the acquisition date.

Trademarks are used to identify and distinguish specific brand names of companies. The rights to use brand names have a set expiry date, however it is renewable at a notional cost. The group intends to renew the trademark continuously and past evidence supports its ability to do so. An analysis of future cash flows provides evidence that the brands will generate net cash inflows for the group for an indefinite period. Therefore, the trademarks are considered to have infinite useful lives and are measured at cost less accumulated impairment losses if the recoverable amount is lower than carrying value. Such impairment testing is done annually by allocating trademarks to relevant CGUs and estimating their value in use (VIU). Please see Note 20 for further details.

Property, plant 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 described below. If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items:

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

Subsequent expenditure is included in the asset's carrying amount or recognized as a separate asset, as appropriate, only then when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

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 fair value less cost to sell 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 profit and loss 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 in the year the item is derecognized.

Depreciation methods, useful lives and residual values of property, plant and equipment are reviewed at each reporting date and adjusted if appropriate.

2. Summary of significant accounting policies (continued)

Rental fleet

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

The 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.

The 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 an unrecoverable residual value 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 Group enters into the contract giving rise to the financial instruments.

Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments, as described further in the accounting policies. Financial instruments are initially measured at their fair value (which is generally equal to the transaction price) adjusted for transaction costs that are directly attributable to its acquisition or issue, except in the case of financial assets and financial liabilities recorded at FVPL.

Classification of financial assets

The Group 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.

All financial assets not classified as measured at amortised cost as described above are measured at FVTPL. This includes all derivative financial assets [see Note 26]. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

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 frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity are also important aspects of the Group's assessment. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realised. 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. Sales that take place from these portfolios relate to credit events. Loans from portfolios might be sold to debt collector agencies when underlying debtors have defaulted on their obligations. When, and only when, an entity changes its business model for managing financial assets it shall reclassify all affected financial assets. No financial liability reclassifications take place.

SPPI test

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

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

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

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

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

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

2. Summary of significant accounting policies (continued)

Embedded derivatives

The Group has certain call and put option agreements that can accelerate repayment of the issued bonds. These options arise out of bond [host contract] prospectus and individual agreements with certain bondholders and meet the definition of an embedded derivative in accordance with IFRS 9. An embedded derivative is a component of a hybrid instrument that also includes a non-derivative host contract with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative. An embedded derivative causes some or all of the cash flows that otherwise would be required by the contract to be modified according to a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided that, in the case of a non-financial variable, it is not specific to a party to the contract. A derivative that is attached to a financial instrument, but is contractually transferable independently of that instrument, or has a different counterparty from that instrument, is not an embedded derivative, but a separate financial instrument. The Group accounts for an embedded derivative separately from the host contract when:

- the host contract is not an asset in the scope of IFRS 9;
 - the host contract is not itself carried at FVPL;
 - the terms of the embedded derivative would meet the definition of a derivative if they were contained in a separate contract; and
 - the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract.
- Separated embedded derivatives are measured at fair value, with all changes in fair value recognised in profit or loss [unless they form part of a qualifying cash flow or net investment hedging relationship] and presented in the statement of financial position together with the host contract. The Group has derivatives embedded in financial liabilities and non-financial host contracts, see further information under 'Separation of embedded derivatives from the host contract' [Note 3]. 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.

The Group also has receivables recognized at fair value due to them containing a derivative element. When measuring the fair value of an asset, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques.

Reclassification of financial assets

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 and changes its business model for managing financial assets.

Financial liabilities are never reclassified. The Group did not reclassify any of its financial assets or liabilities in 2020 or 2019.

Derecognition of financial assets and finance lease receivables

Derecognition provisions below apply to all financial assets measured at amortized cost.

Derecognition due to substantial modification of terms and conditions

The Group derecognizes a loan to a customer or a 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 [POC].

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 for financial asset
- Whether legal obligations have been extinguished.
- Furthermore, for loans to customers and finance lease receivables the Group specifically considers the purpose of the modification for increase in loan principal. 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 present value of expected cash flows. If the customer was not in delay, and the principal was increase on a mutual agreement, the respective modification is considered to occur for a commercial reasons and results in derecognition of the initial lease/loan receivable. Other modifications to the agreement terms are treated as modifications that do not result in derecognition [see section on Modifications below].

Derecognition other than for substantial modification

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

The Group has transferred the financial asset or finance lease receivable if the Group has transferred its contractual rights to receive cash flows from the financial asset or finance lease receivable.

The Group has transferred the asset if, and only if, either:

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

2. Summary of significant accounting policies (continued)

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 DPDs prior to the modifications. Such modifications may involve extending the payment arrangements and the agreement of new loan conditions.

If the modification does not result in cash flows that are substantially different, as set out in the preceding section, 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 profit and loss, to the extent that an impairment loss has not already been recorded [Note 7]. Further information on modified financial assets and finance lease receivables is disclosed in the following section on impairment.

Further, 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 Group are both interested in substantially modifying the scope of the lease/loan transaction]. Whenever such an agreement to modify is reached the old agreement and respective receivable is derecognized.

Treatment of non-substantial modifications

If expectations of fixed rate financial assets' cash flows [such assets present core part of Group's financial asset base] 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 revised 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 profit and loss 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

The Group recognizes the allowance for expected credit losses for all loans and other debt financial assets not held at FVPL and finance lease receivables [as due to lease contract specifics lease receivable does not contain any unguaranteed residual value, IFRS 9 provisions apply to full finance lease receivable balance]. In this section all referred to as 'financial instruments'.

If there has been no significant increase in credit risk since origination, the ECL allowance is based on the 12 months' expected credit loss [12mECL] as outlined in below. If there has been a 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 the section on Significant increase in credit risk [Note 3].

2. Summary of significant accounting policies (continued)

Impairment of finance lease receivables and loans and advances to customers

Defining credit rating

The Group's core business assets – financial lease receivables and loans and advances to customers – are of retail nature, they are therefore 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 analyzes 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 together due to similar nature of the products.

The Group continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12mECL or LTECL, the Group assesses whether there has been a significant increase in credit risk since initial recognition. When estimating ECLs on a collective basis for a group of similar assets, the Group applies the same principles for assessing whether there has been a significant increase in credit risk since initial recognition across the portfolios within the country based on product type – lease or loan product.

The Group segregates finance lease receivables and loans and advances to customers in the following categories:

Finance lease receivables and secured loans [mature countries*]:

- 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].

* - Matured countries - Operations in Latvia, Estonia, Lithuania, Georgia and Armenia.

Operations in these countries are the longest, with the smoothest processes, therefore consistent lending practices in these countries have a long enough track record. Refer to car loans and leases only.

Finance lease receivables and secured loans [non-mature countries*]:

- 1) Not past due
- 2) Days past due up to 25 days
- 3) Days past due 26 up to 34 days
- 4) Days past due over 35 days
- 5) unsecured [general definition: days past due over 90 or collateral is not available, i.e. lost or sold].

* - Non-matured countries - Operations in other countries where Mogo Group operates. Refer to car loans and leases only.

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 75 days

Loans and advances to customers [unsecured loans, acquired businesses*]:

- 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 61 up to 90 days
- 5) Days past due over 90 days

* - Acquired businesses – the term refers to unsecured consumer lending companies acquired in 2020; acquired companies operate in Moldova, Ukraine, North Macedonia and Albania. Term is introduced to distinguish unsecured consumer lending operations in these countries from Mogo greenfield investments into unsecured consumer lending operations in Latvia, Estonia, Armenia, and Lithuania as there are differences in product set up and processes.

Before the acquisition of consumer unsecured portfolios, the Group made due diligence on the impairment of respective portfolios. It was concluded that applied methodology is inline with the IFRS9 standard, it is well aligned with debt collections and other critical business processes and it is quite prudent. Although methodology differed from the one applied for Mogo unsecured portfolios it was decided to keep the applied methodology.

2. Summary of significant accounting policies (continued)

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 (up to 25 DPD in non-mature countries) 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 [acquired businesses]. 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 [matured countries] and 26-34 DPD [non-matured countries] to being Stage 2. An unsecured loan is considered Stage 2 if DPD is in the range of 30 to 60 or 30 to 90 days for acquired businesses. 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 [matured countries] or 35 DPD [non-matured countries] 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 or 91 days past due for acquired businesses on its contractual payments.

The difference in default definition for unsecured loan agreements is driven by different business processes, product set up and development history in greenfield and acquired operations. Debt collections practices applied in Latvia, Estonia, Armenia and Lithuania for leases and secured loans were transferred to unsecured operations, thus active in-house debt collections process runs until DPD 60. After that exposure is either sold, or legal execution starts, or settlement process is enabled. Acquired businesses have active in-house debt collections process running until DPD 90. After that exposure is transferred to external agencies for the debt collections. Later it is either sold or legal execution starts.

COVID-19 Impact on SICR

COVID-19 outbreak in H1 2020 and subsequent development in H2 had negative impact on The Group's operations. Lockdowns and payment moratoriums imposed by governments in several countries as well as global macro downturn restricted The Group's operations and caused an increase in credit risk.

Group's management has strong belief that under normal circumstances the majority of affected customers will return to previous payment behaviour.

Studying development of the situation as well as regulatory guidelines the Group made changes to its impairment policy affecting contract amendments effective from March 2020 and until further notice but not later than December 2021: cases where the Group has sound grounds to expect customers to return to the regular discipline not longer than in 12-month time should not be classified as SICR even if the customer has been granted a forbearance tool. Forbearance tools [further TDR and restructuring, i.e. change of the original payment schedule] is almost the only feasible solution to reduce the financial burden on customers given the 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.

As a response to COVID-19 The Group introduced TDR (temporary debt restructuring) program which consists of 2 main products:

1. Alternative schedule [AS] – a temporary reduction of monthly payment, typically not more than 50%. Customers use this option for several months, e.g. 3-6 months in row.
2. Extension – is a payment holiday for 1 month. Customer pays extension fee [in some countries governments imposed free extensions for some period] and returns to the original schedule in the next month.

TDR is granted upon customer's request. A customer is on TDR program if he/she complies with the agreed terms. If the terms are breached then the customer returns to the original schedule. In this case no additional actions are performed to assess SICR, but exposure is classified to stage 2 and thus LTECL is calculated due to actual DPD.

A permanent amendment of the schedule is called restructuring. Restructuring was increasingly applied since June 2020 when customers who demonstrated good payment behaviour using AS got over a temporary complicated situation and returned to the original schedule or increased their monthly payment. However, unpaid amounts accumulated over AS period required extension of the term. Restructuring after AS is not considered as SICR because the customer demonstrates improved credit worthiness and is able to increase the monthly payment. Confirmed good payment behaviour during several months when the account is on AS prior moving to permanent restructuring is the basis for re-aging the account into the current bucket. Subsequent classification is based on the regular approach [DPD and healing].

Restructuring was also applied since March for customers affected by COVID-19 as alternative for TDR.

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.

Significant judgments used for determining PD and LGD are described in Note 3.

2. Summary of significant accounting policies (continued)

The Group employs the following 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 the Stage the 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] 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%.

ECL on restructured and modified loans

Some types of modifications performed to customers that serve to renegotiate terms of an agreement that was previously in default result in continued Stage 3 treatment during the one month healing period for mature countries followed by 2 months of healing period in Stage 2. For immature countries due to the nature of the default definition and lack of ability to renew terminated agreements, exposure enters Stage 2 directly. In case of modification for credit reasons prior to default [generally term extension], exposure is moved to Stage 2 for a healing period of 2 months.

Write off of unrecoverable debts

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

Impairment of finance lease receivables and loans and advances to customers in subsidiary in Lithuania

The Group has not recorded the allowance for ECL for finance lease receivables and loans and advances to customers due to Credit Default Swap (CDS) agreement. Further information is disclosed in Notes 24 and 25.

Impairment of contract assets and financial assets other than lease receivables and loans and advances to customers

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

- Other receivables from customers/contract assets - on collective basis;
- Loans and advance payments to related parties - on individual basis;
- Trade receivables - on collective basis;
- Cash and cash equivalents - on individual basis;
- Deposits - on individual basis.

Financial assets are aggregated in categories considering the similarities of key risk characteristics and nature of each of these.

The Group assesses the impairment for other receivables from customers/contract assets on a collective basis at country level. For the rest of financial assets other than finance lease receivables and loans and advances to customers the Group calculates ECL on an individual basis.

Impairment of other receivables from customers/contract assets

During the course of business, the Group may have other types of claims against its leasing customers. In such cases, considering the portfolio features, the ECL methodology of the related lease receivable is mirrored and the ECL mirrors the impairment of the lease receivable. The Group considers other receivables from customers/contract assets that are current or with DPD up to 25 as Stage 1. A healing period of 5 days is applied before an exposure previously classified as Stage 2 can be transferred to Stage 1. The Group generally considers other receivables from customers/contract assets that have a status of 26-34 DPD to be Stage 2 loans. The Group considers financial assets defaulted and therefore Stage 3 in all cases when the borrower becomes 35 DPD.

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.

Impairment for loans and advance payments to related parties, trade receivables

Receivables from related parties inherently are subject to the Group's credit risk. Therefore, a benchmarked PD and LGD rate - based on Standard & Poor's corporate statistics studies has been applied in determining the ECLs. For related party exposures Stage 2 and lifetime ECL calculation is applied based on 30 day back stop and 90 day back stop is applied to Stage 3 determination. Further qualitative factors evaluated include extension of the payment terms granted, previous arrears in the last 12 months and significant adverse changes in business.

2. Summary of significant accounting policies (continued)

Impairment of cash and cash equivalents and deposits

For cash and cash equivalents default is considered as soon as balances are not cleared beyond conventional banking settlement timeline, ie., 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. When calculating the impairment for a bank deposit, any loans or other credit facilities granted by the credit institution to the Group is being set off against the deposits if the bank has a contractual right to offset in case of resolution. Hence, the ECL is recognised on the net amount.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL or other financial liabilities that are measured at amortized cost. All financial liabilities are recognized initially at fair value plus, for an item not at FVTPL, directly attributable transaction costs.

The Group's financial liabilities include trade and other payables and loans and borrowings, including funding attracted through peer-to-peer platforms.

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

A financial liability is classified at FVTPL if it is classified as held for trading, it is a derivative or it is designated as such upon initial recognition. Net gains or losses, including any interest expense, on liabilities held at FVTPL are recognized in the statement of profit and loss.

The Group has not designated any financial liability as at fair value through profit or loss.

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 profit or loss when the liabilities are derecognized; interest expense is recognized 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 profit and loss.

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 5].

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

Derecognition

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

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.

2. Summary of significant accounting policies (continued)

Equity - accounted Investees

The Group's interests in equity-accounted investees comprise investment in associates. Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. Interests in associates are accounted for using the equity method. They are initially recognized as cost, which includes transaction costs. As the Group gained significant influence over its associate after losing control over the investee, the deemed cost is the fair value of the interest retained subsequent to the loss of control. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of the associate, until the date on which significant influence ceases. Unrealised gain arising from transactions with associate are eliminated against the investments to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Group as a Lessor - Finance lease

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, [3] the relevant provisions that apply to derivatives embedded within leases, and [4] relate to sale and leaseback transactions as outlined in this note under the title Sale and Leaseback Transactions.

The Group is engaged in financial lease transactions by selling vehicles to its customers through financial lease contracts. The Group earns its profits predominantly from finance income over the lease term and not from initial selling profit.

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.

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.

Initial measurement

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

- derecognizes the carrying amount of the underlying asset; and
- recognizes the net investment in the lease.

Upon commencement of finance lease, the Group records the net investment in leases, which consists of the sum of the minimum lease payments receivable by a lessor under a finance lease, discounted at the interest rate implicit in the lease. The contracts with the customers stipulate that the title to the lease object passes to the lessee at the end of the lease term; hence, no unguaranteed residual value accrues to the lessor. The difference between the gross investment and the net investment 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.

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

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. The lease term does not reflect the lessee exercising an option to terminate the lease due to high termination fees and resulting low probability of option exercise. Such income is recognized under "Fee and commission income" [Note 6].

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.

2. Summary of significant accounting policies (continued)

Group as a Lessor - Operating lease

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit and loss. 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. No maintenance fee is charged to the customers.

Group as a Lessee

Lease liability

Initial recognition

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

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

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

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

- [a] Periods covered by an option to extend the lease if the Group is reasonably certain to exercise that option; and
- [b] Periods covered by an option to terminate the lease if the Group is reasonably certain not to exercise that option.

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

Subsequent measurement

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

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

Right-of-use assets

Initial recognition

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

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

Subsequent measurement

The 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 [which may take place when there is a change in future lease payments arising from a change in an index or rate, when there is change in estimated amounts payable under residual value guarantee or there is a change of assessment of extension, purchase or termination option]. 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. Otherwise, the right-of-use asset is depreciated from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

Group involvement with the underlying asset before the commencement date

If a Group incurs costs relating to the construction or design of an underlying asset, the lessee accounts for those costs applying other IFRS, such as IAS 16. Costs relating to the construction or design of an underlying asset do not include payments made by the lessee for the right to use the underlying asset.

The Group applies IAS 36 to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

2. Summary of significant accounting policies (continued)

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 the 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 in certain jurisdictions 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 in certain jurisdictions 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 in certain jurisdictions 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.

Inventories

Inventories are valued at the lower of cost and net realizable value.

Net realizable value represents the estimated selling price for inventories in the ordinary course of business less estimated costs necessary to make the sale.

Inventories contain only vehicles which are purchased for the sole purpose of selling them to customers.

Value of inventories is measured by using specific identification of individual unit cost. Disposal of each individual stock item is performed on sale of respective individual stock item.

Accrued revenue or expenses from currency trading

The Group recognizes accrued income or expenses from transactions of trading currency based on currency rates agreed for each currency hedging transaction. The difference between hedging rate and currency rate at year end is recognized as accrued income or expenses depending from mathematical result.

The Group does not apply hedge accounting.

Cash and cash equivalents

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

The accounting policies outlined above as applicable to financial assets measured at amortized cost are relevant for accounting for cash and cash equivalents.

2. Summary of significant accounting policies (continued)

Assets held for sale

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

Assets held for sale includes vehicles which are obtained by enforcement of repossession in case clients default on existing lease agreements. Such repossessed collaterals are classified as held for sale and measured at the lower of their carrying amount and fair value less costs to sell [FVLCTS]. Costs to sell are the incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense. Once classified as held-for-sale, vehicles are no longer depreciated.

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

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

Reserves

Luxembourg companies are required to allocate to a legal reserve a minimum of 5% of its annual net profit until this reserve equals 10% of the subscribed share capital. This reserve may not be distributed.

Lithuania companies are required to allocate to a legal reserve a minimum of 10% of its annual net profit until this reserve equals 10% of the subscribed share capital. This reserve may not be distributed.

Moldavian companies are required to allocate to a reserve capital amount in proportion of at least 5% of its annual net profit, until reserve capital equals 10% the amount of the share capital. The reserve capital of the company may be used only to cover losses or to increase its share capital.

Foreign currency translation reserve is used to record exchange differences arising from the translation of assets and liabilities of foreign operations.

Accruals and deferrals

Accruals and deferrals are recorded to recognize revenues and costs as they are earned or incurred. Specifically, accrual for unused holidays is calculated based on local legislation requirements in each respective jurisdiction.

Transactions with peer-to-peer platforms

Background

Certain subsidiaries, 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.

The P2P platform makes it 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

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

A Receivable is arising from assignments made through the P2P platform where the related investment is not yet transferred to the Group [Note 33].

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 9.

2. Summary of significant accounting policies (continued)

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 the statement of financial position caption Funding attracted through peer-to-peer platform [Note 39] and are treated as loans received.

After initial recognition the 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 profit and loss as interest income/ expense when the liabilities are derecognized.

The Group must 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 the Group's client, which can be up to 72 months.

Assignments with recourse rights (buy back guarantee)

Assignments with recourse rights provide for direct recourse to the Group, thus do not meet the requirements to be classified as pass-through arrangement in accordance with IFRS 9. Specifically, neither investors, nor the P2P platform bear any risks in relation to creditworthiness of the Group's borrower. The Group is obliged, on first demand of the P2P platform, to repay all monies due if loan agreement with borrower defaults. Additionally, the Group retains the risks and rewards of ownership of the financial asset.

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 expense calculated using effective interest method [Note 5].

Assignments without recourse rights (no buy back guarantee)

On the contrary, assignments without recourse rights (the Group is not obliged to reimburse neither to investors nor to P2P platform if the borrower defaults) 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 39] and interest income is recognized to the extent of being the residual interest. Residual interest 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.

Provisions

In accordance with IAS 37, 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 and 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 finance cost.

The key provisions the Group recognizes are provisions for tax positions disputed with tax authorities.

Contingent assets and contingent liabilities

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

The Group may grant share options of Subsidiaries to its employees. Share options are generally awarded on the first day of employment. A share-based payment is primarily a payment in equity instruments of the entity. Under certain circumstances there are cash settlement alternatives which are subject to cash settlement events occurring or entity's choice in certain scenarios. Given absence of an ongoing sale of subsidiaries or Mogo Finance S.A., any listing process initiated and any other relevant cash settlement events, the cash settlement is considered not to be probable. The Group does not have a present obligation to settle in cash, therefore awards are classified as equity settled. The Group does not have a past practice of cash settlement for these awards.

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 and loss for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

2. Summary of significant accounting policies (continued)

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

For all financial instruments measured at amortized cost interest income or expense is recorded at the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the net carrying amount of the financial asset or financial liability.

The calculation takes into account all contractual terms of the financial instrument and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses.

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

Income from cession of bad debt

Gain or loss from sale of doubtful financial lease receivables and loans and advances to customers is presented on net basis under "Net loss from de-recognition of financial assets measured at amortized cost". Gains or losses arising on cession deals are recognized in the statement of profit and loss 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 Group's statement of profit and loss when they occur.

Revenues and expenses from contracts with customers

Revenue from contracts with customers in scope of 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 in 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.

2. Summary of significant accounting policies (continued)

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.

Key revenue streams the Group generates relate to provision of goods or services provided directly to end customer with no third party service/product provider involved. In such transactions the Group acts as a principal. However, for certain services, where other parties are involved, as described below, the Group performs assessment whether it acts as an agent or a principal. Such revenue streams include income from debt collection activities, income from providing registration services and income from agency services as described below.

When another party is involved in providing goods or services to the 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 - relevant for car registration income to conclude on principal presentation;
- 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 - relevant for debt collection income to conclude on agent presentation.

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

Fee and commission income (Note 6)

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

Fee and commission income arises from contracts with customers. Accordingly, it results in a recognized financial instrument in the Group's financial statements that is partially in scope of IFRS 9 and partially in scope of IFRS 15. Therefore, the Group first applies IFRS 9 to separate and measure the part of the contract that is in the scope of IFRS 9 and then applies IFRS 15 to the residual.

Income from debt collection activities and penalties is recognized in Group's statement of profit and loss 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 do not settle the penalty amount, the Group is entitled to enforce repossession of the collateral.

Debt collection activities revenue 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. The performance obligation is satisfied when respective service has been provided.

Income from commissions (point in time)

Income from commissions arises from additional services provided by the Group to its customers. Main additional source of income from commissions is from premature termination of contracts by the initiative from a customer. Income is recognized at the moment of cash receipt as likelihood and timing of settlement is uncertain. The performance obligation is satisfied when respective service has been provided.

Income from providing registration services (point in time)

In certain countries, the Group provides vehicle registration services to its customers. The Group organizes the registration of the leased vehicles with the state authorities on behalf of the customer, which is a separate service provided by the Group. Typically these services are performed before customers enter the finance lease agreements. Income from providing these services is recognized at the moment of providing the services. In majority of countries such services are not provided by the Group, as the customers perform registration procedures themselves and costs are covered by the customers directly without the need for such services from the Group. The performance obligation is satisfied when the respective service has been provided.

Revenue from car sales (Note 11)

Sale of motor vehicles (point in time)

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

2. Summary of significant accounting policies (continued)

Other operating income [Note 14]

Income from management services (over time)

The Group provides management services to its related parties. Income is recognized at an amount that reflects the consideration to which the Group expects to be entitled in exchange for providing these services. The performance obligation is satisfied as the respective service is being provided.

Revenue from agency services (point in time)

Agency services consist of different services, such as settlement of costs on behalf of 3rd parties and recharging those costs to customers. 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 and the 3rd party. The Group recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified services to be provided by the other party. The performance obligation is satisfied when the respective service has been provided.

Variable consideration revenue from client acquisition (point in time)

The Group has entered into a contract with JSC Primero Finance on providing commercial clients 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 the 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.

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.

Contract balances

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.

As at 31 December 2020 the Group did not have any contract assets in its consolidated statement of financial position.

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 32].

Trade receivables are non-interest bearing and are generally on terms of 30 to 120 days. Accounting policies applicable to financial assets measured using amortized cost are applicable as described above in Note 2.

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 extinguished and revenue is recognized when the Group performs under the contract.

As at 31 December 2020 the Group does not have any contract liabilities in its consolidated statement of financial position.

2. Summary of significant accounting policies (continued)

Income taxes

Income taxes include current and deferred taxes. Income taxes are recognized in profit and loss except to the extent that they are related to a business combination, or items recognized directly in equity or other comprehensive income. Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes. It is measured using tax rates enacted or substantively enacted at the reporting date in the countries where the Group and the Parent Company operates.

Current corporate income tax rate for the Parent company is applied at the statutory rate of 24.94%. Current corporate income tax rates for the foreign subsidiaries are:

Country	Tax rate	Country	Tax rate
Estonia	20%	Moldova	12%
Latvia	20%	Albania	15%
Lithuania	15%	Belarus	18%
Georgia	15%	Ukraine	18%
Poland	19%	Uzbekistan	7.5%
Romania	16%	Kazakhstan	20%
Bulgaria	10%	Belgium	29%
Netherlands	25%	Uganda	30%
Germany	30%	North Macedonia	10%
Kenya	30%	Bosnia&Herzegovina	10%

3. Significant accounting judgments, estimates and assumptions

Deferred tax assets and liabilities

Deferred income tax is recognized on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of transaction affects neither accounting nor taxable profit / loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

In Latvia, Estonia and Georgia deferred tax assets and liabilities are not recognized starting from 2017 or before in accordance with local legislation. Accordingly, deferred tax assets and liabilities which were calculated and recognized previously have been reversed through the statement of profit and loss and other comprehensive income in the year when the legislation was amended [for Latvia: 2017].

In Latvia legal entities are not 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 and deferred 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 are 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 statement of profit and loss and other comprehensive income as expense in the reporting period when respective dividends are declared, while, as regards to other deemed profit items, at the time when expense is incurred in the reporting year.

Similar accounting policies are adopted in Estonia and Georgia.

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.

3. Significant accounting judgments, estimates and assumptions [continued]

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, subsidiary and fellow subsidiary 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.

Non-controlling interest

Non-controlling interest is that part of the net results and of the equity of a subsidiary attributable to interests which are not owned, directly or indirectly, by the Group. Non-controlling interest forms a separate component of the Group's equity.

Non-controlling interest are measured initially at their proportionate share of the acquiree's identifiable net assets at the date of acquisition.

Dividend distribution

Dividend distribution to the shareholders of the Group is recognized as a liability and as distribution of retained earnings in the financial statements in the period in which the dividends are approved by the shareholders as the Group has the obligations to pay the dividend which cannot be withdrawn.

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 financial statements. Post-period-end events that are not adjusting events are disclosed in the notes when material.

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 areas of estimation and judgement used in the preparation of the consolidated financial statements include assumptions used in Goodwill and other non-financial asset impairment tests, Impairment of financial assets and judgements around Going concern and Covid-19 impact assessment. They are described below along with other estimates and judgements used in the preparation of these consolidated financial statements. Although these estimates and conclusions are based on the management's best knowledge of current events and actions, the actual results may ultimately differ from those estimates.

Principal versus agent assessment

In provision of agency services [Note 14] 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 as agent in these transactions.

The Group is also acting as an agent 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. For all other revenue streams the Group concluded that it acts as a principal.

Other revenue streams where the Group involves third parties in the provision of services include income from debt collection activities [Group acts as an agent as it does not control the service before it is provided to the customer] and income from car registration services [Group acts as a principal as it controls the asset being registered for the prospective customer].

Goodwill and other non-financial asset impairment tests

The calculation of value in use for cash generating units among other is sensitive to the assumptions of discount rate and growth rates. These assumptions and their sensitivity are outlined in Note 21.

3. Significant accounting judgments, estimates and assumptions [continued]

Determination of the FVLCTS of assets held for sale

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

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

See further information in Note 36.

Estimation of the residual value 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 [FVLCOOD]- for assets with inactive lease agreements.

VIU is the present value of the future cash flows expected to be derived from an asset or cash generating unit, both from its continuing use and ultimate disposal. In assessing VIU, the estimated future cash flows are discounted to their present value using an interest rate implicit in the lease agreement - the discount rate at which the sum of the present value of the lease payments and the unguaranteed residual value equals the sum of the fair value of the underlying asset. In measuring VIU the Group bases its cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset covering in total 7-year period.

For assets with an inactive lease agreement the Group applies probability-weighted scenario in determining the possible future use of vehicles - secondary rent or disposal. The outcome of the probability-weighted scenario has been determined based on the Group's/Company's historical data. According to management assessment, the carrying amount of secondary rent assets is expected to be recovered principally through a continuing use of it rather than sale transactions, therefore VIU method has been applied.

For assets with an inactive agreement, for which the carrying amount is expected to be recovered principally through disposal, the Group determines the residual value based on FVLCOOD method. Assumptions applied for determination of the FVLCOOD of assets are based on making a reliable estimate of the price at which a transaction to sell the asset would take place between market participants at the measurement date under current market conditions and on available data from historical sales transactions. The market price is being adjusted for car repair costs, which are estimated based on historical data for an average vehicle repair expenses occurred in 2019. 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 profit and loss and other comprehensive income unless the asset is carried at a revaluated amount, in which case the reversal is treated as a revaluation increase.

As at 31 December 2020 the Group recognised impairment of rental fleet. Please refer to Note 22.

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.

[!] Impairment of finance lease receivables and loans and advances to customers

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:

1. 61 DPD [Finance lease receivables and secured loans, matured countries]
2. 35 DPD [Finance lease receivables and secured loans, non-matured countries]
3. 61 DPD Loans and advances to customers [unsecured loans]
4. 91 DPD Loans and advances to customers [unsecured loans, acquired businesses].

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], and estimation over lifetime is defined as nth power of 12 months matrix [n-depends on the estimated lifetime, e.g. if lifetime is 36 months then n=3].

Exposures are grouped into buckets of days past due [DPD] loans/leases.

3. Significant accounting judgments, estimates and assumptions [continued]

Forward-looking information [applicable from 1 January 2019 until 31 December 2019]

In 2019 the Group used accumulated experience and improved the model by including corrective variables into the model [variables, which eliminate impact, which is not explained by macro variables, but rather by changes in business processes], as well as by reconsidering modelling approach itself.

Input variables:

- inflation;
- GDP growth;
- unemployment;
- flag of significant underwriting changes in the observation window [corrective];
- flag of significant regulatory environment changes in the observation window [corrective];
- PD in previous periods [corrective].

Modelled variable:

- current bucket PD.

Modelling technique

Hierarchical Bayes model was used. Matured markets, such as Latvia, Lithuania, Estonia, Georgia, were modelled together using input variables and allowing country level macroeconomic effects.

Semi matured and not matured countries, such as Moldova, Romania, Bulgaria, Belarus, North Macedonia, Albania and Bosnia, were modelled without country level effect [population level effect].

Armenia is considered a matured country due to solid business results, controlled and established operations, however, historical PD values are limited in count and display steep downwards trend, characteristic for semi-matured countries, thus semi-matured countries model was applied for this country.

Weighted approach

By applying forecasted values of macro variables as per macro outlook the Group obtained expected PD scenarios. Using optimistic and pessimistic values of macro variables two additional scenarios, optimistic and pessimistic were produced. Weighted scenario was obtained using vector of weights = [20% - optimistic, 20% - pessimistic, 60% - expected]. Weighted scenario is used to reflect forward-looking information [macro information] impact on impairment.

The table below illustrates weighted scenario macro PDs as at 31 December 2019.

Country	PD	PD macro model
LV	7.99%	7.60%
LT	8.82%	8.19%
GE	8.14%	8.52%
EE	7.20%	7.42%
AM	8.07%	8.24%
MD	12.34%	11.75%
RO	9.90%	9.90%
BG	12.57%	12.65%
BY	14.58%	14.25%
MK	24.22%	18.61%
AL	39.74%	36.84%
BH	21.73%	27.24%

The table below shows optimistic and pessimistic macro variables assumptions for matured countries as at 31 December 2019.

Country	Macro development	GDP growth, YoY	Unemployment rate	Inflation, YoY
LV	optimistic	4%	2%	1%
LV	pessimistic	1%	8%	5%
LT	optimistic	4%	4%	1%
LT	pessimistic	1%	12%	5%
GE	optimistic	7%	6%	1%
GE	pessimistic	2%	18%	7%
EE	optimistic	4%	2%	1%
EE	pessimistic	1%	8%	5%
AM	optimistic	7%	10%	1%
AM	pessimistic	2%	22%	6%

3. Significant accounting judgments, estimates and assumptions [continued]

The table below shows optimistic and pessimistic macro variables assumptions for not matured countries as at 31 December 2019.

Country	Macro development	GDP growth, YoY	Unemployment rate	Inflation, YoY
MD	optimistic	7%	2%	5%
MD	pessimistic	2%	6%	9%
RO	optimistic	7%	2%	2%
RO	pessimistic	1%	7%	6%
BG	optimistic	7%	3%	1%
BG	pessimistic	1%	8%	3%
BY	optimistic	5%	1%	3%
BY	pessimistic	1%	3%	8%
MK	optimistic	5%	10%	1%
MK	pessimistic	1%	22%	4%
AL	optimistic	4%	12%	3%
AL	pessimistic	1%	17%	5%
BH	optimistic	5%	20%	1%
BH	pessimistic	1%	40%	3%

As any statistical model the Hierarchical Bayes model builds a relationship between input variables and modelled variable based on statistical correlation. This means that not always optimism or pessimism of input variables [namely macro variables] will concur with modelled variable pessimistic or optimistic value. E.g. increase in GDP growth is obviously a sign of a positive macro development, however higher GDP growth increases the PD rate in matured countries models, as both variables are negatively correlated in the modelling sample.

Overall, the model demonstrated good stability. The model is also sensitive to severe changes in input variables and will react adequately on catastrophic scenarios. Impact across the group of forward-looking information incorporation led to the decrease of impairment in the amount of EUR 71 thousand at the end of 31.12.2019.

The Default distribution vector (DDV)

The default distribution vector provides distribution of PD over the course of a 12 month or lifetime horizon. It is calculated from historical data samples of all defaulted loans.

Loss Given Default

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 three-year period. For the 31 December 2019 impairment purposes recovery rate for renewed cases were applied in range of 93% to 100% depending from market. 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 - as of 31 December 2019 48% to 85% was applied depending from market. In case payments for renewed loans are made according to schedules at least for 36 months after the renewal date, the Group assumes that 100% recovery will be achieved.

Exposure at default (EAD) modelling

Exposure at default is modelled by adjusting the unpaid balance of lease and loan receivables as at the reporting date by expected future repayments during the next 12 months. As of 31 December 2019, 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

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.

Significant increase in credit risk for related party transactions is determined based on information available in the Group about the financial performance of the related parties. Financial position of 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.

3. Significant accounting judgments, estimates and assumptions [continued]

Forward-looking macroeconomic indicators model for portfolio [applicable from 1 January 2020]

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

Macro model uses several assumptions which were agreed by group of experts.

General description of the model

Macro model uses expected changes in macroeconomic indicators year over year and assumes the same or similar change to Stage 1 PD [see relation coefficient below]. Model does not incorporate any other variables only three macro indicators. All input variables are weighted according to their significance to the default rates of the Group customers and summed up, thus output of the model in the base scenario is obtained. Further in similar way worst case scenario' output is calculated. Result of the macro model is calculated as weighted output across two scenarios.

The model is based on annual data points, it includes macroeconomic indicators as at 2019 Q4, 2020 Q4 and forecasts for 2021 Q4 and 2022 Q4 to predict the effect on Stage 1 PD. The Group built macroeconomic models for each country individually – LV, LT, EE, GE, AM, UZ, KZ, KE, UG, BG, AL, KS, MK, BIH, MD, RO, BY. Data for all cases is taken from the source: <https://tradingeconomics.com/indicators>. Forecasts are validated by National Banks forecasts.

Model's variables and assumptions

The model includes indicators which have the most significant impact on the Group's portfolio PD rates based on historical research. Such indicators are also widely used by banking and non-banking industry across the world:

1. GDP growth
2. Unemployment rate [UR] change
3. Inflation rate [IR] change.

There are several assumptions made in the model to accommodate customers' specifics.

Assumption 1. UR is the centric variable in the model, and it significantly affects Stage 1 PD.

Assumption 2. Okun's law holds in macro environment affected by Covid-19.

Based on Okun's law there exists a linear relationship between GDP changes and UR. Given this fact used mathematical apparatus suggests that both variables should be included in the model with similar coefficients or just one of them should be included. To increase degree of information value the Group decided to keep both indicators in the model.

Assumption 3. Typically reasonably increasing inflation rate positively affects consumption and economy in general, and therefore reduces PD. However, current injection of cash in the economies is unprecedented and unhealthy. There is no consumer demand or it is artificially limited in contrary to injected money. Additionally, customer segment is the one who suffers more from increase in prices rather than benefit from income increase. Thus, the Group arrived at the assumption 3: increase in inflation in the Covid-19 environment will affect our customers negatively. Though, we believe inflation rate increase affects customers negatively, its adverse effect is limited, thus inflation rate has the lowest weight of all three macro indicators in the model.

Determination of relation coefficient

The model assumes a linear relation between annual changes in macro indicators and the impact on Stage 1 PD. Linear relation is assumed based on analysis of Mogo portfolio current bucket PD and UR in 2020. Maximum PD increase in 2020 vs 2019 December PD is compared to maximum UR increase in 2020 vs 2019 December.

The level of change in PD and change in UR allowed to group all countries in 4 buckets:

1. Countries where PD increased significantly less than UR increased [BH, PL, LV, LT, BY, EE, KE]. Here we assume linear relation with coefficient 0.5 [hereinafter "Relation coefficient"]; for example, if UR increases by 10%, PD is increased by 5%. Assuming such relation would yield higher PD increase than we could expect, but we accept prudent approach. Some countries have negative correlation, for example, Latvia, which is driven by Mogo portfolio dilution with near prime segment customers since it started such loan sales at the end of 2019. The increase in share of near prime loans in the LV portfolio significantly reduces its portfolio PD, as such customers are also more resistant to macro economic fluctuations.
2. Countries where PD increased approximately to the same level as UR increased [BG]. Here we assume linear relation with coefficient 1; for example, if UR increases by 10%, PD is increased by 10%.
3. Countries where macro indicator reliability is questionable [GE, MD, UZ, KZ]. During 2020 there is very minor increase in UR, which we assume to be too optimistic. Considering that these countries experienced very strict lockdowns and moratoriums as well, we assume linear relation with coefficient 2.
4. Countries where PD increased more than UR increased [AL, RO, UG, AM, MK]. Significant PD increase in 2020 were not driven mainly by UR increase, but by very strict government moratoriums which restricted movement and therefore ability to pay the loan. Increase in AM PD rate was also driven by war which broke out at the end of September 2020. Considering other factors which affected PD, in this segment we prudently assume linear relation with coefficient 2. For example, if UR increases by 10%, PD would be increased by 20%.

3. Significant accounting judgments, estimates and assumptions [continued]

Following Assumption 2 above, direct relationship holds for GDP variable as well.

Macro indicators in the model are used as a change year over year for all factors. Negative macroeconomic effects, such as increase of IR and increase of UR, are modelled with respective negative sign to address expected negative effect on PDs [as per set of assumptions above].

Weights of macro indicators [base scenario]

Output of the model for the base scenario is obtained as weighted average result of macro indicators. Weights are changed based on their significance in affecting default rate overall and in different years. According to Assumption 1, UR was assigned the highest weight – 60%. According to Assumption's 2 linear relation between UR and GDP, GDP growth was assigned 30% weight. According to Assumption 3 inflation rate has limited impact in the model, thus it has assigned weight 10%.

Weighted scenarios approach

In order to take into account possible economic fluctuations and uncertainty, 2 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.

Worst scenario is modelled assuming proportional improvement/worsening versus base case scenario inputs. Each scenario also has a specific probability of occurring, which is configurable for each country separately to account for potential differences in macroeconomic outlooks. Worst case scenario is modelled assuming 15% deterioration from the base scenario data. For example, Base scenario has a UR value of 6.5%, then for Worst case scenario the calculation would be $6.5\% \times [100\% + 15\%]$. Worst case input variable adjustment coefficients are selected based on external source examples, for example ECB [1] (https://ec.europa.eu/info/sites/info/files/economy-finance/ip136_en_2.pdf). They typically assume downside scenario by 10% worse than base case. Therefore, we have incorporated more prudent assumptions for worst case scenario.

Scenario probabilities are configurable for year 2021 and 2022 separately. Probability of each scenario is set based on UR changes in the future year vs previous year [UR chosen according to Assumption 1]. If UR is expected to reduce or stay flat, it is considered that base case scenario probability is much higher than worst case scenario, weights are set 75%/25% base/worst case scenario. If UR is expected to increase by up to 20%, we assume that base case scenario probability reduces by half and worst-case scenario probability increases by half. Scenario weights are set 50%/50% base/worst case scenario. If unemployment rate is expected to increase by more than 20%, we assume that there is much higher probability of worst case. Scenario weights are set 25%/75% base/worst case scenario. With such approach all countries but GE, UG, PL have weights 75%/25% [base/worst]. GE, UG, PL are expected to experience UR increase in 2021 compared to 2020 thus respective weights are 50%/50%.

Macro model results

Result of each macro scenario [base, worst] is obtained by calculation of weighted average of macro variables and respective weights. Further results of the scenarios are weighted to obtained the final result.

Illustration of example Stage 1 PD correction calculation:

Scenarios	Probability of scenario 2021	Probability of scenario 2022	2021f	2020f
Base case scenario	50%	50%	-1.2%	-1.0%
Worst case scenario	50%	50%	-1.5%	-11.0%
Final macroeconomic correction	100%	100%	-1.3%	-6.0%

As stated above, given unprecedented changes in macro indicators and respective outlooks, the macro model used in 2019 could not be applied in the second half of 2020. The new macro model developed on 2020 data compared to the no-macro applied scenario gave an impact of 287 000 EUR across the group; 192 000 EUR for loans and advances to customers [unsecured loans, acquired businesses, segment of entities performing consumer loan financing] and 94 000 EUR for financial leases and secured loans.

3. Significant accounting judgments, estimates and assumptions [continued]

Loss Given Default

Similarly to 2019 the Group closely followed recoveries from defaulted finance lease receivables and revises LGD rates every month for portfolios based on actual recoveries received.

- The sample used for LGD calculation consists of all the finance lease receivables that have been defaulted historically. If termination of the contract happens before default state is reached, then loan is considered defaulted [early default] and it is considered in LGD sample. Subsequent recoveries on such loans are monitored on a monthly basis. Recoveries from regular collections process, car sales, cessions and legal process are followed.

- Renewed leases [restored payments capacity after termination] also affect the LGD rate by incorporating recovered cash after renewal of the agreement and comparing it to the exposure at default of the agreements subsequently renewed, implying the cure rate. Cure rate from renewals is calculated over a four-year period. For the 31 December 2020 impairment purposes recovery rate for renewed cases were applied in range of 85% to 100% depending on the market. 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 - as of 31 December 2020 Group average LGD unsecured for portfolios with dpd less than 360 DPD was 63%, respective LGD for portfolio older than 360 DPD was 87%.

Loans and advances to customers [unsecured loans]

For unsecured loans LGD is determined based on debt sales market activity and offered prices [LV, EE] or as a benchmark to the finance lease receivables [AM]. For the later stages [DPD 360 for LV, EE and DPD 180 for AM] LGD is set to 100%.

Loans and advances to customers [unsecured loan, acquired businesses]

LGD is calculated using triangle recovery matrix built on all defaulted loans. Received recovery is discounted with effective interest rate depending on the number of months between the date account got into default and the date when recovery was received. For later stages [DPD 360] LGD is set to 100%.

Exposure at default [EAD] modelling

Exposure at default is modelled by adjusting the unpaid balance of lease and loan receivables as at the reporting date by expected future repayments during the next 12 months. As of 31 December 2020, it is applied for Stage 1 exposures only. This is performed based on contractual repayment schedules, adjusted for historical prepayment rate observed. Historical prepayment patterns are assumed to be a reliable estimate for future prepayment activity.

Impairment for loans to and receivables from related parties

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.

Significant increase in credit risk for related party transactions is determined based on information available in the Group about the financial performance of the related parties. Financial position of 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.

Recoverability of deferred tax asset

Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The deferred tax assets are recognized based on profitability assumptions over 3 year horizon. In developing these assumptions the Group considers both positive and negative evidence of past performance and future development plans to ensure that assumptions used are reasonable, realistic and achievable. The estimates of future taxable profit of 2021-2022 have been approved by the Management Board, while 2023 is considered as plausible taxable profit of the Group. Budgeting models used are the same as the ones used in goodwill impairment tests.

At each reporting date, the Group's management analyses the recoverability of deferred tax and reduces the deferred tax asset if it is no longer probable that during the period of utilization of tax losses future taxable profits will be available against which unused tax losses can be utilized [Note 18].

Capitalization of development costs

For capitalization of expenses in process of developing Group's enterprise resource planning [ERP] system and other IT systems management uses certain assumptions. Capitalization of salary expenses of IT personnel is based on employee time sheets and personnel involved in development dedicate up to 80% of their time on developing new functionality. Therefore up to 80% of salary expenses of involved personnel are capitalized under Other intangible assets while remaining 20% are recognized as salary expenses in Statement of profit and loss.

Expenses from amortization of capitalized development costs are included in statement of profit and loss caption "Administrative expense".

See further information in Note 21.

3. Significant accounting judgments, estimates and assumptions [continued]

Separation of embedded derivatives from the host contract

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

Call option, which is included in Latvian 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, which are 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, which is equal to the amortized cost of the respective bond notes.

There are also call and put options included in Eurobond prospectus. The Group may redeem all of the outstanding Eurobonds in full prior to their maturity date, at 104.75 percent of the nominal amount if such redemption right is exercised after the first call date up to 11 July 2021; and at 102.375 percent of the nominal amount if is exercised after the second call date up to [but excluding] the maturity date. There is also a put option possibility in case of change of control event, breach of certain financial covenants, ultimate beneficial owner of the Group being included into a sanction list of the European Union and the USE, certain Mintos buy-back obligations are triggered, more than 25% of the Group's net loan portfolio is originated by companies having their registered office in certain countries outside of Europe, then each bondholder has the right to request that all, or only some, of its Eurobonds are repurchased at a price of 101.00 percent of the nominal amount plus accrued unpaid interests.

The Group's management has evaluated that the embedded derivatives are not contractually separable, not contractually transferrable independently and have 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.

See further information in Note 39.

Fair value of employee share options

The Group's employees have entered a share option agreement with the Parent Company or the Parent Company's shareholders and Subsidiaries. Under the agreements respective employees obtain rights to acquire Parent company's or certain subsidiaries' shares under several graded vesting scenarios. The respective option would be classified as an equity-settled share-based payment transaction in Group's consolidated financial statements in accordance with IFRS 2. There are cash settlement alternatives. Given absence of an ongoing sale of any of Subsidiaries or the Parent or any listing process initiated and other relevant cash settlement events, then cash settlement is considered not to be probable and the Group does not have a present obligation to settle in cash.

The Group's management has estimated that fair value of the options would not be materially different than zero. If it were, the Group would have to record expenses related to this transaction and recognize a respective component of equity.

In estimating the fair value for the share option the most appropriate valuation model would depend on the terms and conditions of the grant. In 2019 the fair value of the employee share options has been estimated by first establishing the fair value at the grant date of the relevant issuer company/group applying discounted cash flow valuation methodology and the same assumptions as the ones used in value in use estimation [refer to Goodwill impairment tests]. Subsequently, the estimate is adjusted by the number of options granted, vesting period and the employee turnover rates in the respective grade.

Management has considered that the financial position of the Subsidiaries that have issued share options [in particular for General Employee Share Option Plan described in Note 49], the particular features mentioned in the option agreements, such as buy-back options, non-competition clauses embedded in the agreements, restrictions of sales of shares, as well as dividend policy of the Parent Company [for both of the plans described in Note 49] effectively indicate that fair value of the employee options would not be material.

Fair value measurement of contingent consideration

As disclosed in Note 44 the Group acquired an additional 2% interest in the shares of Mogo OU [Estonia] and Mogo LLC [Georgia], increasing its ownership interest to 100%.

In accordance with the share purchase agreement the additional cash payments to the previous non-controlling interest holder will be made on the basis of Mogo OU net profit for 2017 – 2020.

In accordance with the share purchase agreement the additional cash payments to the previous non-controlling interest holder will be made on the basis of Mogo LLC net profit for 2019 – 2021.

The Group has determined that it has a contractual obligation to deliver cash to the seller and therefore it has assessed it to be a financial liability. Consequently, the Group is required to remeasure that liability at fair value at each reporting date with changes in fair value recognized in profit or loss in accordance with IFRS9.

The fair value is based on actual results of Mogo OU and on management approved budgets of Mogo LLC and determined using probability-weighted cash flow under DCF method, based on the expected probable outcome. The fair value of the contingent consideration determined at 31 December 2020 reflects management best estimate.

However, the calculation of the fair value among other is sensitive to the assumptions of the discount rate which is estimated as 12% and the precision of budgets approved by the Group management [see Note 44].

3. Significant accounting judgments, estimates and assumptions [continued]

Deferred Tax Liability on unremitted earnings

In Latvia, Estonia and Georgia legal entities are required to pay income tax on earned profits in accordance with local legislation on Corporate Income Tax. Corporate income tax would be paid on distributed profits and deemed profit distributions. Corporate income tax on dividends would be recognized in the statement of profit and 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 Group has decided to use these beneficial tax regimes to reinvest profits in further development of respective subsidiaries, therefore it does not plan to distribute dividends from subsidiaries in these countries in the next 5 years. The Group controls the process of dividend distribution and does not plan to distribute dividends from subsidiaries of these countries for year 2020 and after in the foreseeable future: 5 year horizon is considered appropriate given the Group's planning cycle.

Due to above mentioned reason, the Group has not recognized deferred tax liabilities.

See further information in Note 17.

Provisions

Significant management judgement is used for estimating provisions in relation to tax amounts disputed with tax authorities. For more details see Note 38.

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 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.

When determining the lease term, the Group considers all relevant facts and circumstances that create an economic incentive for the lessee to exercise an option to renew or not to exercise an option to terminate early. When assessing whether the Group is reasonably certain to exercise an option to extend, or not to exercise an option to terminate early, the economic reasons underlying the Group's past practice regarding the period over which it has typically used particular types of assets [whether leased or owned] are considered. Furthermore, the following factors are considered: level of rentals in any secondary period compared with market rates, contingent payments, renewal and purchase options, costs relating to the termination of the lease and the signing of a new replacement lease, costs to return the underlying asset, nature and the level of specialization of the leased assets, asset location, availability of suitable alternatives and existence of significant leasehold improvements. See Note 23.

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 in each of the countries as its incremental borrowing rate. The discount rate applied is obtained from official state government institutions as the average market rate available at the beginning of the lease agreement for loans over a similar term, security, value and applied in similar economic environment. The Group considers market rates used as an appropriate measure for incremental borrowing rates as they correctly reflect the ability the respective subsidiary to finance a specific asset purchase in each of the jurisdictions given the Group's wide geographical coverage, its track record in ability to raise public debt and the overall financial results of the Group and each subsidiary individually.

As additional factor considered is the way how local lenders would approach the asset financing at each subsidiary level. The two most important factors assessed would be the potential borrower's (in this case Group's subsidiary's) financial position and the asset that is being financed [i.e. the quality of the security]. 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.

Lease classification for rental fleet (Group as a Lessor)

The Group has entered into vehicle leases on its rental fleet [Note 22]. These lease agreements have a non-cancellable term of 6 months and an optional term of up to 72 months. After the non-cancellable term of 6 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.

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.

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.

Measurement of fair values

Trademarks acquired in business combinations

The Relief-from-royalty method was used for measuring the fair value of trademarks acquired. The relief from-royalty method considers the discounted estimated royalty payments that are expected to be avoided as a result of the patents or trademarks being owned.

Management's key assumptions used to determine the value of trademarks were as follows:

Average cash flow forecast [5 Year] revenue growth rate is 7.0% per year [range 5.9% - 10.3%]

Long term revenue growth rate is 0% as a matter of prudence for fair value estimation.

Average trademark royalty rate is 1.0% [range 0.9% - 1.1%]

Average discount rate is 18.7% [range 18.6% - 19.0%]

Property, plant and equipment acquired in business combinations

Depreciated replacement cost technique was used for measuring the fair value of Property, plant and equipment acquired. Depreciated replacement cost reflects adjustments for physical deterioration as well as functional and economic obsolescence of assets acquired.

Other intangible assets acquired in business combinations

Depreciated replacement cost technique was used for measuring the fair value of Intangible assets acquired [excluding Trademarks]. Depreciated replacement cost reflects adjustments for functional and economic obsolescence of assets acquired.

Please refer to Note 48 for disclosure of and relevant inputs for fair value techniques applied to financial assets and liabilities.

Going concern and Covid-19 Impact assessment

In the light of events related to Covid-19, the Group's management has assessed the impacts of the coronavirus outbreak on the Group's ability to continue as a going concern. The Group has performed the stress test – a quantitative analysis with a set of critical scenarios of Group's operations assuming partly disrupted core processes or 'full lockdown' for several months due to Covid-19. The key assumptions of the stress test include limited or entirely paused issuance of new loans and car sales and severe cost reduction related with the issuance of new loans and administration costs.

For further information and resulting management judgements please refer to Note 2 - Going concern.

Please also note that the economic impact of further Covid-19 waves may have a significant negative impact on the estimates of recoverable values of financial and non-financial assets further discussed in this note. The magnitude of such impact cannot be presently estimated in a reliable manner.

Obtaining control over acquired entities

During 2020 the Group acquired several new subsidiaries in transactions where legal ownership of the acquired companies was obtained during the year in several stages, while for some the regulatory approval received only in early 2021. At the moment of signing the acquisition agreements only a portion of the shares was legally acquired while the rest of the shares was acquired until the year end. The Group assumed full control over the newly acquired entities from the moment of signing the acquisition agreements since they include clauses granting the Group the power to govern the acquired entities from day of signing the share acquisition agreements. Accordingly, the Group concluded that control in accordance with IFRS 10 was exercised and commenced consolidation of the subsidiaries.

3. Significant accounting judgments, estimates and assumptions [continued]**Loss of control over sold entities**

During 2020 the Group sold several subsidiaries. In the case of the sale of the Risk Management Services OU the formal change in shareholders was registered only in March 2021 and the Group retained certain management functions over the former subsidiary. Nevertheless, the concluded agreement of the sale of shares of Risk Management Services OU includes clauses which ensure the transfer of control over company's principal economic activities and exposure to variable returns to the new shareholder as of the end of 2020; therefore, the Group considers that Risk Management Services OU is no longer a subsidiary of the Group as at 31 December 2020 and has derecognized its assets and liabilities from The Groups balance sheet as at 31 December 2020.

Statement of financial position of Risk Management Services as at date of disposal:

Assets	EUR
Finance lease receivables	1 744 891
Other receivables	62 142
Cash and cash equivalents	60 042
Total assets	1 867 075
Liabilities	
Share capital	2 500
Retained earnings	[2 338 451]
Trade payables	1 865 205
Taxes payable	436
Other accounts payable	96
Accrued liabilities	2 337 289
Total liabilities	1 867 075
Net equity disposed from the Group	[2 338 451]
Sale price	30 000
Net gain from disposal	2 308 451

Disposed entity in Ukraine did not have material net equity nor material gain or loss from disposal therefore more detailed information is not disclosed.

4. Interest revenue

	2020 EUR	2019 EUR
Interest income from finance lease receivables*	49 000 194	38 831 296
Interest income from loans and advances to customers according to effective interest rate method	32 941 627	27 294 241
Other interest income according to effective interest rate method	1 533 275	1 895 601
Total interest income calculated using effective interest method for financial assets that are measured at amortised cost	83 474 902	68 021 138
TOTAL:	83 475 096	68 021 138

* Interest income contains earned interest on portfolio derecognized from Group's assets due to no buy back obligation [see Note 24].

Gross and net earned interest are as follows:	2020 EUR	2019 EUR
Gross interest income	83 696 332	68 043 413
Interest derecognized due to derecognition of portfolio from Group's assets	[221 236]	[22 275]
TOTAL NET INTEREST:	83 475 096	68 021 138

Interest income has increased due to further expansion of the Group in new geographical markets and development in existing markets.

Interest income from impaired Stage 3 finance lease receivables/loans amounts to EUR 1 348 415.

5. Interest expense

	2020	2019
	EUR	EUR
<i>Interest expenses on financial liabilities measured at amortised cost:</i>		
Interest expenses for loans from P2P platform investors	8 166 947	7 417 872
Interest expense on issued bonds	15 467 009	11 899 440
Interest expenses for bank liabilities and related parties	1 944 127	1 636 902
Interest expenses for lease liabilities	475 294	221 042
TOTAL:	26 053 377	21 175 256

6. Fee and commission income related to finance lease activities

	2020	2019
	EUR	EUR
<i>Revenue from contracts with customers recognized point in time:</i>		
Income from penalties received	4 779 973	3 710 257
Income from commissions	1 249 134	491 840
Income from providing registration services	43 919	18 401
TOTAL:	6 073 026	4 220 498

Revenue from contracts with customers recognized point in time related to debt collection activities:

	2020	2019
	EUR	EUR
Gross income from debt collection activities	1 954 919	1 488 918
Gross expenses from debt collection activities	[2 792 455]	[1 901 600]
TOTAL:	[837 536]	[412 682]
Total fees and commissions income:	5 235 490	3 807 816

7. Impairment expense

	2020	2019
	EUR	EUR
Change in impairment in finance lease [Note 24]	4 622 648	4 171 781
Change in impairment in loans and advances to customers [Note 25]	4 688 332	4 964 030
Change in impairment in rental fleet [Note 22]	95 529	428 355
Change in impairment in other financial assets [Notes 26, 28, 30 and 32]	740 246	63 619
Written off debts	15 994 716	6 165 770
TOTAL:	26 141 471	15 793 555

The increase in written off debts was driven due to write-offs of long term outstanding debts during the initial wave of the Covid 19 pandemic.

8. Net gain/[loss] from de-recognition of financial assets measured at amortized cost

	2020	2019
	EUR	EUR
Financial lease		
Income arising from cession of financial lease receivables to non related parties	1 136 643	2 733 202
Loss arising from cession of financial lease receivables to non related parties	[353 805]	[3 066 887]
TOTAL:	782 838	[333 685]
Loans and advances to customers		
Income arising from cession of loans and advances to customers receivables to non related parties	502 067	914 128
Loss arising from cession of loans and advances to customers receivables to non related parties	[718 199]	[944 692]
TOTAL:	[216 132]	[30 564]
Receivables from rent contracts		
Income arising from cession of customers receivables to non related parties	41	81 364
Loss arising from cession of customers receivables to non related parties	-	[22 120]
TOTAL:	41	59 244
Net loss arising from cession of financial lease receivables, loans and advances to customers and rent contracts	TOTAL: 566 747	[305 005]

During 2019 and 2020 the Group performed cessions of doubtful finance lease receivables as well as doubtful loans and advances to customers receivables to non related parties. The Group uses opportunities to sell receivables in cession to improve cash flow and reduce debt collection related expenses associated with recovering of doubtful debts.

When a financial lease receivables or loans and advances to customers portfolio is sold in cession the Group reverses the respective part of impairment allowance of the ceded assets (Note 24 and 25).

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

9. Expenses related to peer-to-peer platform services

	2020	2019
	EUR	EUR
Service fee for using P2P platform	1 032 219	697 484
TOTAL:	1 032 219	697 484

10. Revenue from leases

	2020	2019
	EUR	EUR
Revenue from operating lease	6 247 484	3 992 485
TOTAL:	6 247 484	3 992 485

Revenue increased due to further business expansion of the car operating lease business line.

11. Revenue from car sales

	2020	2019
	EUR	EUR
Revenue from contracts with customers recognized point in time:		
Income from sale of vehicles	50 299	1 800 206
TOTAL:	50 299	1 800 206
Expenses from contracts with customers recognized point in time:		
Expenses from sale of vehicles	[59 019]	[1 799 081]
TOTAL:	[59 019]	[1 799 081]
Total Net revenue from contracts with customers recognized point in time	[8 720]	1 125

12. Selling expense

	2020 EUR	2019 EUR
Online marketing expenses	985 537	1 066 613
TV advertising	271 799	539 400
Radio advertising	140 607	205 052
Other marketing expenses	987 964	941 181
<i>Total marketing expenses</i>	<i>2 385 907</i>	<i>2 752 246</i>
Other selling expenses	383 016	302 498
TOTAL:	2 768 923	3 054 744

13. Administrative expense

	2020 EUR	2019 EUR
Employees' salaries	18 902 306	16 764 741
Amortization and depreciation	5 682 774	3 592 384
Professional services	1 898 372	1 919 148
Expenses from disposal of rental fleet and other fixed assets	1 371 615	979 701
Office and branches' maintenance expenses	1 251 442	1 148 584
IT services	1 207 197	951 113
Bank commissions	685 163	462 774
Credit database expenses	622 823	594 179
Communication expenses	583 670	409 857
Business trip expenses	227 930	461 596
Other personnel expenses	154 813	135 287
Real estate tax	132 386	131 696
Low value equipment expenses	125 069	129 231
Transportation expenses	115 326	122 589
Insurance expenses	90 148	15 564
Donations	58 563	94 421
Employee recruitment expenses	26 966	256 528
Other administration expenses	1 891 906	1 220 697
TOTAL:	35 028 469	29 390 090

Audit fees for the Group's 2020 financial statements audit amounts to 562 500 EUR, of which 90 400 EUR relate to the Parent Company [2019: EUR 390 200; the Parent Company – 77 000 EUR].

Fees for permitted non-audit-services billed to the Company and its subsidiaries by the auditor and member firms of its network during the year amount to 28 375 EUR relating to tax and other assurance.

The respective amounts are included in the 'Professional services' line.

Key management personnel compensation

	2020 EUR	2019 EUR
Members of the Management		
Remuneration*	3 939 893	3 694 020
Social security contribution expenses	620 171	579 916
TOTAL:	4 560 064	4 273 936

Key management personnel is considered to be all Group top management employees, regional management employees and country managers.

* - Including vacation accruals.

There are no amounts receivable or payable as of 31 December 2020 with members of the Group's Management [none at 31 December 2019] for any past transactions. There are no emoluments granted for current and for former members of the management and commitments in respect of retirement pensions for former members of the management.

14. Other operating income

	2020	2019
	EUR	EUR
Gain on acquisition of subsidiaries [see note 19 for information on key acquisitions]	11 473 296	-
Gain from sale of subsidiaries*	2 270 197	-
Income from management services	227 481	640 087
Income from providing GPS tracking services	76 749	-
Income from reversal of VAT provision in Romania	-	344 095
Income from reversal of provision for penalties in Latvia	-	169 939
Bond modification gain	-	115 861
Income from sold cars in commission	-	110 861
Income from associates accounted under equity method	13 516	44 380
Other operating income	397 410	158 794
TOTAL:	14 458 649	1 584 017

* - in 2020 the Group sold two of its subsidiaries: Risk Management Services OU [Estonia] and Mogo Ukraine LLC [Ukraine].

	2020
Result from sale of subsidiaries:	
Risk Management Services OU [Estonia]	2 338 451
Mogo Ukraine LLC [Ukraine]	[68 254]
TOTAL:	2 270 197

<i>Revenue from contracts with customers recognized point in time where the Group acted as an agent *</i>	2020	2019
	EUR	EUR
Gross revenue from agency services	275 450	53 117
Gross expenses from agency services	[275 450]	[53 117]
TOTAL:	-	-

* - Revenue associated with these transactions is presented as revenue in net amount in these consolidated financial statements.

15. Other operating expense

	2020	2019
	EUR	EUR
Warrant expenses*	2 546 353	-
Non-deductible VAT from management services	1 395 862	953 236
Withholding tax expenses	312 087	479 082
Other operating expenses	1 068 444	588 830
TOTAL:	5 322 746	2 021 148

* - On 5 May 2015 Bonriki Holdings Limited ("Bonriki") entered into a mezzanine facility agreement with the Company, as amended on 23 May 2016. In accordance with the Bonriki mezzanine facility agreement a facility in amount of EUR 12,000,000 was made available to the Company. The Bonriki mezzanine facility agreement provided for an interest rate of 12.5% and maturity date 31 August 2018. In addition, Bonriki was granted a warrant over the shares of the Company whereby Bonriki may acquire 2.5% shares of the Company by 21 June 2021. The amended and restated warrant agreement signed on 23 May 2016 stipulated that Bonriki has the right to exercise warrant within three year period after full repayment of the Mezzanine loan and other accrued amounts. The warrant agreement provided the opportunity for Bonriki to either purchase the shares or put it against the Company or certain Company's shareholders. During 2019 the respective Company's shareholders had provided documented intent to settle the cash with Bonriki in case it would exercise the put option against the Company. In 2020 with the uncertainties caused by Covid-19 pandemic it became clear that Bonriki would put the warrant back to the Company and the certain Company's shareholders would not be able to compensate the expenses due to impact of Covid-19. On 1 July 2020, Bonriki Holdings Limited served the Company with a Put Option Notice, whereby Bonriki used its right to sell to the Company half of the Warrant Shares owned by Bonriki equal to 1.25% of the Company's share capital against payment of a purchase price equal to EUR 1,251,678.08, and on 1 October 2020, Bonriki served the Company with the second Put Option Notice, whereby Bonriki used its right to sell to the Company the remaining half of the Warrant Shares owned by Bonriki equal to 1.25% of the Company's share capital against payment of a purchase price equal to EUR 1,294,674.66. Due to the factors described above, which changed the circumstances of the transaction in 2020, the Company recognized the expenses in 2020. Following the sale of the Warrant Shares, the share pledge established in favour of Bonriki over the Company's shares has been fully removed.

A significant increase in non-deductible VAT from management services incurred due to considerable increase in charged management fees to subsidiaries of the Parent. It was a result of continuous growth of the Group and management team compared to previous reporting period.

16. Net foreign exchange result

	2020 EUR	2019 EUR
Currency exchange gain	[3 237 468]	[205 612]
Currency exchange loss	16 446 463	439 083
TOTAL:	13 208 995	233 471

Due to Covid-19 pandemic currency value in several countries had considerably reduced thus raising expenses for the Group from loss of assets value denominated in those currencies.

17. Corporate income tax

	2020 EUR	2019 EUR
Current corporate income tax charge for the reporting year	709 025	1 331 785
Adjustments in respect of current income tax of previous year	-	-
Deferred corporate income tax due to changes in temporary differences	[1 423 618]	[1 001 784]
Corporate income tax charged to the income statement:	[714 593]	330 001

Unrecognized deferred tax liability for undistributed dividends as described in Note 3 comprises 5 634 437 EUR [2019: 4 243 470 EUR].

	31.12.2020. EUR	31.12.2019. EUR
Current corporate income tax liabilities	784 197	308 974
TOTAL:	784 197	308 974

18. Deferred corporate income tax
Deferred corporate income tax:

	Balance sheet		Income statement	
	31.12.2020. EUR	31.12.2019. EUR	2020 EUR	2019 EUR
Deferred corporate income tax liability				
Accelerated depreciation for tax purposes	146 993	-	[22 812]	-
Other	161 850	-	[46 251]	-
Gross deferred tax liability	308 843	-	[69 063]	-

Deferred corporate income tax asset

Tax loss carried forward	[1 367 270]	[951 941]	[711 853]	[455 617]
Unused vacation accruals	[59 827]	[27 588]	[23 339]	[12 651]
Impairment	[1 660 165]	[553 573]	[813 869]	[488 319]
Currency fluctuation effect	-	-	[364]	595
Other	[95 761]	[77 537]	194 870	[45 792]
Gross deferred tax asset	[3 183 023]	[1 610 639]	[1 354 555]	[1 001 784]
Net deferred tax liability/ (asset)	[2 874 180]	[1 610 639]	[1 423 618]	[1 001 784]
Increase in net deferred tax asset:				
In the statement of profit and loss	-	-	[1 423 618]	[1 001 784]
Net deferred corporate income tax assets	[2 874 180]	[1 610 639]		
Net deferred corporate income tax expense/ (benefit)			[1 423 618]	[1 001 784]

The Group believes that the tax asset arising from tax losses will be utilized in the nearest few years against future profits as well as asset arising due to temporary impairment cost recognition when low performing portfolio will be sold to third parties.

A deferred tax asset has been recognized in subsidiaries in the following countries: Lithuania, Armenia, Bulgaria, Albania, Romania, Moldova, Belarus, Uzbekistan, Kazakhstan, Kenya and Uganda. For all countries the asset is deemed recoverable based on trends of historical performance and estimates of future results.

Deferred tax assets have not been recognized in respect to tax losses arisen in Luxembourg, Poland, North Macedonia and Ukraine as there may be no future taxable profits available in the foreseeable future. Subsidiaries have been loss-making and there are no other tax planning opportunities or other evidence of recoverability in the near future.

A deferred tax asset not recognized due to the above reason in the amount of 4 351 963 EUR [2019: 2 689 809].

The potential income tax consequence attached to the payment of dividends in 2020 amounts to EUR 1 390 967 EUR. [2019: 2 561 084 EUR.]

18. Deferred corporate income tax [continued]

Tax losses for which no deferred tax assets are recognized by the Group may be utilized as follows for carry forward:

	Tax loss EUR	Expiry term
Tax loss for 2016 or earlier	1 785 305	2021-2022
Tax loss for 2017	2 151 142	2022-2023
Tax loss for 2018	3 211 060	2023-2024
Tax loss for 2019	4 346 813	2024-2025
Tax loss for 2020	6 979 432	2025-2026
TOTAL:	18 473 752	

Tax losses for which no deferred tax assets were recognized by the Group for previous reporting period consisted of EUR 11 494 320.

Actual corporate income tax charge for the reporting year, if compared with theoretical calculations:

	2020 EUR	2019 EUR
Profit before tax	418 546	4 735 828
Tax at the applicable tax rate*	104 385	1 181 116
Undistributed earnings taxable on distribution**	[803 368]	[2 074 567]
Unrecognized deferred tax asset	1 662 154	2 025 738
Previous years deferred tax reversed	-	61 401
Effect of different tax rates of subsidiaries operating in other jurisdictions	[409 515]	[177 733]
Non-temporary differences:		
Business not related expenses [donations, penalties and similar expenses]	[58 173]	61 935
Other***	[1 210 075]	[747 889]
Actual corporate income tax for the reporting year:	[714 593]	330 001
Reversal of deferred tax	-	-
Corporate income tax charged to the statement of profit and loss:	[714 593]	330 001

Effective income tax rate

-170.73%

6.97%

* - Tax rate for the Parent company for year 2020 - 24,94% [2019 - 24,94%]

** - In Latvia, Estonia and Georgia corporate income tax expenses are not recognized starting from 2017 or before in accordance with local legislation. See further information in Note 2.

*** - Other items includes effect of non-taxable income from intergroup dividend income recognized by Mogo Finance S.A affecting tax reconciliation by 1 126 058 EUR [2019: 927 792 EUR]; The corresponding impact on tax losses carried forward has been recognized in unrecognized deferred tax asset position.

19. Business combinations and acquisition of non-controlling interest**Acquisition of OCN Sebo Credit SRL (Moldova)**

On 9 July 2020, the Group acquired a 96,2561% share of control over the shares of OCN Sebo Credit SRL, a non-listed company based in Moldova and specialising in financial services, in exchange for a cash consideration. The Group acquired OCN Sebo Credit SRL because it enlarges the range of products in its core business of geographies providing financing services.

The Group measures the interests in the acquiree at fair value.

	Fair value recognized on acquisition
	EUR
Assets	
Intangible assets	532 147
Trademarks	1 187 362
Property, plant and equipment	1 824 200
Leasehold improvements	77 225
Loans and advances to customers	20 477 314
Deferred tax asset	239 060
Finished goods and goods for resale	20 004
Prepaid expense	48 470
Other receivables	1 669 358
Cash and cash equivalents	5 564 691
Total assets	31 639 831
Liabilities	
Non-controlling interests	51 380
Borrowings - short term	20 356 493
Advances received	54 531
Trade payables	131 130
Taxes payable	79 234
Other accounts payable	209 221
Accrued liabilities	269 485
Total liabilities	21 151 474
Total identifiable net assets at fair value	10 488 357
Purchase consideration transferred	2 900 000
Goodwill arising on acquisition	[7 588 357]

During the peak of the first wave of Covid-19 several opportunities occurred for the Group to acquire other companies for more attractive prices than in usual pre Covid-19 market conditions. OCN Sebo Credit SRL was one of such companies where the acquisition resulted in a gain on acquisition of subsidiaries (negative goodwill).

The fair value of the 'loans and advances to customers' amounts to EUR 20.5 million. The gross amount of advances and loans to customers is EUR 21.2 million.

Due to the contractual terms imposed on acquisition, the customer list is not separable. Therefore, it does not meet the criteria for recognition as an intangible asset under IAS 38.

The liabilities mainly comprise dues from long term borrowings from the P2P lending platform.

From the date of acquisition, OCN Sebo Credit SRL contributed EUR 9 226 551 of interest income and EUR 3 301 436 net profit to the total net profit of the Group.

If the combination had taken place at the beginning of the year, the net profit for the Group would have been EUR 666 370 higher.

	2020
	EUR
Analysis of cash flows on acquisition:	
Purchase consideration	[2 900 000]
Net cash acquired with the subsidiary	5 564 691
Net cash flow on acquisition	2 664 691

19. Business combinations and acquisition of non-controlling interest (continued)**Acquisition of Kredo Finance SHPK (Albania)**

On 9 September 2020, the Group acquired 100% of control over the shares of Kredo Finance SHPK, a non-listed company based in Albania and specialising in financial services, in exchange for a cash consideration. The Group acquired Kredo Finance SHPK because it enlarges the range of products in its core business of geographies providing financing services. Although the regulator's approval was obtained only in early 2021 the Group had full confidence that transaction will be approved by the regulator in due course.

The Group measures the interests in the acquiree at fair value.

	Fair value recognized on acquisition
	EUR
Assets	
Intangible assets	265 873
Trademarks	568 876
Property, plant and equipment	390 234
Leasehold improvements	73 000
Loans to related parties	648 928
Loans and advances to customers	8 502 810
Prepaid expense	133 973
Other receivables	769 540
Cash and cash equivalents	497 536
Total assets	11 850 770
Liabilities	
Borrowings	6 295 421
Trade payables	[8 650]
Taxes payable	37 494
Other liabilities	[11 061]
Accrued liabilities	98 607
Total liabilities	6 411 811
Total identifiable net assets at fair value	5 438 959
Purchase consideration transferred	1 600 000
Goodwill arising on acquisition	[3 838 959]

During the peak of the first wave of Covid-19 several opportunities occurred for the Group to acquire other companies for more attractive prices than in usual pre Covid-19 market conditions. Kredo Finance SHPK was one of such companies where the acquisition resulted in a negative goodwill.

The fair value of the 'loans and advances to customers' amounts to EUR 8.5 million. The gross amount of advances and loans to customers is EUR 7.3 million.

Due to the contractual terms imposed on acquisition, the customer list is not separable. Therefore, it does not meet the criteria for recognition as an intangible asset under IAS 38.

The liabilities mainly comprise dues from long term borrowings from the P2P lending platform.

From the date of acquisition, Kredo Finance SHPK contributed EUR 10 492 278 of interest income and EUR 5 085 434 net profit to the total net profit of the Group.

If the combination had taken place at the beginning of the year, the net profit for the Group would have been EUR 2 969 204 lower.

	2020 EUR
Analysis of cash flows on acquisition:	
Purchase consideration	[1 600 000]
Net cash acquired with the subsidiary	497 536
Net cash flow on acquisition	[1 102 464]

19. Business combinations and acquisition of non-controlling interest [continued]**Acquisition of TIGO Finance DOOEL Skopje (North Macedonia)**

On 9 September 2020, the Group acquired 100% of control over the shares of TIGO Finance DOOEL Skopje, a non-listed company based in North Macedonia and specialising in financial services, in exchange for a cash consideration. The Group acquired TIGO Finance DOOEL Skopje because it enlarges the range of products in its core business of geographies providing financing services. Although the regulator's approval was obtained only in early 2021 the Group had full confidence that transaction will be approved by the regulator in due course.

The Group measures the interests in the acquiree at fair value.

	Fair value recognized on acquisition
	EUR
Assets	
Intangible assets	204 372
Trademarks	394 847
Property, plant and equipment	200 913
Leasehold improvements	9 138
Loans to related parties	961 286
Loans to non-related parties	32 268
Loans and advances to customers	3 200 729
Prepaid expense	11 554
Other receivables	552 581
Cash and cash equivalents	578 575
Total assets	6 146 263
Liabilities	
Borrowings	2 759 272
Trade payables	87 635
Taxes payable	12 866
Corporate income tax payable	85 774
Other liabilities	105 076
Reserves	33 884
Accrued liabilities	62 032
Total liabilities	3 146 539
Total identifiable net assets at fair value	2 999 724
Purchase consideration transferred	6 000 000
Goodwill arising on acquisition	3 000 276

The goodwill of EUR 3 000 276 comprises the value of expected synergies arising from the acquisition and a customer list, which is not separately recognized since determining a reliable value is impractical.

Due to the contractual terms imposed on acquisition, the customer list is not separable. Therefore, it does not meet the criteria for recognition as an intangible asset under IAS 38.

The fair value of the 'loans and advances to customers' amounts to EUR 3.2 million. The gross amount of advances and loans to customers is EUR 5.6 million.

The liabilities mainly include long term borrowings from the P2P lending platform.

From the date of the acquisition, TIGO Finance DOOEL Skopje contributed EUR 2 524 575 of interest income and EUR 405 937 net profit to the total net profit of the Group.

If the combination had taken place at the beginning of the year, the net profit for the Group would have been EUR 926 163 higher.

	2020 EUR
Analysis of cash flows on acquisition:	
Purchase consideration	[6 000 000]
Net cash acquired with the subsidiary	578 575
Net cash flow on acquisition	[5 421 425]

19. Business combinations and acquisition of non-controlling interest [continued]**Acquisition of Next Fin LLC (Ukraine)**

On 1 July 2020, the Group acquired 100% of control over the shares of Next Fin LLC, non-listed company based in Ukraine and specialising in financial services, in exchange for a cash consideration. The Group acquired the company with the prospect to selectively test several consumer lending products in the market by using already available lending infrastructure and resources.

The Group measures the interests in the acquiree at fair value.

Next Fin LLC

	Fair value recognized on acquisition
	EUR
Assets	
Intangible assets	14 496
Loans and advances to customers	90 861
Other receivables	102 019
Cash and cash equivalents	244 873
Total assets	452 249
Liabilities	
Advances received	2 115
Trade payables	4 822
Taxes payable	[2 719]
Other liabilities	1 051
Total liabilities	5 269
Total identifiable net assets at fair value	446 980
Purchase consideration transferred	401 000
Goodwill arising on acquisition	[45 980]

During the peak of the first wave of Covid-19 several opportunities occurred for the Group to acquire other companies for more attractive prices than in usual pre Covid-19 market conditions. Next Fin LLC was one of such companies where acquisition resulted in negative goodwill.

The fair value of the 'loans and advances to customers' amounts to EUR 0.1 million. The gross amount of advances and loans to customers is EUR 0.8 million.

From the date of acquisition, Next Fin LLC contributed EUR 29 046 of interest income and EUR 48 486 net loss to the total net profit of the Group.

If the combination had taken place at the beginning of the year, the net profit for the Group would have been EUR 718 263 lower.

	2020 EUR
Analysis of cash flows on acquisition:	
Purchase consideration	[401 000]
Net cash acquired with the subsidiary	244 873
Net cash flow on acquisition	[156 127]

Due to the contractual terms imposed on acquisition, the customer list of the acquired company is not separable. Therefore, it does not meet the criteria for recognition as an intangible asset under IAS 38.

19. Business combinations and acquisition of non-controlling interest [continued]**Acquisition of Hima UCO LLC (Armenia)**

On 1 August 2020, the Group acquired 100% of control over the shares of Hima UCO LLC, a non-listed company based in Armenia and specialising in financial services, in exchange for the cash consideration. The Group acquired Hima UCO LLC because it enlarges the range of products in its core business of geographies providing financing services.

The Group measures the interests in the acquiree at fair value.

	Fair value recognized on acquisition
Assets	EUR
Intangible assets	3 398
Property, plant and equipment	43 865
Leasehold improvements	510
Prepaid expense	6 877
Other receivables	24 561
Cash and cash equivalents	467 672
Total assets	546 883
Liabilities	
Borrowings	35 846
Trade payables	8 120
Taxes payable	2 480
Accrued liabilities	1 327
Total liabilities	47 773
Total identifiable net assets at fair value	499 110
Purchase consideration transferred	570 000
Goodwill arising on acquisition	70 890

The goodwill of EUR 70 890 comprises the value of expected synergies arising from the acquisition and a customer list, which is not separately recognized.

Due to the contractual terms imposed on acquisition, the customer list is not separable. Therefore, it does not meet the criteria for recognition as an intangible asset under IAS 38.

The fair value of the 'loans and advances to customers' amounts to EUR 0 million. The gross amount of advances and loans to customers is EUR 0 million.

From the date of acquisition, Hima UCO LLC contributed EUR 10 679 of interest income and EUR 168 737 net loss to the total net profit of the Group.

If the combination had taken place at the beginning of the year, the net loss for the Group would have been EUR 42 638 higher.

	2020 EUR
Analysis of cash flows on acquisition:	
Purchase consideration	[570 000]
Net cash acquired with the subsidiary	467 672
Net cash flow on acquisition	[102 328]

19. Business combinations and acquisition of non-controlling interest [continued]***Acquisition of For sale five Sp. z o.o. [Poland]***

On 13 July 2020, the Group acquired 100% of control over the shares of For sale five Sp. z o.o., a non-listed company based in Poland with the anticipation of setting up back office business operations in Poland, which did not materialize.

	2020
	EUR
<i>Analysis of cash flows on acquisition:</i>	
Purchase consideration	(1 341)
Net cash acquired with the subsidiary	-
Net cash flow on acquisition	(1 341)

Acquisition of Insta Finance LLC [Ukraine]

On 15 July 2020, the Group acquired 100% of control over the shares of Insta Finance LLC [Ukraine], a non-listed company based in Ukraine with the anticipation of enlarging the range of products in its core business of geographies providing financing services.

	2020
	EUR
<i>Analysis of cash flows on acquisition:</i>	
Purchase consideration	(114 753)
Net cash acquired with the subsidiary	101 278
Net cash flow on acquisition	(13 475)

On 16 January 2020, the Group acquired an additional 2% interest in the shares of Mogo LLC [Georgia], increasing its ownership interest to 100%. As part of the purchase agreement with the previous non-controlling interest holder of Mogo LLC, a payment consideration has been agreed. Cash payments to the previous non-controlling interest holder were made upon signing the transaction. Also a contingent consideration as part of the purchase price has been agreed.

On 16 September 2020, the Group acquired an additional 2% interest in the shares of Mogo Kenya Ltd [Kenya], increasing its ownership interest to 100%. As part of the purchase agreement with the previous non-controlling interest holder of Mogo Kenya Ltd, a payment consideration has been agreed. Cash payments to the previous non-controlling interest holder were made upon signing the transaction. No contingent consideration as part of the purchase price has been included.

	2020
	EUR
Carrying amount of non-controlling interest acquired	170 855
Consideration paid to non-controlling interest	(213 144)
A decrease in equity attributable to owners of the Group	(42 289)

20. Discontinued operations

As of end of 2020 the Group is in an active negotiation process of selling its business operations in Bulgaria in order to fully exit from Bulgaria as a geographical market. Due to this reason, the Group has decided to classify the entity in Bulgaria as a discontinued operation and present its results separately.

The entity being in the process of selling is Mogo Bulgaria EOOD.

The business operations in Bulgaria were not previously classified as held-for-sale or as a discontinued operation. The comparative consolidated statement of profit or loss and OCI has been restated to show the discontinued operation separately from continuing operations.

To achieve this presentation, management has eliminated from the results of the discontinued operation the inter-segment sales (and costs thereof, less unrealised profits) made before its disposal. Because purchases from the discontinued operation will continue after the disposal, inter-segment purchases made by the continuing operations before the disposal are retained in continuing operations.

In December 2019, the Group sold its entire car retail segment. Management committed to a plan to sell this segment early in 2019, following a strategic decision to place greater focus on the Group's key competencies – the car leasing products. The assessed date of loss of control is 31 December 2019 since the transaction took place on last week of December. Below disclosed comparative figures also include this disposal group.

When estimating the results of discontinued operation, management has eliminated, where appropriate, the inter-segment sales (and costs thereof, less unrealised profits) made before its disposal. Because purchases from the discontinued operation will continue after the disposal, inter-segment purchases made by the continuing operations before the disposal are retained in continuing operations.

20. Discontinued operations (continued)

	2020	2019
	EUR	EUR
Results of discontinued operation		
Interest income	3 233 274	4 523 034
Revenue from car sales	-	13 125 987
Other debt collection income/(expense)	90 462	[4 388]
Elimination of inter-segment revenue	-	[2 094 154]
External revenue	3 323 736	15 550 479
Expenses	[2 550 694]	[20 178 952]
Elimination of expenses related to inter-segment sales	-	3 261 734
External expenses	[2 550 694]	[16 917 218]
Results from operating activities	773 042	[1 366 739]
Income tax	12 053	[13 418]
Results from operating activities, net of tax	785 095	[1 380 157]
Gain on sale of discontinued operation/[loss on measurement to fair value less costs to sell of the disposal group	[298 932]	3 527 510
Profit [loss] from discontinued operations, net of tax	486 163	2 147 353

The profit from the discontinued operation of 486 163 EUR [2019: profit of 2 147 353 EUR] is attributable entirely to the owners of the Group.

	2020	2019
	EUR	EUR
Cash flows from discontinued operation		
Net cash used in operating activities	3 437 685	[7 951 594]
Net cash from investing activities	[125 926]	[4 011 722]
Net cash from financing activities	[3 699 107]	13 440 251
Net cash flows for the year	[387 348]	1 476 935

	2020	2019
	EUR	EUR
Effect of disposal on the financial position of the Group		
Intangible assets	[5 149]	[215 731]
Tangible assets	[218 326]	[2 657 522]
Deferred tax	[114 012]	[277 457]
Loans and advances to customers	[722 758]	-
Finance Lease Receivables	(6 370 355)	-
Other receivables	[62 816]	[5 330 200]
Inventories	-	[6 046 050]
Other liabilities	206 492	10 093 049
Net assets and liabilities	[7 286 924]	[4 433 912]
Consideration received	-	-
Cash and cash equivalents disposed of	[317 276]	[2 160 604]
Net cash outflows	[317 276]	[2 160 604]

21. Intangible assets

	Goodwill	Internally generated intangible assets	Trademarks	Other intangible assets	Other intangible assets	TOTAL
	EUR	EUR	EUR	EUR	EUR	EUR
Cost	1 658 773	2 970 078	-	187 572	187 572	4 816 423
Accumulated amortization	-	[1 054 985]	-	[111 610]	[111 610]	[1 166 595]
As at 1 January 2019	1 658 773	1 915 093	-	75 962	75 962	3 649 828
2019						
Additions	-	2 624 582	-	199 257	199 257	2 823 839
Acquisition of a subsidiary through business combination	2 432 956	-	-	-	-	2 432 956
Disposals [cost]	-	[509 890]	-	[75 924]	[75 924]	[585 814]
Exchange difference, net	-	[33 458]	-	[725]	[725]	[34 183]
Amortization charge	-	[469 206]	-	[55 359]	[55 359]	[524 565]
Disposals [amortization]	-	47 413	-	36 519	36 519	83 932
Exchange difference, net	-	1 472	-	473	473	1 945
Cost	4 091 729	5 051 312	-	310 180	310 180	9 453 221
Accumulated amortization	-	[1 475 306]	-	[129 977]	[129 977]	[1 605 283]
As at 31 December 2019	4 091 729	3 576 006	-	180 203	180 203	7 847 938
2020						
Additions	-	2 439 478	-	183 340	183 340	2 622 818
Acquisition of a subsidiary through business combination	3 071 166	1 674 085	2 151 085	112 707	2 263 792	7 009 043
Reclassified to assets held for sale [cost]	-	[6 660]	-	[585]	[585]	[7 245]
Disposals and reclass to disposal groups held for sale [cost]	[559 588]	[317 978]	-	[257 458]	[257 458]	[1 135 024]
Exchange difference, net	-	[186 162]	-	[21 646]	[21 646]	[207 808]
Amortization charge	-	[714 921]	-	[12 763]	[12 763]	[727 684]
Disposals and reclass to disposal groups held for sale [amortization]	-	169 897	-	98 091	98 091	267 988
Reclassified to assets held for sale [amortization]	-	964	-	29	29	993
Acquisition of a subsidiary through business combination [amortization]	-	[865 361]	-	[102 533]	[102 533]	[967 894]
Exchange difference, net	-	99 265	-	8 028	8 028	107 293
Cost	6 603 307	8 654 075	2 151 085	326 538	2 477 623	17 735 005
Accumulated amortization	-	[2 785 462]	-	[139 125]	[139 125]	[2 924 587]
As at 31 December 2020	6 603 307	5 868 613	2 151 085	187 413	2 338 498	14 810 418

Carrying amount of ERP systems at reporting year end was EUR 4 445 321. Expected amortization period is 7 years with year 2025 end date.

Carrying amount has significantly increased as the Group continued to make investments in further development of the systems.

Amortization costs are included in the caption "Administrative expense".

	31.12.2020.	31.12.2019.
Name	EUR	EUR
TIGO Finance DOOEL Skopje [North Macedonia]	3 000 276	-
Mogo Leasing d.o.o. Sarajevo [Bosnia and Herzegovina]	1 873 368	1 873 368
UAB mogo [Lithuania]	646 063	646 063
OU mogo [Estonia]	451 894	451 894
AS mogo [Latvia]	298 738	298 738
Mogo UCO [Armenia]	182 028	182 028
Hima UCO LLC [Armenia]	70 890	-
Mogo LLC [Georgia]	80 050	80 050
Mogo DOOEL [North Macedonia]	-	559 588
	6 603 307	4 091 729

	31.12.2020.	31.12.2019.
Name	EUR	EUR
OCN Sebo Credit SRL [Moldova]	1 187 362	-
Kredo Finance SHPK [Albania]	568 876	-
TIGO Finance DOOEL Skopje [North Macedonia]	394 847	-
	2 151 085	-

Each cash generating unit represents a subsidiary of the Group.

21. Intangible assets (continued)***Goodwill and trademarks Impairment test***

As at 31 December 2020, goodwill and trademarks were tested for impairment. The impairment test was performed for each cash generating unit separately.

The recoverable amounts for each unit were calculated based on their value in use, determined by discounting the future cash flows expected to be generated from the continuing activities of the units. No impairment losses were recognized because the recoverable amounts of these units including the goodwill allocated were determined to be higher than their carrying amounts. The calculations of value-in-use were based on free cash flow to equity approach to each unit respectively, discounted by estimated cost of equity. The value-in-use calculations are most sensitive to projected operating cash-flow, terminal growth rates used to extrapolate cash flows beyond the budget period, and discount rates. Projected operating cash-flow figures were based on detailed financial models.

Recoverable amount for the cash generating units are estimated to be:

Name	Amount
AS mogo [Latvia]	21.2 million EUR
UAB mogo [Lithuania]	35.7 million EUR
Mogo UCO [Armenia]	20.9 million EUR
OU mogo [Estonia]	24.2 million EUR
Mogo LLC [Georgia]	10.6 million EUR
Mogo Leasing d.o.o. Sarajevo [Bosnia and Herzegovina]	9.0 million EUR
TIGO Finance DOOEL Skopje [North Macedonia]	25.4 million EUR
Hima UCO LLC [Armenia]	15.0 million EUR
OCN Sebo Credit SRL [Moldova]	49.2 million EUR
Kredo Finance SHPK [Albania]	30.6 million EUR

2020 actual figures were used as a starting point in these models, and took into account management's expectations of the future performance of each unit.

Three years of cash flows were included in the discounted cash flow model. A long-term terminal growth rate into perpetuity was determined to be 1%. The rate was estimated by management based on historical trends observed in existing markets, and expected Group and industry developments.

Discount rates reflect the current market assessment of the risk specific to each unit.

Discount rates applied are:

Name	Amount
AS mogo [Latvia]	13.9%
UAB mogo [Lithuania]	13.9%
Mogo UCO [Armenia]	14.9%
OU mogo [Estonia]	13.7%
Mogo LLC [Georgia]	17.7%
Mogo Leasing d.o.o. Sarajevo [Bosnia and Herzegovina]	20.4%
TIGO Finance DOOEL Skopje [North Macedonia]	55.0%
Hima UCO LLC [Armenia]	45.0%
OCN Sebo Credit SRL [Moldova]	35.0%
Kredo Finance SHPK [Albania]	40.0%

Sensitivity analysis was performed below to assess changes to key assumptions that could influence whether the carrying value of the units exceeded their recoverable amounts. The results of this analysis indicate that for all units, the recoverable amount would not be below the carrying amount including goodwill [i.e. goodwill would not become impaired], if terminal growth rates decreased by 0.5% and discount rates increased by 5%.

Interest and similar income:

Name	CAGR
AS mogo [Latvia]	3%
UAB mogo [Lithuania]	0%
Mogo UCO [Armenia]	5%
OU mogo [Estonia]	2%
Mogo LLC [Georgia]	5%
Mogo Leasing d.o.o. Sarajevo [Bosnia and Herzegovina]	68%
TIGO Finance DOOEL Skopje [North Macedonia]	44%
Hima UCO LLC [Armenia]	4887%
Kredo Finance SHPK [Albania]	22%
OCN Sebo Credit SRL [Moldova]	13%

21. Intangible assets (continued)

The recoverable amounts exceed the carrying amounts for:

Name	Amount
AS mogo [Latvia]	14.6 million EUR
UAB mogo [Lithuania]	25.3 million EUR
Mogo UCO [Armenia]	19.1 million EUR
OU mogo [Estonia]	16.9 million EUR
Mogo LLC [Georgia]	7.8 million EUR
Mogo Leasing d.o.o. Sarajevo [Bosnia and Herzegovina]	6.6 million EUR
TIGO Finance DOOEL Skopje [North Macedonia]	18.6 million EUR
Hima UCO LLC [Armenia]	8.6 million EUR
Kredo Finance SHPK [Albania]	23.5 million EUR
OCN Sebo Credit SRL [Moldova]	42.3 million EUR

The following table shows currently applied terminal growth and discount rates and their adjusted values which would result in carrying value to be equal to recoverable value:

Name	Currently applied values		Adjusted values	
	Terminal growth rate	Discount rate	Terminal growth rate	Discount rate
AS mogo [Latvia]	1.0%	13.9%	0.0%	616.4%
UAB mogo [Lithuania]	1.0%	13.9%	0.0%	747.3%
Mogo UCO [Armenia]	1.0%	14.9%	0.0%	546.4%
OU mogo [Estonia]	1.0%	13.7%	0.0%	597.5%
Mogo LLC [Georgia]	1.0%	17.7%	0.0%	1533.0%
Mogo Leasing d.o.o. Sarajevo [Bosnia and Herzegovina]	1.0%	20.4%	0.0%	60.8%
TIGO Finance DOOEL Skopje [North Macedonia]	1.0%	55.0%	0.0%	293.6%
Hima UCO LLC [Armenia]	1.0%	45.0%	0.0%	635.9%
Kredo Finance SHPK [Albania]	1.0%	35.0%	0.0%	1137.8%
OCN Sebo Credit SRL [Moldova]	1.0%	40.0%	0.0%	1135.2%

Further sensitivity analysis of OGU revenue growth has been considered below in the table summarizing recoverable amounts and sensitivity of reducing operating cash flows of the cash generating units.

Name	Amount	Amount with applying sensitivity
AS mogo [Latvia]*	21.2 million EUR	21.0 million EUR
UAB mogo [Lithuania]*	35.7 million EUR	35.1 million EUR
Mogo UCO [Armenia]*	20.9 million EUR	20.5 million EUR
OU mogo [Estonia]*	24.2 million EUR	24.0 million EUR
Mogo LLC [Georgia]*	10.6 million EUR	10.4 million EUR
Mogo Leasing d.o.o. Sarajevo [Bosnia and Herzegovina]**	9.0 million EUR	7.4 million EUR
TIGO Finance DOOEL Skopje [North Macedonia]**	25.4 million EUR	22.7 million EUR
Hima UCO LLC [Armenia]**	15.0 million EUR	13.3 million EUR
OCN Sebo Credit SRL [Moldova]**	49.2 million EUR	43.6 million EUR
Kredo Finance SHPK [Albania]**	30.6 million EUR	27.1 million EUR

* - Sensitivity check of impairment test result performed by reducing operating cash flows for mature cash generating units by 1%

** - Sensitivity check of impairment test result performed by reducing operating cash flows for emerging cash generating units by 10%

22. Property, plant and equipment and Right-of-use assets

	Right-of-use premises	Right-of-use motor vehicles	<i>SUBTOTAL</i> <i>Right-of-use</i> <i>assets</i>	Rental fleet	Other property, plant and equipment	TOTAL
	EUR	EUR	EUR	EUR	EUR	EUR
Cost	3 293 055	112 303	3 405 358	1 437 196	2 336 577	7 179 131
Accumulated depreciation	(987 527)	(38 835)	(1 026 362)	(6 706)	(868 882)	(1 901 950)
As at 1 January 2019	2 305 528	73 468	2 378 996	1 430 490	1 467 695	5 277 181
2019						
Additions	9 082 712	197 220	9 279 932	16 514 984	2 632 766	28 427 682
Acquisition of a subsidiary	20 568	66 346	86 914	-	97 583	184 497
Disposals (cost)	(3 033 147)	(75 695)	(3 108 842)	(2 910 746)	(1 717 051)	(7 736 639)
Exchange difference, net	(20 413)	1 170	(19 243)	-	(8 640)	(27 883)
Depreciation charge	(1 853 097)	(117 246)	(1 970 343)	(1 289 034)	(644 334)	(3 903 711)
Acquisition of a subsidiary (depreciation)	(10 222)	(39 346)	(49 568)	-	(21 759)	(71 327)
Disposals (depreciation)	1 237 056	51 141	1 288 197	174 709	163 995	1 626 901
Impairment	-	-	-	(428 355)	-	(428 355)
Exchange difference, net	8 713	(296)	8 417	-	9 050	17 467
Cost	9 342 775	301 344	9 644 119	15 041 434	3 341 235	28 026 788
Accumulated depreciation	(1 605 077)	(144 582)	(1 749 659)	(1 549 386)	(1 361 930)	(4 660 975)
As at 31 December 2019	7 737 698	156 762	7 894 460	13 492 048	1 979 305	23 365 813
2020						
Additions	6 431 632	92 583	6 524 215	9 045 289	1 296 289	16 865 793
Acquisition of a subsidiary	2 141 860	-	2 141 860	-	1 966 961	4 108 821
Reclassification	1 896	-	1 896	-	(1 896)	-
Disposals (cost)	(6 420 214)	(199 361)	(6 619 575)	(6 505 249)	(1 191 940)	(14 316 764)
Reclassified to assets held for sale (cost)	(521 172)	(23 440)	(544 612)	-	(217 155)	(761 767)
Exchange difference, net	(657 257)	(8 182)	(665 439)	-	(336 172)	(1 001 611)
Depreciation charge	(2 031 517)	(69 053)	(2 100 570)	(2 202 559)	(839 386)	(5 142 515)
Acquisition of a subsidiary (depreciation)	(532 434)	-	(532 434)	-	(957 303)	(1 489 737)
Disposals (depreciation)	809 405	126 873	936 278	815 784	585 281	2 337 343
Reclassified to assets held for sale (depreciation)	215 220	16 958	232 178	-	150 047	382 225
Impairment	-	-	-	(95 529)	-	(95 529)
Exchange difference, net	228 947	2 913	231 860	-	149 948	381 808
Cost	10 319 520	162 944	10 482 464	17 581 474	4 857 322	32 921 260
Accumulated depreciation	(2 915 456)	(66 891)	(2 982 347)	(3 031 690)	(2 273 343)	(8 287 380)
As at 31 December 2020	7 404 064	96 053	7 500 117	14 549 784	2 583 979	24 633 880

Operating leases maturity analysis

	Carrying value	Contractual cash flows				Total
		Up to 1 year	1-5 years	More than 5 years		
	EUR	EUR	EUR	EUR	EUR	
Rental fleet	14 549 784	7 876 817	20 635 887	1 169 367	29 682 071	

Estimation of the residual value of rental fleet

As at 31 December 2020, non-financial assets of rental fleet were tested for impairment. An impairment indication existed as Renti AS has not been profitable during its first 2 years of its operations.

Out of total rental fleet with the carrying value of EUR 14 549 784, an impairment was identified for the total rental fleet with a carrying amount of EUR 3 261 316. For those cars the recoverable amount is estimated to EUR 2 737 433. The recoverable amount was estimated based on the value in use method discounting the cash-flow using a WACC of 13.91%. The cash-flow was projected based on rental agreements probabilities of default and early repayments. As a result, an impairment loss was recognised in amount of EUR 95 529. For the remaining rental fleet with the carrying amount of EUR 11 812 350, the recoverable amount was estimated as EUR 14 365 337.

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, the recoverable amount of impaired assets would equal to EUR 2 997 029 and additional impairment of EUR 34 711 would need to be recognised.

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

23. Right-of-use assets and lease liabilities

Right-of-use assets and lease liabilities are shown as follows in the statement of financial position and statement of profit and loss:

	31.12.2020.	31.12.2019.
	EUR	EUR
ASSETS		
Non-current assets		
Right-of-use assets - premises	7 404 064	7 737 698
Right-of-use assets - motor vehicles	96 053	156 762
TOTAL:	7 500 117	7 894 460
EQUITY AND LIABILITIES		
Non-current liabilities		
Lease liabilities	5 725 015	6 598 582
Current liabilities		
Lease liabilities	2 070 296	1 346 961
TOTAL:	7 795 311	7 945 543

The amount of right-of-use assets has slightly decreased in 2020 due to the Group's decision to reduce economic activities in some markets and closing of several branches.

	2020
	EUR
Leases in the statement of profit and loss	
<i>Revenue from leases</i>	
Operating lease income	6 247 484
Total cash inflow from leases	6 247 484
<i>Administrative expense</i>	
Expense relating to leases of low-value assets and short-term leases	[244 419]
Depreciation	[1 815 525]
<i>Net finance costs</i>	
Interest expense on lease liabilities	[302 646]
Total cash outflow from lease liabilities	
Principal payments for finance lease liabilities	[4 021 432]
Interest payments for lease liabilities	[302 646]
Total cash outflow from leases	[4 324 078]

In 2020 the Group incurred expenses for lease agreements which did not qualify for recognition of Right-of-use assets in a total amount of EUR 244 419.

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

24. Finance Lease Receivables

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

	2020				2019
	Stage 1	Stage 2	Stage 3	TOTAL	TOTAL
	EUR	EUR	EUR	EUR	EUR
<i>Finance lease receivables</i>					
Not past due	71 283 762	2 923 527	303 891	74 511 180	80 183 209
Days past due up to 30 days	10 523 541	5 927 587	189 981	16 641 109	18 591 719
Days past due up to 60 days	48 557	602 426	2 498 139	3 149 122	3 088 561
Days past due over 60 days	224 984	-	18 813 236	19 038 220	16 627 315
TOTAL, GROSS:	82 080 844	9 453 540	21 805 247	113 339 631	118 490 804

24. Finance Lease Receivables (continued)

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

<i>Finance lease receivables</i>	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2020	89 862 351	9 089 146	19 539 307	118 490 804
Transfer to Stage 1*	2 565 982	[2 175 353]	[390 629]	-
Transfer to Stage 2*	[7 037 893]	7 369 064	[331 171]	-
Transfer to Stage 3*	[8 816 647]	[2 780 111]	11 596 758	-
New financial assets acquired	46 317 044	2 804 839	4 487 544	53 609 427
Receivables settled	[16 458 060]	[997 834]	[2 886 647]	[20 342 541]
Receivables partly settled	[9 915 972]	[1 909 994]	[4 791 352]	[16 617 318]
Receivables written off	[3 582 134]	[487 524]	[682 836]	[4 752 494]
Reclassified to assets held for sale	[455 471]	[122 112]	[277 747]	[855 330]
Foreign exchange movements	[10 398 356]	[1 336 581]	[4 457 980]	[16 192 917]
Balance at 31 December 2020	82 080 844	9 453 540	21 805 247	113 339 631

During the pandemic year 2020 the Group has put big emphasis on debt collection activities, forbearance tools and recovery of delayed assets. As a result of the covid outbreak in the first half of 2020 the Group increased provisioning rates in all segments. The biggest impact came from increased LGD as movement restrictions limited functionality of car lots and debt sales markets decreased their activity. The second half of the year showed that markets react more reasonably, despite the fact that the number of covid affected people was much higher. This was due to ability of governments to handle covid in a better way and ensure a better business continuity. As a result, the Group observed bounce a back of the impairment rates, however, the Group decided to maintain a more conservative approach and kept higher rates in countries where covid uncertainty is bigger. As a result of all movements, coverage for stage 1 at the end of period increased to 3.8% [2.11% at the beginning of the year]. The Group preserved a more conservative provisioning for stage 2 and stage 3 and provisioning rates remained similar to the previous year.

<i>Impairment allowance</i>	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2020	1 858 338	1 092 565	12 149 957	15 100 860
Transfer to Stage 1*	394 572	[249 627]	[144 945]	-
Transfer to Stage 2*	[183 911]	292 048	[108 137]	-
Transfer to Stage 3*	[266 371]	[393 402]	659 773	-
Impairment for new financial assets acquired	1 512 561	443 199	1 604 768	3 560 528
Reversed impairment for partly settled receivables	[937 898]	[410 430]	[1 387 093]	[2 735 421]
Reversed impairment for written off receivables	[27 497]	[18 781]	[635 142]	[681 420]
Net remeasurement of loss allowance	[2 935]	479 627	5 451 732	5 928 424
Reclassified to assets held for sale	[67 060]	[83 201]	[1 757 138]	[1 907 399]
Foreign exchange movements	[181 662]	[57 246]	[1 210 555]	[1 449 463]
Balance at 31 December 2020	2 098 137	1 094 752	14 623 220	17 816 109
Net change in impairment	239 799	2 187	2 473 263	2 715 249
- excluding reclassification to assets held for sale	306 859	85 388	4 230 401	4 622 648

* - Amounts presented as changes in finance lease receivables and impairment allowance due to transfer among stages include only movement of opening balances as at 1 January. Information about transfers among stages does not include new financial assets acquired and impairment calculated during the year.

On the 1 January 2017 the subsidiary in Lithuania 'Mogo LT UAB' entered into a Credit Default Swap (CDS) agreement with another subsidiary in Estonia 'Risk Management Services OU'. On the basis of CDS all leasing and loan agreements issued by the Lithuanian subsidiary are secured by the CDS and are transferred to 'Risk Management Services OU' if the client of leasing or loan agreement is late in paying the debt for more than 125 days. Due to this reason, in 2017 impairment was reversed and no impairment is calculated onwards for Lithuanian subsidiary. Due to the disposal of 'Risk Management Services OU' from the Group in 2020 the part of impairment attributable to receivables of Lithuanian entities is excluded from the Groups assets. Due to the signed Credit Default Swap agreement with Risk Management Services OU the loan agreements are insured and in case of customer insolvency and Mogo LT UAB receives a payment from Risk Management Services OU.

The total estimated amount of impairment excluded from finance lease receivables as at 31 December 2020 as a result of CDS was 711 901 EUR.

The Group performed a sensitivity analysis on LGD rates changes [simplified scenarios of 3% and 5% increase were tested] which indicated that finance lease receivable impairment loss would increase respectively by EUR 1 385 561 and by EUR 2 309 268 across the Group. It is worth to mention that during the covid pandemic in 2020 the Group increased LGD across almost all countries compared to the previous year, thus stress test results are higher than in the last year.

	Minimum lease payments	Net investment in the lease	Minimum lease payments	Net investment in the lease
	EUR	EUR	EUR	EUR
			[reclassified]	[reclassified]
<i>Finance lease receivables</i>	31.12.2020.	31.12.2020.	31.12.2019.	31.12.2019.
Up to one year	85 957 069	49 269 876	82 625 214	45 079 810
Years 2 through 5 combined	108 267 824	60 545 676	134 429 235	68 041 581
More than 5 years	4 469 550	3 524 079	7 323 583	5 369 413
TOTAL, GROSS:	198 694 443	113 339 631	224 378 032	118 490 804

24. Finance Lease Receivables (continued)

	31.12.2020.		31.12.2019.	
	EUR		EUR	
Unearned finance income				[reclassified]
Up to one year		36 687 193		37 545 404
Years 2 through 5 combined		47 722 148		66 387 654
More than 5 years		945 471		1 954 170
		TOTAL, GROSS:	85 354 813	105 887 228
	Non-Current	Current	Non-Current	Current
	31.12.2020.	31.12.2020.	31.12.2019.	31.12.2019.
	EUR	EUR	EUR	EUR
Finance lease receivables, net			[reclassified]	[reclassified]
Finance lease receivables	64 069 755	44 804 312	75 712 201	38 380 814
Accrued interest and handling fee	-	4 465 564	-	4 397 789
Fees paid and received upon lease disbursement	[626 686]	[438 244]	[603 505]	[325 674]
Impairment allowance	[3 009 840]	[14 806 269]	[6 483 603]	[8 617 257]
	60 433 229	34 025 363	68 625 093	33 835 672

Transactions with peer-to-peer platforms

From the year 2016 onwards the Group started placing lease agreement receivables on the peer-to-peer lending platform. Agreements were offered with buy back guarantee, which means that all risks of such agreements remain with the Group and in case of a client default the Group has the obligation to repay the whole remaining principal and accrued interest to P2P investor. By using the same platform the Group also offered 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 are therefore considered as financial assets eligible for derecognition from the Group's statement of financial position.

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

	31.12.2020.		31.12.2019.	
	EUR		EUR	
Non-current				
Finance lease receivable		351 784		59 539
Associated liabilities		[351 784]		[59 539]
		NET POSITION:		-
Current				
Finance lease receivable		270 523		34 596
Associated liabilities		[270 523]		[34 596]
		NET POSITION:		-
Total gross portfolio derecognized from Group's financial assets		622 307		94 135
Total associated liabilities		[622 307]		[94 135]
		TOTAL NET POSITION:		-

Information about liabilities for attracted funding through P2P platform where derecognition of portfolio was not applicable are disclosed in Note 39.

25. Loans and advances to customers

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

	2020				2019
	Stage 1	Stage 2	Stage 3	TOTAL	TOTAL
	[reclassified]				
	EUR	EUR	EUR	EUR	EUR
Loans and advances to customers					
Not past due	76 904 687	3 000 120	772 352	80 677 159	65 400 512
Days past due up to 30 days	9 241 613	5 034 413	132 872	14 408 898	11 839 117
Days past due up to 60 days	4 089	3 999 183	1 095 950	5 099 222	2 057 946
Days past due over 60 days	19 780	-	32 057 757	32 077 537	14 740 111
	TOTAL, GROSS:	86 170 169	12 033 716	34 058 931	132 262 816
				132 262 816	94 037 686

25. Loans and advances to customers [continued]

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:

<i>Loans and advances to customers</i>	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2020	71 489 969	6 109 711	16 438 006	94 037 686
Transfer to Stage 1	1 882 279	(1 593 396)	(288 883)	-
Transfer to Stage 2	(9 405 050)	9 572 938	(167 888)	-
Transfer to Stage 3	(8 454 629)	(7 209 741)	15 664 370	-
New financial assets acquired	72 925 163	3 947 070	3 594 808	80 467 041
New financial assets acquired through acquisition of subsidiaries	27 130 861	6 101 342	12 284 562	45 516 765
Receivables settled	(42 559 450)	(1 558 589)	(1 681 312)	(45 799 351)
Receivables written off	(5 686 995)	(611 081)	(6 900 081)	(13 198 157)
Receivables partially settled	(16 789 675)	(1 423 844)	(2 172 307)	(20 385 826)
Reclassified to assets held for sale	(707 229)	(358 639)	(633 509)	(1 699 377)
Foreign exchange movements	(3 655 075)	(942 055)	(2 078 835)	(6 675 965)
Balance at 31 December 2020	86 170 169	12 033 716	34 058 931	132 262 816

<i>Impairment allowance</i>	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2020	1 938 964	1 240 757	11 601 817	14 781 538
Transfer to Stage 1	416 988	(328 886)	(88 102)	-
Transfer to Stage 2	(2 438 802)	2 509 322	(70 520)	-
Transfer to Stage 3	(1 261 736)	(4 426 798)	5 688 534	-
Impairment for new financial assets acquired	7 594 489	1 682 274	2 093 946	11 370 709
Increase in impairment due to acquisition of subsidiaries	4 575 517	4 000 908	10 091 615	18 668 040
Reversed impairment for settled receivables	(3 642 845)	(789 615)	(5 056)	(4 437 516)
Reversed impairment for written off receivables	(256 224)	(171 062)	(6 479 184)	(6 906 470)
Net remeasurement of loss allowance	(113 911)	1 936 060	5 968 987	7 791 136
Reclassified to assets held for sale	(9 928)	(23 110)	(281 990)	(315 028)
Foreign exchange movements	(363 295)	(426 564)	(2 339 668)	(3 129 527)
Balance at 31 December 2020	6 439 217	5 203 286	26 180 379	37 822 882
Net change in impairment less impairment acquired through acquisition of subsidiaries	(75 264)	(38 379)	4 486 947	4 373 304
- excluding reclassification to assets held for sale	(65 336)	(15 269)	4 768 937	4 688 332

* - Amounts presented as changes in loans and advances to customers and impairment allowance due to transfer among stages include only movement of opening balances as at 1 January. Information about transfers among stages does not include new financial assets acquired and impairment calculated during the year.

On the 1 January 2017 the subsidiary in Lithuania 'Mogo LT UAB' entered into a Credit Default Swap (CDS) agreement with another subsidiary in Estonia 'Risk Management Services OU'. On the basis of CDS all leasing and loan agreements issued by the Lithuanian subsidiary are secured by the CDS and are transferred to 'Risk Management Services OU' if the client of leasing or loan agreement is late in paying the debt for more than 125 days. Due to this reason, in 2017 impairment was reversed and no impairment is calculated onwards for Lithuanian subsidiary. Due to the disposal of 'Risk Management Services OU' from the Group in 2020 the part of impairment attributable to receivables of Lithuanian entities is excluded from the Groups assets. Due to the signed Credit Default Swap agreement with Risk Management Services OU the loan agreements are insured and in case of customer insolvency and Mogo LT UAB receives a payment from Risk Management Services OU.

The estimated total amount of impairment excluded from loans and advances to customers as at 31 December 2020 as a result of the CDS was 1 511 337 EUR.

The Group performed a sensitivity analysis on LGD rates changes [simplified scenarios of 3% and 5% increase were tested] which indicated that loans and advances to customers loss impairment would increase respectively by EUR 1 519 755 and by EUR 2 498 218 across the Group.

	Non-Current 31.12.2020. EUR	Current 31.12.2020. EUR	Non-Current 31.12.2019. EUR [reclassified]	Current 31.12.2019. EUR [reclassified]
<i>Loans and advances to customers, net</i>				
Loans and advances to customers	42 744 711	81 808 489	53 373 449	37 639 977
Accrued interest	-	7 709 616	-	3 024 260
Fees paid and received upon loan disbursement	(689 129)	(1 318 913)	(978 612)	(652 159)
Impairment allowance	(4 120 181)	(33 702 701)	(2 744 131)	(12 037 407)
TOTAL:	37 935 401	54 496 491	49 650 706	27 974 671

26. Loans to related parties

	<i>Interest rate per annum [%]</i>	<i>Maturity</i>	31.12.2020. EUR	31.12.2019. EUR
Non current				
Loans to related parties*	3-12,5%	2021-2023	7 289 265	14 780 754
Loans to related parties recognized at fair value**		2023	1 006 912	-
Loans to related parties resulting from sale of Longo Group***	3%	2021	-	5 227 596
Impairment allowance			[44 772]	[43 619]
TOTAL:			8 251 405	19 964 731

* - Loans that previously were issued to SIA DCE Invest, further have been novated to debtor 100x Treasury SIA in 2019. In 2020 both loans have been novated to AK Family Treasury SIA for a total amount of 5 007 224 EUR. The loan amount has increased from 4 555 439 EUR to 5 007 224 EUR due to quarterly interest capitalization.

** - On 28 December 2020, a loan agreement between Mogo Finance S.A. and Mogo Sh.p.k. was amended. The new terms include option arrangement. Therefore, the loan between Mogo Finance S.A. and Mogo Sh.p.k. is recognised at fair value through profit and loss, which is determined according to the best estimate of the management of the Group. The fair value is determined based on the assigned probabilities of the loan repayment schedules and discounted using market refinancing rates adjusted for the country and credit risk. A discount rate of 6% was used to calculate FV of this receivable.

*** - During 2020 loans to related parties resulting from Share sale of Longo Group have been paid in full.

	31.12.2020. EUR	31.12.2019. EUR
Current		
Loans to related parties recognized at fair value	460 908	-
Loans to related parties*	7 116 200	2 058 262
Accrued interest	-	50 503
TOTAL:		2 108 765

* - During 2020 loans resulting from the sale of Longo Group and its subsidiaries have been decreased by 1 440 336 EUR at the year end leaving the total principal amount unpaid of 7 116 200 EUR. The receivable had the original repayment schedule with repayment deadline in 2020. During bondholder meeting in 2020 the plan to postpone the repayment date was approved. Therefore the Group considers the receivable to be Stage 2.

An analysis of Loans to related parties staging and the corresponding ECL allowances at the year end are as follows:

	Stage 1	Stage 2	Stage 3	Total
31.12.2020.				
Loans to related parties*	8 757 085	-	-	8 757 085
Loans to related parties*	-	7 116 200	-	7 116 200
Accrued interest	-	-	-	-
Total	8 757 085	7 116 200	-	15 873 285
Total ECL calculated	-	[44 772]	-	[44 772]
31.12.2019.				
Loans to related parties*	22 066 612	-	-	22 066 612
Accrued interest	50 503	-	-	50 503
Total	22 117 115	-	-	22 117 115
Total ECL calculated	[43 619]	-	-	[43 619]

ECL was assessed for these receivables and concluded insignificant because in case of the borrower default the Group has the right to not to settle certain borrowings from another related party lender linked to the borrower.

27. Equity-accounted investees

	31.12.2020.	31.12.2019.
	EUR	EUR
Investments in associates	91 585	252 630
TOTAL:	91 585	252 630

In September 2019 the Group sold 51% of its previously wholly owned investment in its subsidiary Primero Finance AS. As a result the Group lost the control over the subsidiary and recognises investment in statement of financial position as equity-accounted investees.

Further information on entities performance disclosed below:

Name of the company	31.12.2020.			
	Share capital	Total Equity	Interest in	Net value
	EUR	EUR	affiliate equity	according to
			%	equity method
				EUR
Primero Finance AS [Latvia]	425 000	561 619	49	91 585

Name of the company	31.12.2019.			
	Share capital	Total Equity	Interest in	Net value
	EUR	EUR	affiliate equity	according to
			%	equity method
				EUR
Primero Finance AS [Latvia]	425 000	534 035	49	252 630

Changes In Investments In associates	2020	2019
Balance as at 1 January	252 630	-
Increase in investments in associates due to loss of control over subsidiary	-	208 250
Elimination of unrealised gain	[174 561]	-
Income/[loss] from associates accounted under equity method	13 516	44 380
Balance as at 31 December	91 585	252 630

Statement of profit and loss of affiliate [audited]

	2020
	EUR
Interest revenue	1 603 981
Interest expense	[464 516]
Net Interest Income	1 139 465
Fee and commission income	
Impairment expense	
Net loss from de-recognition of financial assets measured at amortized cost	
Selling expense	[125 922]
Administrative expense	[663 252]
Other operating income	90 128
Other operating expense	[409 686]
Profit before tax	30 733
Corporate income tax	[3 149]
Net profit	27 584

27. Equity-accounted investees (continued)

Statement of financial position at year end of affiliate

	31.12.2020.
	EUR
ASSETS	
Other intangible assets	55 146
Right-of-use assets	16 705
Property, plant and equipment	2 095
Investment in subsidiary	2 500
Loans and advances to customers	5 451 040
Finance lease receivables	1 729 464
TOTAL NON-CURRENT ASSETS	7 256 950
Loans and advances to customers	2 320 800
Finance lease receivables	883 953
Prepaid expense	60 029
Trade receivables	315 566
Other receivables	3 212
Cash and cash equivalents	111 741
Assets held for sale	26 240
TOTAL CURRENT ASSETS	3 721 541
TOTAL ASSETS	10 978 491
EQUITY	
Share capital	425 000
Retained earnings/[losses]	136 619
brought forward	109 035
for the period	27 584
TOTAL EQUITY	561 619
LIABILITIES	
Non-current liabilities	
Borrowings	200 539
Total non-current liabilities	200 539
Current liabilities	
Borrowings	9 703 776
Trade and other payables	364 207
Taxes payable	29 566
Other liabilities	21 421
Accrued liabilities	97 363
Total current liabilities	10 216 333
TOTAL LIABILITIES	10 416 872
TOTAL EQUITY AND LIABILITIES	10 978 491

28. Other non-current financial assets

	31.12.2020.	31.12.2019.
	EUR	EUR
Purchase consideration paid for cancelled business combinations	-	831 556
Investments in government bonds	-	480 582
Impairment allowance	-	(6 180)
TOTAL:	-	1 305 958

During 2019 the Group had signed a share acquisition agreement for a company registered in Kosovo. As at 31 December 2019 of these consolidated financial statements, the Group had paid the purchase price of this entity while formal process of registering change of shareholders was not yet finished. In 2020 due to change in strategic priorities that was partially driven by the Covid-19 pandemic the Group decided not to proceed with this transaction. The share acquisition agreement was cancelled and 500 000 EUR of the purchase price has been repaid in early 2021. The remaining part is agreed to be repaid by end of 2021. Control over the entity was never obtained.

	31.12.2020.	31.12.2019.
	EUR	EUR
Purchase consideration paid for cancelled business combinations:		
Company in Kosovo	-	831 556
TOTAL:	-	831 556

28. Other non-current financial assets (continued)**Assessment of ECL of other non-current financial assets**

As at 31 December 2020, other non-current financial assets were tested for impairment.

A detailed specific assessment of ECL for the advance payment for purchase price paid for the Kosovo company has been performed and it is considered as a Stage 1 exposure. The acquisition has been cancelled and the advance payment is expected to be repaid in full during 2021. Given the above the PD is considered not significant for further assessment.

An analysis of Other non-current financial assets staging and the corresponding ECL allowances at the year end are as follows:

31.12.2020.	Stage 1	Stage 2	Stage 3	Total
Purchase consideration paid for cancelled business combinations	-	-	-	-
Total	-	-	-	-
Total ECL calculated	-	-	-	-
31.12.2019.	Stage 1	Stage 2	Stage 3	Total
Purchase consideration paid for cancelled business combinations	831 556	-	-	831 556
Investments in government bonds	480 582	-	-	480 582
Total	1 312 138	-	-	1 312 138
Total ECL calculated	[6 180]	-	-	[6 180]

29. Finished goods and goods for resale

	31.12.2020. EUR	31.12.2019. EUR
Advance payments to vehicle dealerships	1 282 707	-
Acquired vehicles for purpose of selling them to customers	170 863	619 235
Other inventory	146 773	8 879
TOTAL:	1 600 343	628 114

Expenses from the sale of vehicles during the reporting year were EUR 59 019 [2019: EUR 1 799 081].

There were no inventory write downs to net realizable value as of 31.12.2020. [31.12.2019.: 0 EUR].

30. Other loans and receivables

	<i>Interest rate per annum [%]</i>	<i>Maturity</i>	31.12.2020. EUR	31.12.2019. EUR
Non current				
Long term receivable for sold finance lease portfolio to associated entities	-	December 2026	187 315	-
Loans to non-related parties	3%	January 2021	-	32 804
Impairment allowance			-	[1 154]
TOTAL:			187 315	31 650
Current				
Deposit in bank in Kazakhstan	0-6.5%	10.06.2021-23.12.2021	1 241 935	-
Deposit in bank in Uzbekistan	18%	07.06.2021	78 210	-
Deposit in bank in Armenia	4.3-8.5%	11.01.2021-14.05.2021	221 116	744 518
Receivable for sold finance lease portfolio to associated entities	-	December 2026	277 853	-
Purchase consideration paid for cancelled business combinations [see note 28 for further information]		30.09.2021	831 556	-
Loans to non-related parties	24%	January 2021	36 006	120 000
Accrued interest			720	16 899
Impairment allowance			[5 579]	[4 814]
TOTAL:			2 681 817	876 603

30. Other loans and receivables (continued)

An analysis of Loans to non-related parties staging and the corresponding ECL allowances at the year end are as follows:

31.12.2020.	Stage 1	Stage 2	Stage 3	Total
Deposit in bank in Kazakhstan	1 241 935	-	-	1 241 935
Deposit in bank in Uzbekistan	78 210	-	-	78 210
Deposit in bank in Armenia	221 116	-	-	221 116
Receivable for sold finance lease portfolio to associated entities	465 168	-	-	465 168
Purchase consideration paid for cancelled business combinations[see note 28 for further information]	831 556	-	-	831 556
Loans to non-related parties	36 006	-	-	36 006
Accrued interest	720	-	-	720
Total	2 874 711	-	-	2 874 711
Total ECL calculated	[5 579]	-	-	[5 579]

31.12.2019.	Stage 1	Stage 2	Stage 3	Total
Deposit in bank in Kazakhstan	0	-	-	-
Deposit in bank in Uzbekistan	-	-	-	-
Deposit in bank in Armenia	744 518	-	-	744 518
Loans to non-related parties	152 804	-	-	152 804
Accrued interest	16 899	-	-	16 899
Total	914 221	-	-	914 221
Total ECL calculated	[5 968]	-	-	[5 968]

31. Prepaid expense

	31.12.2020. EUR	31.12.2019. EUR
Advances paid for services	803 188	270 169
Prepaid insurance expenses	487 817	92 635
Prepaid Mintos service fee	68 356	147 510
Other prepaid expenses	573 571	514 727
TOTAL:	1 932 932	1 025 041

32. Trade receivables

	31.12.2020. EUR	31.12.2019. EUR
Receivables for ceased financial assets	2 042 204	819 843
Receivables for rent services	1 412 408	348 486
Receivables for sold ERP system	368 461	-
Receivables for provided management services	133 795	255 338
Receivables for insurance services	17 208	-
Receivables for other services provided	108 173	17 210
Impairment allowance	[748 700]	[7 852]
TOTAL:	3 333 549	1 433 025

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

31.12.2020.	Current	1-30 DPD	31-90 DPD	>90 DPD	Total
Receivables for ceased financial assets	2 042 204	-	-	-	2 042 204
Receivables for rent services	370 629	103 981	66 354	871 444	1 412 408
Receivables for sold ERP system	368 461	-	-	-	368 461
Receivables for provided management services	133 795	-	-	-	133 795
Receivables for insurance services	17 208	-	-	-	17 208
Receivables for other services provided	108 173	-	-	-	108 173
Total	3 040 470	103 981	66 354	871 444	4 082 249
Total ECL calculated	[3 326]	[7 868]	[14 870]	[722 636]	[748 700]

32. Trade receivables (continued)

31.12.2019.	Current	1-30 DPD	31-90 DPD	>90 DPD	Total
Receivables for ceased financial assets	819 843	-	-	-	819 843
Receivables for rent services	348 486	-	-	-	348 486
Receivables for provided management services	255 338	-	-	-	255 338
Receivables for other services provided	17 210	-	-	-	17 210
Total	1 440 877	-	-	-	1 440 877
Total ECL calculated	[7 852]	-	-	-	[7 852]

The Group does not have contract assets and contract liabilities at 31.12.2020. [EUR 0 at 31.12.2019].

33. Other receivables

	31.12.2020. EUR	31.12.2019. EUR
<i>Other receivables</i>		
Overpaid VAT from subsidiary in Latvia	353 005	423 270
Impairment allowance for overpaid VAT	[353 005]	[423 270]
Net overpaid VAT*	-	-
Security deposit paid for currency transactions**	787 521	-
CIT paid in advance	610 802	460 705
Disputed tax audit measurement in Georgia***	510 421	-
Accrued income from currency transactions**	704 111	-
Overpaid VAT in other subsidiaries	501 013	369 861
Security deposit for office lease [more information in Note 23].	190 110	57 955
Receivables for payments received from customers through online payment systems	162 781	336 532
Advances to employees	80 656	105 358
Receivables from P2P platform for attracted funding	-	880 976
Other debtors	685 879	298 285
Impairment allowance for 'Other debtors'	[156 759]	-
TOTAL:	4 076 535	2 509 672

* - All receivables are due within the following year, except VAT overpayment where the date of settlement is unclear due to ongoing litigation process in Latvia.

This resulted in the full settlement of payable VAT and recognition of VAT overpayment. Considering the uncertainty disclosed in Note 38, the Group has decided to recognize the impairment provision in full amount for VAT receivable in the statement of financial position and additional provisions in amount of VAT payable settled by VAT return adjustment and related penalties [see Note 38].

** - The Group enters into currency exchange transactions where it tries to limit its foreign currency rate fluctuation loss. The transaction requires the Group to reserve the a cash deposit with its currency transaction partners.

At year end the Group recognizes accrued income based on year end currency rates versus agreed currency transaction rates and recognizes income if the estimated result is expected to be profitable.

*** - The Georgian tax administration has initiated a transfer pricing audit for Mogo LLC [Georgia]. The audit covers the financial years 2016, 2017 and 2018. The Decision issued by the Georgian tax administration has been received for the financial years 2016 and 2017. The Georgian tax administration has challenged that interest rate applied by Mogo Finance S.A. on loan issued to Mogo LLC complies with arm's lengths principle. According to the decisions for 2016 and 2017 additional tax amount of EUR 510 421 has been assessed. The amount has been withheld by the Georgian tax administration from a tax overpayment of Mogo LLC, and part of the amount has been transferred to the Georgian state budget by Mogo LLC.

Mogo LLC has appealed the decisions.

The appeal for 2016 has been reviewed by the Dispute Resolution Board within the Ministry of Finance of Georgia. No decision has been issued by the time of preparation of these consolidated financial statements. The transfer pricing methodology applied by the Georgian tax administration for the audit of the financial year 2017 differs from that applied for 2016 being relatively more favourable towards Mogo LLC. Management expects that the tax audit decision for 2016 will be amended. The appeal for 2017 is being reviewed by the Georgian tax administration.

The management of the Group considers that the interest rate applied by Mogo Finance S.A. on loans issued to related parties fully complies with the arm's length principle. The applied interest rate is justified by transfer pricing policies held by the Group, which have been developed by independent external tax advisors. The management of the Group considers that the approach of the Georgian tax administration does not comply with basic loan pricing principles and international guidelines. In order to determine the market interest rate for the Mogo Finance S.A. loan issued to the Mogo LLC, Georgian tax administration has used coupon rate of bonds issued by credit institutions as a comparable source. The coupon rates of such bonds are not comparable as represents lower risk market comparing with that where the Group operates. Additionally, when issuing the decision Georgian tax administration has not considered borrowing costs of Mogo Finance S.A. The interest rate applied by the Georgian tax administration in the decisions for year 2016 and 2017 is significantly lower than the borrowing costs of Mogo Finance S.A.

The Group is in a position to use all available local and international measures to justify its transfer pricing policies and to achieve the result that the decisions for year 2016 and 2017 are fully cancelled. According to management's best estimate no significant economical outflows in relation to the transfer pricing audit is expected in the future as the possibility of such has been assessed as remote.

The Group expects to fully recover paid tax.

34. Cash and cash equivalents

	31.12.2020.	31.12.2019.
Cash at bank	8 839 293	8 497 666
Cash on hand*	476 137	158 864
TOTAL:	9 315 430	8 656 530

* - The Group provides the possibility to its customers to pay their monthly receivables in cash, therefore it holds cash on hand at period end.

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

31.12.2020.	Stage 1	Stage 2	Stage 3	Total
Cash at bank	8 839 293	-	-	8 839 293
Cash on hand	476 137	-	-	476 137
Total	9 315 430	-	-	9 315 430
Total ECL calculated	-	-	-	-

31.12.2019.	Stage 1	Stage 2	Stage 3	Total
Cash at bank	8 497 666	-	-	8 497 666
Cash on hand	158 864	-	-	158 864
Total	8 656 530	-	-	8 656 530
Total ECL calculated	-	-	-	-

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

The Group cooperates with banks with credit ratings no less than BBB-.

35. Disposal groups held for sale

In the second part of 2020, management committed to a plan to sell parts of its business operations in Balkan countries. Accordingly, several entities are presented as a disposal group held for sale.

As at 31 December 2020 three companies were classified as held for sale:

- Mogo Bulgaria EOOD, Bulgaria [see also Note 20]
- FD Mogo krediti DOOEL, North Macedonia
- Mogo DOOEL, North Macedonia

Assets and liabilities of disposal groups held for sale

	31.12.2020.
ASSETS	EUR
Mogo Bulgaria EOOD, Bulgaria	7 804 376
FD Mogo krediti DOOEL, North Macedonia	1 178 794
Mogo DOOEL, North Macedonia	711 826
TOTAL	9 694 996
Goodwill arising from FD Mogo krediti DOOEL, North Macedonia	559 588
Impairment of disposal group of Mogo Bulgaria EOOD, Bulgaria*	[298 932]
Impairment of disposal group of FD Mogo krediti DOOEL, North Macedonia**	[538 725]
TOTAL ASSETS OF SUBSIDIARIES HELD FOR SALE	9 416 927
LIABILITIES	EUR
Mogo Bulgaria EOOD, Bulgaria	3 712 662
FD Mogo krediti DOOEL, North Macedonia	94 124
Mogo DOOEL, North Macedonia	129 532
TOTAL LIABILITIES DIRECTLY ASSOCIATED WITH THE ASSETS HELD FOR SALE	3 936 318

* - Valuation of net assets of Bulgarian entity is based on share purchase price offering received from potential buyer.

** - impairment losses of 538 725 EUR for write-downs of the disposal group to the lower of its carrying amount and its fair value less costs to sell have been included in 'impairment expense' [see Note 7]. The impairment was calculated based on total of net assets and goodwill of FD mogo krediti DOOEL from which the entity sales price and loan value was deducted. Net result is assumed unrecoverable thus an impairment for the respective amount has been recognized. The sales agreements of both entities of North Macedonia have been signed before year end of 2020.

35. Disposal groups held for sale (continued)

Mogo Bulgaria EOOD, Bulgaria

At 31 December 2020, the entity was stated at the lower of carrying amount and fair value less costs to sell and comprised the following assets and liabilities (at carrying amounts):

	31.12.2020.
ASSETS	EUR
Other intangible assets	5 149
Right-of-use assets	178 699
Property, plant and equipment	39 627
Deferred tax asset	114 012
Loans and advances to customers	485 387
Finance lease receivables	3 540 997
TOTAL NON-CURRENT ASSETS	4 363 871
Loans and advances to customers	245 968
Finance lease receivables	2 442 042
Prepaid expense	18 021
Trade receivables	387 316
Other receivables	[7 763]
Cash and cash equivalents	317 276
Assets held for sale	37 645
TOTAL CURRENT ASSETS	3 440 505
TOTAL ASSETS	7 804 376
LIABILITIES	
Non-current liabilities	
Borrowings	1 815 343
Total non-current liabilities	1 815 343
Current liabilities	
Borrowings	1 736 932
Advances received	3 789
Trade and other payables	30 061
Taxes payable	18 257
Other liabilities	23 626
Accrued liabilities	84 654
Total current liabilities	1 897 319
TOTAL LIABILITIES	3 712 662

Efforts to sell the company have started and the sale is expected to be completed by second quarter of 2021.

FD Mogo krediti DOOEL, North Macedonia

At 31 December 2020, the entity was stated at the lower of carrying amount and fair value less costs to sell and comprised the following assets and liabilities (at carrying amounts):

	31.12.2020.
ASSETS	EUR
Other intangible assets	729
Right-of-use assets	81 161
Property, plant and equipment	9 593
Loans and advances to customers	246 403
Finance lease receivables	727 694
TOTAL NON-CURRENT ASSETS	1 065 580
Loans and advances to customers	81 637
Finance lease receivables	[57 802]
Other receivables	117
Cash and cash equivalents	73 267
Assets held for sale	15 995
TOTAL CURRENT ASSETS	113 214
TOTAL ASSETS	1 178 794

35. Disposal groups held for sale (continued)

LIABILITIES	
Non-current liabilities	
Borrowings	56 650
Total non-current liabilities	56 650
Current liabilities	
Borrowings	15 677
Advances received	476
Trade and other payables	304
Taxes payable	3 926
Other liabilities	8 264
Accrued liabilities	8 612
Currency revaluation reserve	215
Total current liabilities	37 474
TOTAL LIABILITIES	94 124

The agreement for the sale of shares of this company has been signed in 2020. The Group has received an approval from the state regulatory body to fully complete the transaction and dispose entity from the consolidated statements as at 1 February 2021.

Cumulative foreign currency translation reserve recognized at 31.12.2020 was 2325 EUR.

Mogo DOOEL, North Macedonia

As at 31 December 2020, the entity was stated at the lower of carrying amount and fair value less costs to sell and comprised the following assets and liabilities.

	31.12.2020.
ASSETS	EUR
Other intangible assets	374
Right-of-use assets	52 574
Property, plant and equipment	17 887
Loans and advances to customers	71 784
Finance lease receivables	268 208
TOTAL NON-CURRENT ASSETS	410 827
Loans and advances to customers	119 150
Finance lease receivables	137 306
Other receivables	2 983
Cash and cash equivalents	32 988
Assets held for sale	8 572
TOTAL CURRENT ASSETS	300 999
TOTAL ASSETS	711 826
LIABILITIES	
Non-current liabilities	
Borrowings	46 069
Total non-current liabilities	46 069
Current liabilities	
Borrowings	12 089
Advances received	1 362
Trade and other payables	3 166
Taxes payable	477
Other liabilities	41 348
Accrued liabilities	22 696
Currency revaluation reserve	2 325
Total current liabilities	83 463
TOTAL LIABILITIES	129 532

Cumulative foreign currency translation reserve recognized at 31.12.2020 was 215 EUR.

The agreement for the sale of shares of this company has been signed in 2020. The Group has received an approval from the state regulatory body to fully complete the transaction and dispose of the entity from the consolidated statements as at 1 February 2021.

36. Assets held for sale

	31.12.2020.	31.12.2019.
	EUR	EUR
<i>Other non-current assets held for sale</i>		
Repossessed collateral	2 094 204	1 934 248
	2 094 204	1 934 248

Changes in other assets held for sale

	31.12.2019.	Net changes during the year	31.12.2020.
Repossessed collateral	1 934 248	159 956	2 094 204
TOTAL:	1 934 248	159 956	2 094 204

Repossessed collaterals are vehicles taken over by the Group in case of default by the Group's clients on the related lease agreements. After the default of the client, the Group has the right to repossess the vehicle and sell it to third parties. The Group does not have the right to repossess, sell or pledge the vehicle in the absence of default by its clients. The Group usually sells the repossessed vehicles within 90 days after repossession. There are no balances left unsold from previous reporting period.

37. Share capital and reserves
Share capital

The subscribed share capital of the Group amounts to EUR 1 000 000 and is divided into 100 000 000 shares fully paid up.

The movements on the Share capital caption during the year are as follows:

	Share capital EUR	Number of regular Shares	Total number of Shares
Opening balance as at 1 January 2019	31 036	3 103 600	3 103 600
Subscriptions	968 964	96 896 400	96 896 400
Redemptions	-	-	-
Closing balance as at 31 December 2019	1 000 000	100 000 000	100 000 000
Opening balance as at 1 January 2020	1 000 000	100 000 000	100 000 000
Subscriptions	-	-	-
Redemptions	-	-	-
Closing balance as at 31 December 2020	1 000 000	100 000 000	100 000 000

Foreign currency translation reserve

As explained in Note 2, foreign currency translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

	31.12.2020.	31.12.2019.
	EUR	EUR
<i>Reserves</i>		
Mandatory reserves in Mogo LT UAB [Lithuania]*	249 984	249 984
Mandatory reserves in TIGO Finance DOOEL Skopje [North Macedonia]*	33 884	-
Mandatory reserves in Mogo Loans SRL [Moldova]*	30 375	-
Mandatory reserves in Mogo Finance S.A. [Luxembourg]*	3 104	3 104
TOTAL:	317 347	253 088

* - further information disclosed in Note 2.

38. Provisions

	31.12.2020.	31.12.2019.
	EUR	EUR
Non-current		
Provision for VAT liabilities in Latvia*	333 608	365 496
Provision for CIT liabilities in Lithuania**	-	400 066
Provision for taxes and duties in Latvia*	99 314	127 175
TOTAL:	432 922	892 737
Current		
	-	-
TOTAL:	-	-

* Provision for taxes and duties in Latvia are calculated based on rates applied by the tax body of the Republic of Latvia and discounted with rate of 1.15% for estimated litigation process period of 5 years.

** Provisions for CIT in Lithuania is recognized due to uncertainty related to application of CIT for an intra-group agreement concluded.

Change in provisions for possible VAT liabilities is recognized in Other operating expense [Note 15].

See Notes 15 and 33 for more information.

Changes in provisions

	01.01.2020.	Additional provisions recognized	Increase in liabilities	Reversed provisions	Unwinding of discount	31.12.2020.
Provision for VAT liabilities in Latvia*	365 496	17 990	70 264	[124 486]	4 344	333 608
Provision for CIT liabilities in Lithuania	400 066	-	-	[400 066]	-	-
Provision for taxes and duties in Latvia	127 175	26 004	-	[55 376]	1 511	99 314
	892 737	43 994	70 264	[579 928]	5 855	432 922

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

39. Borrowings
Non-current

	Interest rate per annum [%]	Maturity	EUR 31.12.2020.	EUR 31.12.2019.
<i>Subordinated loans</i>				
Loan from related parties [Note 45]	3%	11.07.2022	12 126 467	6 782 061
TOTAL:			12 126 467	6 782 061

Subordinated loans comprise of loans received by the Parent company from its shareholders. The subordinated loans were acquired as one of the conditions to obtain financing from Eurobonds described further below. The loans are denominated in EUR with an interest rate of 3% and maturing on July 2022 and are subordinated to the Parent company's obligations arising from the Eurobonds described further below. Until all the Parent company's outstanding liabilities under the Eurobonds are fulfilled the Parent company as the borrower under subordinated loans is allowed to make payments of principal and interest only to the extent that any such payment is in accordance with the terms and conditions of the Eurobonds. On 31 December 2020 the terms and conditions of the Eurobonds that would allow the Parent company to make payments of principal and interest under the subordinated loans were not met.

In 2020 the Subordinated loan balance increased by 5 344 406 EUR, due to interest capitalization and additional Subordinated loan received from Shareholders. The subordinated loan was increased in 2020 to comply with covenants set by Eurobonds prospectus.

	Interest rate per annum [%]	Maturity	EUR 31.12.2020.	EUR 31.12.2019.
<i>Bonds</i>				
Mogo Finance S.A. bonds nominal value ¹	9.5%	July 2022	96 245 840	94 491 656
Mogo AS 20m bonds nominal value ²	10%	31.03.2021	-	19 300 000
Mogo AS 10m bonds nominal value ³	10%	31.03.2021	[5 871 000]	7 488 000
Bond additional interest accrual	10%	31.03.2021	-	299 203
Bonds acquisition costs			[3 129 846]	[5 280 300]
TOTAL:			87 244 994	116 298 559
<i>Other borrowings</i>				
Long term loan from banks ⁴	7.8%-12.75%	February 2024	6 481 610	8 919 988
Lease liabilities for rent of premises ⁵	2%-12%	up to 10 years	5 682 880	6 520 497
Lease liabilities for rent of vehicles ⁵	2%-12%	up to 3 years	42 135	78 085
Financing received from P2P investors ⁶	8% - 14%	up to 30.12.2025.	49 368 618	49 167 706
Loan acquisition costs			[121 241]	[287 961]
TOTAL:			61 454 002	64 398 315
TOTAL NON CURRENT BORROWINGS:			160 825 463	187 478 935

39. Borrowings (continued)

<i>Current</i>	<i>Interest rate</i>		31.12.2020.	31.12.2019.
<i>Other borrowings</i>	<i>per annum [%]</i>	<i>Maturity</i>	EUR	EUR
Financing received from P2P investors ⁶⁾	8% - 14%	up to 30.12.2025.	37 356 308	20 989 501
Mogo AS 20m bonds nominal value ²⁾	10%	31.03.2021	20 000 000	-
Mogo AS 10m bonds nominal value ³⁾	10%	31.03.2021	10 000 000	-
Accrued interest for bonds			4 486 220	4 426 550
Bond additional interest accrual	10%	31.03.2021	367 626	-
Lease liabilities for rent of premises ⁵⁾	2%-12%	up to 10 years	2 013 871	1 263 024
Accrued interest for financing received from P2P investors			528 275	363 369
Lease liabilities for rent of vehicles ⁵⁾	2%-12%	up to 3 years	56 425	83 937
Short term loans from banks ⁴⁾	7.8%-10%	November 2020 - September 2021	6 096 506	7 534 608
Short term loans from non related parties ⁷⁾	2.5%-19%	July 2023	1 420 011	-
Accrued interest for loans from non related parties			25 988	17 304
Accrued interest for loans from related parties			-	6 567
Accrued interest for loan from bank			57 235	86 050
		TOTAL:	82 408 465	34 770 910

Mogo Finance S.A. bonds

1) On 11 July 2018, Mogo Finance successfully issued a 4-year corporate bond [XS1831877755], listed on the Open Market of the Frankfurt Stock Exchange for EUR 50 million at par with an annual interest rate of 9.5%, followed on 16 November 2018 by a EUR 25 million tap at par and 13 November 2019 by another EUR 25 million. After both tap issues, the total amount outstanding of Mogo Finance's 9.50% corporate bonds 2018/2022 [XS1831877755] amounts to EUR 100 million. On 30 November 2018, the corporate bond 2018/2022 [XS1831877755] was uplisted to the regulated market [General Standard] of the Frankfurt Stock Exchange. The bond will mature in July 2022. See Note 46 for further information about pledges and other additional information.

Mogo AS bonds

2) On 17 March 2014 subsidiary in Latvia - Mogo AS registered with the Latvian Central Depository a bond facility through which it can raise up to EUR 20 million. The Group has raised a total of EUR 20 000 000 as at 31 December 2020 [20 000 000 EUR at 31 December 2019].

This bond issue is unsecured. The notes are issued at par, have a maturity of seven years and carry a fixed coupon of 10% per annum, paid monthly in arrears. The note type on 11 November 2014 was changed to "publicly issued notes" and were listed on the regulated market of NASDAQ OMX Baltic.

3) On 1 December 2017 subsidiary in Latvia Mogo AS registered with the Latvian Central Depository a bond facility through which it raised EUR 10 million. This bond issue is unsecured. The notes are issued at par, have a maturity of three years four months and carry a fixed coupon of 10% per annum, paid monthly in arrears. Bonds are listed on the regulated market of NASDAQ OMX Baltic and are "private issued notes".

In accordance with the initial terms repayment of both bond facilities issued in Latvia should have started from 30 June 2019. Accordingly, those liabilities were split between current and non-current as at 31 December 2018. In 2019 the initial repayment terms were amended. The subsidiary in Latvia exercised a voting process for rescheduling payment schedule for both bonds issued in Latvia. New repayment schedule is in force starting 29 March 2019 and requires a one time payment at the end of maturity on 31 March 2021. See Note 51 for more information.

Other borrowings

4) Loans from banks comprise loans received by Mogo Armenia from a local bank. The loans are denominated in local currency, thus fully eliminating forex risk for the Group, with an interest rate of 12.75% and maturing on February 2024. Loans received by Mogo Georgia in the amount of EUR 1 million with an interest rate of 7.8% are maturing on March 2021. See Note 46 for further information about pledges and other additional information.

5) The Group has entered into several lease agreements for office premises and branches as well as several vehicle rent agreements, which are accounted under IFRS 16.

6) Attracted funding from P2P platform non-current/ current split is aligned with the related non-current/ current split of the lease or loan agreement which is assigned to investors through the P2P platform. Funds are transferred to Group's bank accounts once per week.

7) On 22.12.2020 Mogo Kazakhstan received a bank loan of EUR 1 090 000 with 2,5% interest rate, maturing in 22.06.2021 secured by deposit in KZT currency with the aim of hedging local currency against EUR. SEBO Moldova entity had previously already acquired local financing in MDL currency with the rate from 16% to 19% maturing in July 2023.

39. Borrowings (continued)

Total [payable]/receivable for attracted funding not yet received from P2P platform as at statement of financial position dates were:

	31.12.2020.	31.12.2019.
	EUR	EUR
[Payable]/Receivable from attracted funding through P2P platform [Note 42]	[1 093 087]	[1 579 245]
TOTAL:	[1 093 087]	[1 579 245]

See additional information in Note 24.

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

	31.12.2020.	31.12.2019.
	EUR	EUR
Accrued for expenses from attracted funding through peer-to-peer platform [Note 43]	45 949	24 575
TOTAL:	45 949	24 575

See Note 46 for further information about pledges and other additional information.

The Group has satisfied all other covenants.

Changes in liabilities

<i>Subordinated loans</i>	01.01.2020.	From obtaining control over subsidiary	Cash flows	Foreign exchange effect	Other*	31.12.2020.
Loan from related parties	6 782 061	-	5 344 406	-	-	12 126 467
TOTAL SUBORDINATED BORROWINGS PRINCIPAL:	6 782 061	-	5 344 406	-	-	12 126 467
<i>Other borrowings</i>						
Bonds nominal value	121 279 656	-	[904 816]	-	-	120 374 840
Financing received from P2P investors	70 157 207	27 699 642	[1 764 930]	[5 834 798]	[3 532 195]	86 724 926
Loans from banks	16 454 596	-	[2 258 465]	[1 610 580]	[7 435]	12 578 116
Short term loans from non related parties	-	99 867	1 524 358	[204 214]	-	1 420 011
Lease liabilities	7 945 543	1 647 523	[9 824 509]	[464 862]	8 491 616	7 795 311
TOTAL OTHER BORROWINGS PRINCIPAL:	215 837 002	29 447 032	[13 228 362]	[8 114 454]	4 951 986	228 893 204
TOTAL BORROWINGS PRINCIPAL:	222 619 063	29 447 032	[7 883 956]	[8 114 454]	4 951 986	241 019 671

Total cash flow of borrowings of EUR -7 883 956 consists of cash inflows EUR 212 767 328, cash outflows of EUR 216 327 206 and payments for lease liabilities in amount of EUR 4 324 078.

* - 'Other' mainly contains movement due to balances being reclassified to 'Liabilities held for sale'.

	01.01.2020.	From obtaining control over subsidiary	Cash flows	Foreign exchange effect	Other	31.12.2020.
Bonds acquisition costs	[5 280 300]	-	[186 669]	130	2 336 993	[3 129 846]
Loan acquisition costs	[287 961]	-	[40 660]	5 150	202 230	[121 241]
Acquisition costs of borrowings	[5 568 261]	-	[227 329]	5 280	2 539 223	[3 251 087]
Accrued interest for loans from non related parties	17 304	27 850	[582 671]	99 423	464 082	25 988
Accrued interest for loans from related parties	6 567	-	[6 472]	11	[106]	-
Accrued interest for financing received from P2P investors	363 369	314 200	[8 252 509]	8 160 914	[57 699]	528 275
Additional bond interest accrual	4 725 753	-	[12 531 298]	-	12 659 391	4 853 846
Accrued interest for loan from bank	86 050	-	[1 245 725]	[12 646]	1 229 556	57 235
Accrued interest	5 199 043	342 050	[22 618 675]	8 247 702	14 295 224	5 465 344
TOTAL BORROWINGS:	222 249 845	29 789 082	[30 729 960]	138 528	21 786 433	243 233 928

39. Borrowings (continued)

	01.01.2019.	From obtaining control over subsidiary	Cash flows	Foreign exchange effect	Other	31.12.2019.
<i>Subordinated loans</i>						
Loan from related parties	2 500 000	-	4 282 061	-	-	6 782 061
TOTAL SUBORDINATED BORROWINGS PRINCIPAL:	2 500 000	-	4 282 061	-	-	6 782 061
<i>Other borrowings</i>						
Bonds nominal value	91 489 250	-	28 988 771	-	801 635	121 279 656
Financing received from P2P investors	48 929 102	-	21 475 352	[247 247]	-	70 157 207
Loans from banks	8 224 781	-	8 056 304	173 511	-	16 454 596
Lease liabilities	2 444 431	-	[1 789 473]	[10 909]	7 301 494	7 945 543
Long term loan from non-related parties	-	-	-	-	-	-
Loan from related parties [Note 45]	-	-	-	-	-	-
TOTAL OTHER BORROWINGS PRINCIPAL:	151 087 564	-	56 730 954	[84 645]	8 103 129	215 837 002
TOTAL BORROWINGS PRINCIPAL:	153 587 564	-	61 013 015	[84 645]	8 103 129	222 619 063

Total cash flow of borrowings of EUR 61 013 015 consists of cash inflows EUR 108 315 210, cash outflows of EUR 45 512 722 and payments for lease liabilities in amount of EUR 1 789 473.

	01.01.2019.	From obtaining control over subsidiary	Cash flows	Foreign exchange effect	Other	31.12.2019.
Bonds acquisition costs	[3 871 486]	-	[1 250 282]	-	[158 532]	[5 280 300]
Loan acquisition costs	[585 138]	-	[262 424]	2 413	557 188	[287 961]
Acquisition costs of borrowings	[4 456 624]	-	[1 512 706]	2 413	398 656	[5 568 261]
Accrued interest for loans from non related parties	58 708	-	[479 612]	[248]	438 456	17 304
Accrued interest for loans from related parties	-	-	[87]	66	6 588	6 567
Accrued interest for financing received from P2P investors	274 961	-	[7 652 561]	[1 253]	7 742 222	363 369
Additional bond interest accrual	3 368 785	-	[10 119 918]	-	11 476 886	4 725 753
Accrued interest for loan from bank	70 902	-	[1 135 015]	2 128	1 148 035	86 050
Accrued interest	3 773 356	-	[19 387 193]	693	20 812 187	5 199 043
TOTAL BORROWINGS:	152 904 296	-	40 113 116	[81 539]	29 313 972	222 249 845

40. Prepayments and other payments received from customers

	31.12.2020. EUR	31.12.2019. EUR
Advances received for sale of subsidiaries in North Macedonia [see Note 35]	360 001	-
Unallocated payments received*	96 965	106 964
Overpayments from historical customers	56 852	51 787
Received deposits from customers	12 931	-
Advances for sold cars	1 370	634
Payments received from ceased receivables	5 227	2 663
TOTAL:	533 346	162 048

* - 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 at 31 December 2020.

41. Taxes payable

	31.12.2020. EUR	31.12.2019. EUR
Social security contributions	728 629	444 759
Value added tax	578 903	507 701
Personal income tax	294 278	198 267
Other taxes	375 859	310 419
TOTAL:	1 977 669	1 461 146

42. Other liabilities

	31.12.2020.	31.12.2019.
	EUR	EUR
Payable for attracted funding through P2P platform	1 093 087	1 579 245
Liabilities against employees for salaries	576 936	766 570
Other liabilities	207 175	15 932
TOTAL:	1 877 198	2 361 747

43. Accrued liabilities

	31.12.2020.	31.12.2019.
	EUR	EUR
Accrued unused vacation	1 168 930	872 955
Accruals for bonuses	513 852	613 613
Accrued expenses for currency exposure for attracted funding through P2P platforms without buyback guarantee	195 038	-
Accrued expenses from attracted funding through peer-to-peer platform [Note 39]	45 949	24 575
Other accrued liabilities for received services	1 382 132	1 041 878
TOTAL:	3 305 901	2 553 021

44. Other financial liabilities

On 1 October 2017, the Group acquired an additional 2% interest in the shares of Mogo OU [Estonia], increasing its ownership interest to 100%. As part of the purchase agreement with the previous non-controlling interest holder of Mogo OU [Estonia], a contingent consideration has been agreed. There will be additional cash payments to the previous non-controlling interest holder of:

- 1) 2% of the net profit earned by Mogo OU for the years 2018 through 2019;
- 2) 1% of the net profit earned by Mogo OU for the year 2020.

As at the additional interest acquisition date, the fair value of the contingent consideration was estimated to be 185 777 EUR based on the expected probable outcome. During 2020 the Group settled part of the liabilities. The value of the remaining amount was reassessed and it was concluded that no additional income or expenses need to be recognized.

On 16 January 2020, the Group acquired an additional 2% interest in the shares of Mogo LLC [Georgia], increasing its ownership interest to 100%. As part of the purchase agreement with the previous non-controlling interest holder of Mogo LLC [Georgia], a contingent consideration has been agreed. There will be additional cash payments to the previous non-controlling interest holder of:

- 1) 2% of the net profit earned by Mogo LLC for the years 2019 through 2021;
- 2) Additional annual amounts of GEL 82 836 for the years 2019-2021.

As at the additional interest acquisition date, the fair value of the contingent consideration was estimated to be 212 988 EUR based on the expected probable outcome. During 2020 the Group settled part of the liabilities. The value of the remaining amount was reassessed and it was concluded that no additional income or expenses need to be recognized.

The significant unobservable inputs used in the fair value measurement of the contingent consideration are disclosed in Note 3.

Following is a schedule of additional interest acquired in Mogo LLC [Georgia]:

	31.12.2020.
	EUR
Contingent consideration liability recognized	212 988
Carrying value of the additional interest in Mogo LLC recognized in retained earnings	[42 289]
Cash payment made	[33 004]

The contingent consideration liability is due for yearly measurement and payment to the former non-controlling interest holder after issuance of the respective year's annual report. Contingent consideration liability is recognized as follows:

	31.12.2020.	31.12.2019.
	EUR	EUR
Non-current		
Non-current contingent consideration liability	66 508	22 569
Current		
Current contingent consideration liability	98 949	34 163
TOTAL OTHER FINANCIAL LIABILITIES:	165 457	56 732

44. Other financial liabilities (continued)

Sensitivity analysis

An analysis of sensitivity of the Group's possible liabilities for purchase of shares in subsidiary based on positions existing as at 31 December 2020 using a simplified scenario of a 10% change in estimated future profits would result in change of liabilities for 16 546 EUR.

Changes in liabilities

	01.01.2020.	Cash flows	Reassessment	Reclass	31.12.2020.
Non-current contingent consideration liability	22 569	-	66 508	[22 569]	66 508
Current contingent consideration liability	34 163	[104 264]	146 481	22 569	98 949
TOTAL BORROWINGS PRINCIPAL:	56 732	[104 264]	212 989	-	165 457

A reassessment took place due to the signing of an additional share repurchase agreement of Mogo LLC (Georgia) during 2020.

	01.01.2019.	Cash flows	Reassessment	Reclass	31.12.2019.
Non-current contingent consideration liability	74 418	-	-	[51 849]	22 569
Current contingent consideration liability	52 600	[70 286]	-	51 849	34 163
TOTAL BORROWINGS PRINCIPAL:	127 018	[70 286]	-	-	56 732

45. Related party disclosures

All ultimate beneficial shareholders and entities controlled or jointly controlled by these individuals or close family members of these individuals are deemed as related parties of the Group. All shareholders have equal rights in making decisions proportional to their share value.

As at 31 December 2020 and 31 December 2019 none of the ultimate beneficial owners individually controls the Group.

All transactions between related parties are performed according to market rates. Receivables and payables incurred are not secured with any kind of pledge.

More detailed information about transactions with related parties is provided in Notes 37 and 39.

Other related parties are entities which are under control or joint control of the shareholders of the Group, but not part of the Group.

The information related to remuneration of the Group's Management Board and council members is provided in Note 13.

The income and expense items with related parties for 2020 were as follows:

Related party	Shareholder controlled companies		Other related parties
	EUR		EUR
Interest income	1 128 262		-
Interest expenses	[368 649]		-
Sale of finance lease receivables to associated entities	-		589 816
Management services provided to associated entities	-		227 481

The income and expense items with related parties for 2019 were as follows:

Related party	Shareholder controlled companies		Other related parties
	EUR		EUR
Interest income	946 052		-
Interest expenses	[337 216]		-

The receivables and liabilities with related parties as at 31.12.2020. and 31.12.2019. were as follows:

	31.12.2020.	31.12.2019.
	EUR	EUR
Amounts owed by related parties		
Loans to related parties*	15 828 513	22 073 496
Trade receivables**	133 795	255 338
Amounts owed to related parties		
Subordinated loans from shareholders of the Parent Company	12 126 467	6 782 061
Payables to related parties	315 566	-
Unpaid dividends	-	-
Accrued interest	-	-

* All loans to related parties are issued to shareholder controlled companies and have 3% to 12.5% interest rate and maturity of March to September of 2023. See Note 26 for more information.

** Other short term receivables from related parties contain receivables for provided management services to equity accounted investees and subsidiaries in the process of acquisition.

45. Related party disclosures [continued]

<i>Movement in amounts owed by related parties</i>	Amounts owed by related parties
Amounts owed by related parties as of 01 January 2019	22 697 711
Net change in receivables	[368 877]
Amounts owed by related parties as of 31 December 2019	22 328 834
Amounts owed by related parties as of 01 January 2020	22 328 834
Net change in receivables	[6 366 526]
Amounts owed by related parties as of 31 December 2020	15 962 308
<i>Movement in amounts owed to related parties</i>	Amounts owed to related parties
Amounts owed to related parties as of 01 January 2019	2 573 883
Loans received in period	4 282 061
Loans repaid/settled in period	-
Interest calculated in period	337 216
Interest repaid in period	[389 299]
Dividends calculated for minority shareholders	-
Dividends paid to minority shareholders	[21 800]
Amounts owed to related parties as of 31 December 2019	6 782 061
Amounts owed to related parties as of 01 January 2020	6 782 061
Loans received in period	6 551 786
Loans repaid/settled in period	[1 576 029]
Interest calculated in period	368 649
Interest repaid in period	-
Change in other payables	315 566
Dividends calculated for minority shareholders	65 192
Dividends paid to minority shareholders	[65 192]
Amounts owed to related parties as of 31 December 2020	12 442 033

46. Commitments and contingencies***Externally imposed regulatory capital requirements***

The Group considers both equity capital as well as borrowings a part of its overall capital risk management strategy [see Note 47].

The Group is subject to externally imposed capital requirements in several countries. The main requirements are listed below:

Albania

The acquired license on performing financing activities requires to maintain amount of equity at all times not lower than 10% of the total assets of the entity. Management of the Group monitors and increases the share capital if needed to satisfy this requirement.

Armenia

The acquired license on performing financing activities requires:

- 1] To maintain minimum amount of statutory capital of 150mln AMD;
- 2] To maintain minimum amount of total capital of 150mln AMD;
- 3] To maintain minimum ratio of amounts of total capital and risk-weighted assets at 10%.

Management of the Group monitors and increases the share capital if needed to satisfy this requirement.

Bulgaria

The acquired license on performing financing activities requires to maintain amount of equity at all times not lower than 1 000 000 BGN. Management of the Group monitors and increases the share capital if needed to satisfy this requirement.

Romania

The acquired license on performing financing activities requires to ensure the level of equity is not less than company's finance receivables portfolio divided 15 times. Management of the Group monitors and increases the share capital or issues subordinated loans I if needed to satisfy this requirement.

North Macedonia

A loan portfolio limit is set as Share capital multiplied with 10.

46. Commitments and contingencies [continued]*Bosnia&Herzegovina*

The acquired license on performing financing activities requires to maintain amount of equity at all times not lower than 250 000 BAM. Management of the Group monitors and increases the share capital if needed to satisfy this requirement. Loan portfolio limit is set as Share capital multiplied with 10.

Moldova

The non-bank credit organization is required to hold and maintain its own capital in relation to the value of the assets at any date in the amount of at least 5%.

Cooperation agreement with P2P platforms

Cooperation agreements with P2P platforms require to maintain positive amount of equity at all times in Latvia, Estonia, Georgia, Lithuania, Moldova, Poland, Romania, Belarus, Albania, Bulgaria, North Macedonia, Kazakhstan and Kenya. Management of the Group monitors and increases the share capital if needed to satisfy this requirement.

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

Mogo Finance S.A. bonds

There are restrictions in the prospectus for the bonds issued on the Frankfurt Stock exchange [ISIN [XS1831877755]]. These financial covenants are the following:

- (a) the Interest Coverage Ratio for the Relevant Period is at least 1.25; and
- (b) the Capitalization Ratio for the Relevant Period is at least:
 - (i) 8.00 per cent until the end of the financial year ending on 31 December 2018;
 - (ii) 10.00 per cent until the end of the financial year ending on 31 December 2019; and
 - (iii) 15.00 per cent until the end of the financial year ending on 31 December 2020 and until full repayment of the Bonds; or
- (c) should the Interest Coverage Ratio and the Capitalization Ratio be lower than the thresholds set out under Conditions [a] and [b] above
 - (i) the Cash and Cash Equivalents of the Group are at least EUR 5,000,000 and shall remain at least EUR 5,000,000 for as long as the Interest Coverage Ratio and the Capitalization Ratio are lower than the thresholds set out under Conditions [a] and [b] above;
 - (ii) the Interest Coverage Ratio is at least 1.25, starting as of 31 March 2021 and calculated on a relevant period of
 - (A) three [3] consecutive calendar months until the end of the interim quarter ending on 31 March 2021;
 - (B) six [6] consecutive calendar months until the end of the interim quarter ending on 30 June 2021;
 - (C) nine [9] consecutive calendar months until the end of the interim quarter ending on 30 September 2021; and
 - (D) twelve [12] consecutive calendar months until the end of the financial year ending on 31 December 2021; and
 - (iii) the Capitalization Ratio for the Relevant Period is at least
 - (A) 11.50 per cent as from the Relevant Period ending on 31 December 2020;
 - (B) 12.50 per cent as from the Relevant Period ending on 31 March 2021;
 - (C) 13.50 per cent as from the Relevant Period ending on 30 June 2021; and
 - (D) 15.00 per cent as from the Relevant Period ending on 30 September 2021 and until full repayment of the Bonds.

There are other limitations regarding additional and permitted debt, restricted and permitted payments, permitted loans and securities.

The Group is in compliance with all covenants during the entire reporting period.

Mogo AS bonds

There are restrictions in the prospectus for the bonds issued on the Nasdaq Baltic [ISIN: LV0000802452]:

From the Issue Date of Bonds to the date of repayment thereof, Mogo Finance S.A. shall undertake to maintain following financial covenants:

- (a) The Capitalization Ratio shall in any case be at least:
 - (i) 8.00 per cent until 31 March 2021;
 - (ii) 10.00 per cent until 30 June 2021; and
 - (iii) 15.00 per cent until 30 September 2021 and until full repayment of the Bonds
- (b) Starting as of 31 March 2021, the Interest Coverage Ratio shall be at least 1.25, calculated on:
 - (i) three [3] consecutive calendar months until the end of the interim quarter ending on 31 March 2021;
 - (ii) six [6] consecutive calendar months until the end of the interim quarter ending on 30 June 2021;
 - (iii) nine [9] consecutive calendar months until end of the interim quarter ending on 30 September 2021;
 - (iv) twelve [12] consecutive calendar months until end of the financial year ending on 31 December 2021 and until full repayment of the Bonds.

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

46. Commitments and contingencies [continued]***Other contingent liabilities and commitments***

1] On 29 September 2017 the subsidiary in Armenia - Mogo UCO LLC entered into a pledge agreement over deposit and right of claim with Ardshinbank CJSC, establishing a pledge over the funds in the bank accounts of Mogo UCO LLC in favour of Ardshinbank CJSC, in order to secure Mogo UCO LLC obligations towards Ardshinbank CJSC deriving from credit contract dated 29 September 2017.

2] On 2 November 2017 the subsidiary in Armenia Mogo UCO LLC entered into a pledge agreement over deposit and right of claim with Ardshinbank CJSC, establishing a pledge over the funds in the bank accounts of Mogo UCO LLC in favour of Ardshinbank CJSC, in order to secure Mogo UCO LLC obligations towards Ardshinbank CJSC deriving from credit contract dated 2 November 2017.

3] On 5 December 2017 the subsidiary in Latvia - mogo AS entered into a commercial pledge agreement with Mintos OU, in order to secure mogo AS obligations towards Mintos OU deriving from Cooperation agreement on issuance of loans No. 36/2017-L, dated 5 December 2017.

4] On 26 February 2018 the subsidiary in Latvia mogo AS 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. The principal amount of the loan agreement is EUR 1 000 000.

5] On 26 February 2018 the subsidiary in Georgia - Mogo LLC entered into an agreement on pledge of right of claim and funds with Ardshinbank CJSC, in order to secure Mogo LLC obligations towards Ardshinbank CJSC deriving from the loan agreement concluded between Ardshinbank CJSC and Mogo LLC on 26 February 2018.

6] Starting from 9 July 2018 Mogo Finance S.A. and its subsidiaries entered into several pledge agreements with Greenmarck Restructuring Solutions GmbH, establishing pledge over shares of the subsidiaries, pledge over present and future loan receivables of the subsidiaries, pledge over trademarks of the subsidiaries, general business pledge over the subsidiaries, pledge over primary bank accounts if feasible, in order to secure Mogo Finance S.A. obligations towards bondholders deriving from Mogo Finance S.A. bonds. Subsequently additional pledgors were added who became material [subsidiaries with net portfolio of more than EUR 7 500 000] according to terms and conditions of the bonds.

The total amount of pledged assets as at 31 December 2020 was 288 175 680 EUR. [2019: 131 153 097 EUR.]

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

8] On 27 November 2018 the subsidiary in Armenia Mogo UCO LLC entered into an agreement on pledge of right of claim and funds with Ardshinbank CJSC, pledging Mogo UCO LLC right of claim and funds, in order to secure Mogo UCO LLC obligations towards Ardshinbank CJSC deriving from credit contract dated 27 November 2017.

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

10] On 12 December 2018 the subsidiary in Latvia - mogo AS issued guarantee letters for the benefit of AS Skantes City to secure Mogo Car Finance AS and Longo Group AS obligations from the secured office space lease agreements concluded on 12 December 2018. According to the guarantee letters mogo AS undertook to fulfil AS Mogo Car Finance and Longo Group AS obligations towards AS Skantes City if they are overdue on liabilities under the agreements terms. The guarantees expire if the lease agreements are amended, renewed without prior written approval by mogo AS and is effective for the entire duration of the respective lease agreements. At the beginning of Y2020 both lease agreements were amended and mogo AS provided the new guarantee to secure only obligations of Mogo Group AS. The guarantee for Longo Group AS is deemed to be expired.

11] On 25 January 2019 the subsidiary in Latvia - Renti AS entered into a commercial pledge agreement with Mintos Finance Estonia OU, in order to secure Renti AS obligations towards Mintos Finance Estonia OU deriving from Cooperation agreement on issuance of loans No. 49/2018-L, dated 25 January 2019.

12] On 15 April 2019 Mogo Finance S.A. as the guarantor and the subsidiary in Armenia - Mogo UCO LLC entered into a surety agreement with Ardshinbank CJSC, in order to secure Mogo UCO LLC obligations towards Ardshinbank CJSC deriving from credit contract dated 2 November 2017.

13] On 31 July 2019 the subsidiary in Latvia - mogo AS entered into a commercial pledge agreement with Citadele banka AS, establishing a pledge over rights of claim arising from certain agreements concluded between mogo AS and its clients, to secure mogo AS, mogo OÜ and UAB mogo LT obligations towards Citadele banka AS deriving from the Credit line agreement dated 8 July 2019.

14] On 9 August 2019 the subsidiary in Estonia - mogo OÜ entered into a claims pledge agreement with Citadele banka AS, establishing a pledge over all present and future claims arising from certain agreements concluded between mogo OÜ and its clients, to secure mogo AS, mogo OÜ and UAB mogo LT obligations towards Citadele banka AS deriving from the Credit line agreement dated 8 July 2019.

15] On 9 September 2019 the subsidiary in Lithuania - UAB mogo LT entered into a contractual pledge agreement with Citadele banka AS, establishing a pledge over rights of claim arising from certain agreements concluded between UAB mogo LT and its clients, to secure mogo AS, mogo OÜ and UAB mogo LT obligations towards Citadele banka AS deriving from the Credit line agreement dated 8 July 2019.

46. Commitments and contingencies [continued]

16] On 17 September 2019 the subsidiary in Belarus - Mogo Kredit LLC entered into a pledge agreement over right of claim with CJSC Bank Resenje, establishing a pledge over certain receivables of Mogo Kredit LLC in favour of CJSC Bank Resenje, in order to secure Mogo Kredit LLC obligations towards CJSC Bank Resenje deriving from 2 credit contracts dated 17 September 2019.

17] On 26 September 2019 the subsidiary in Armenia - Mogo UCO LLC entered into a pledge agreement over right of claim with Ardashinbank CJSC, establishing a pledge over certain receivables of Mogo UCO LLC in favour of Ardashinbank CJSC, in order to secure Mogo UCO LLC obligations towards Ardashinbank CJSC deriving from credit contract dated 2 November 2017.

18] On 23 December, 2019 the subsidiary in Albania – Mogo Albania S.H.A. entered into a securing charge agreement with Mintos Finance SIA, in order to secure Mogo Albania S.H.A. obligations towards Mintos Finance SIA deriving from Cooperation agreement on issuance of loans No.88/2019-L, dated as of 20 December 2019.

19] On 21 February 2020 the subsidiary in Kazakhstan - Mogo Kazakhstan LLP entered into pledge agreement No. 07/2020-P over 60% of all rights of claim with Mintos Finance SIA, in order to secure Mogo Kazakhstan LLP obligations towards Mintos Finance SIA deriving from 21 February 2020 cooperation Agreement on Issuance of Loans No. 07/2020-L (as amended from time to time).

20] On 20 March, 2020 the shareholder AS Finitera of Kreda Finance [Albania] signed a Master Confirmation Agreement for Non-Deliverable Forward FX Transactions. This agreement covers the currency gap, which benchmark from Bank of Albania limits the currency exposure of less than 30% of capital, for only one currency.

21] On 22 July, 2020 O.C.N. Sebo Credit issued guarantee favour of private individual Tamara Paun to secure repayment of the loan issued by Tamara Paun to Rodica Paun. The loan was used to provide a subordinated loan to O.C.N. Sebo Credit.

22] On 26 January 2021, Mogo Finance S.A. signed a guarantee whereby Mogo Finance S.A. undertook to guarantee the fulfilment of AS mogo obligations towards its creditors under AS mogo Bonds [ISIN: LV0000802452] and their Terms and Conditions.

23] The Group has signed Covenant Agreements with P2P platform companies AS Mintos Marketplace and Mintos OU according to which in order to secure P2P platform's claims towards the subsidiaries if certain subsidiaries cooperating with P2P platform fail to perform their obligations. The claims are limited by amounts borrowed by each subsidiary.

24] According to the non-binding opinion of the Bank of Lithuania, released in third quarter of 2018 regarding the interest charged on a commission fee, the subsidiary in Lithuania - mogo LT UAB at the respective clients' request should compensate interest charged on its commission fee. Since in accordance with the recommendations of the Bank of Lithuania mogo LT UAB has made the necessary amendments and is not adding commission fee to the loan amount starting from the end of 2017, and has not received any requests by affected consumers. However, for the purpose of transparency, the grand total material adverse effect could be up to EUR 552 679.

47. 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 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 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 takes on exposure to certain operational risks, which result from general and specific market and industry requirements.

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

Group's operations are subject to regulation by a variety of consumer protection, financial services and other state authorities in various jurisdictions, including, but not limited to, laws and regulations relating to consumer loans and consumer rights protection, debt collection and personal data processing. Formal licences issued by respective regulators are required in all countries where the Group operates in, except for Lithuania, Georgia, Belarus, Moldova, Uzbekistan, Kazakhstan and Poland. The Group closely monitors all the changes in regulatory framework for each of the countries it operates in. The Group employs both in-house as well as outsourced legal specialists to 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 46.

47. Financial risk management (continued)*Anti-money laundering and Know Your Customer laws compliance risk*

The Group is subject to anti-money laundering laws and related compliance obligations in most of the jurisdictions in which it does business. The Group has put in place local anti-money laundering policies in those jurisdictions where it is required under local law to do so and in certain other jurisdictions. 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 Group has implemented further internal policies to minimise these risks. 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 each local law.

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 and foreign exchange rates.

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

Foreign currency risk

The Group accepts the currency risk by issuing loans in local currencies and funding local operations mostly with EUR. Further currency risk is managed transaction wise by avoiding unnecessary conversions back and forth to settle payments and invoices in EUR. Also Group is constantly looking for ways to fund local country operations with local currency funds.

The currency risk is defined as the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Group is exposed to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows.

The most significant foreign currency exposure comes from Belarus, Kazakhstan and Georgia, where Group has evaluated potential hedging options, but due to the costs associated with it, has decided not to pursue hedging strategy for now and assume potential short to mid-term currency fluctuations with retaining potential upside from strengthening in those currencies. The depreciation of several frontier market currencies during 2020 have been unprecedented in their severity over a relatively short period of time, hence Group was facing a one-off event with limited options to address the forex losses caused by that. The Group has always operated with a forex loss being a legitimate and always present cost item that was adequately priced within each non-EUR country's product portfolio. In an instant and severe currency movement such equity buffer built in product pricing becomes affected as it did in the year 2020. It is worth mentioning that during 2021 the Group already observes a more stable currency markets across the board. It is expected that Group's exposure to volatile foreign currencies will be continuing to decrease in future with Group's divestment of several of its subsidiaries. Additionally, the Group has started to proactively manage to foreign currency exposure risk towards USD, since in several of Group's largest markets local loan portfolios are linked to USD. The proactive management of USD exposure can be observed by forward contract purchases that have started already in 2020 and continued to do so in 2021.

Assets and liabilities exposed to foreign currencies fluctuation risk as at 31 December 2020:

Currency	Assets		Equity and liabilities		Foreign exchange contracts	Net assets exposed to currency risk
	in EUR		in EUR		in EUR	in EUR
ALL [Albania]	13 654 038	-	7 328 208	-	-	6 325 830
AMD [Armenia]	11 964 989	-	3 033 016	-	-	8 931 973
BAM [Bosnia&Herzegovina]	2 815 053	-	2 126 053	-	-	689 000
BGN [Bulgaria]	7 804 376	-	1 509 490	-	-	6 294 886
BYR [Belarus]	2 444 636	-	447 171	-	-	1 997 465
GEL [Georgia]	13 134 247	-	7 167 365	-	-	5 966 882
KEL [Kenya]	16 267 176	-	7 664 808	-	-	8 602 368
KZT [Kazakhstan]	7 091 172	-	3 405 784	-	-	3 685 388
MDL [Moldova]	33 680 524	-	13 510 089	-	-	20 170 435
MKD [North Macedonia]	8 269 380	-	3 404 428	-	-	4 864 952
PLN [Poland]	1 915 627	-	5 420 822	-	-	7 336 450
RON [Romania]	22 629 976	-	12 946 932	-	-	9 683 044
UAH [Ukraine]	5 484 884	-	1 139 542	-	-	4 345 341
UGX [Uganda]	4 793 388	-	270 357	-	-	5 063 745
USD [Group]	20 626 236	-	-	-	24 447 885	3 821 649
UZS [Uzbekistan]	5 894 081	-	2 109 081	-	-	3 785 000
	178 469 783	-	60 100 786	-	24 447 885	93 921 112

47. Financial risk management (continued)

Assets and liabilities exposed to foreign currencies fluctuation risk as at: 31 December 2019:

Currency	Assets in EUR	Equity and liabilities in EUR	Foreign exchange contracts in EUR	Net assets exposed to currency risk in EUR
ALL [Albania]	5 123 001 -	1 663 153	-	3 459 848
AMD [Armenia]	21 704 837 -	3 651 518	-	18 053 319
BAM [Bosnia&Herzegovina]	4 276 659	367 995	-	4 644 654
BGN [Bulgaria]	11 433 907 -	3 655 294	-	7 778 614
BYR [Belarus]	3 240 935 -	388 926	-	2 852 009
GEL [Georgia]	18 131 954 -	10 500 625	-	7 631 330
KEL [Kenya]	8 288 679 -	5 393 179	-	2 895 500
KZT [Kazakhstan]	6 947 239	598 615	-	7 545 853
MDL [Moldova]	13 940 315 -	2 126 738	-	11 813 577
MKD [North Macedonia]	3 294 418 -	968 524	-	2 325 894
PLN [Poland]	4 050 507	4 035 057	-	8 085 564
RON [Romania]	16 011 427 -	10 196 055	-	5 815 372
UAH [Ukraine]	149 907 -	149 907	- -	0
UGX [Uganda]	3 135 879	73 121	-	3 209 000
USD [Group]	10 753 547	-	-	10 753 547
UZS [Uzbekistan]	4 275 465	99 535	-	4 375 000
	134 758 677 -	33 519 596	-	101 239 081

An analysis of sensitivity of the Group's net assets to changes in foreign currency exchange rates based on positions existing as at 31 December 2020 and 31 December 2019 and a simplified scenario of a +/- 5% change in respective currency to EUR exchange rates (which is considered a reasonable historical approximation of average currency fluctuations) is as follows*:

Foreign currency rate risk exposure	31.12.2020.	31.12.2019.
ALL currency	+/- 316 291	+/- 172 992
AMD currency*	+/- 893 197	+/- 1 805 332
BAM currency	+/- 34 450	+/- 232 233
BGN currency	+/- 314 744	+/- 388 931
BYR currency*	+/- 199 747	+/- 285 201
GEL currency*	+/- 596 688	+/- 763 133
KEL currency	+/- 430 118	+/- 144 775
KZT currency*	+/- 368 539	+/- 754 585
MDL currency	+/- 1 008 522	+/- 590 679
MKD currency	+/- 243 248	+/- 116 295
PLN currency	+/- 366 822	+/- 404 278
RON currency	+/- 484 152	+/- 290 769
UAH currency	+/- 217 267	-
UGX currency	+/- 253 187	+/- 160 450
USD currency	[191 082]	+/- 537 677
UZS currency*	+/- 378 500	+/- 437 500
TOTAL:	+/- 5 914 390	+/- 7 084 830

* - In beginning of 2020 the currency rates of several countries have experienced bigger fluctuations due to their dependence from international oil market performance which have experienced a significant reduction in prices in first quarter of 2020. For this reason a higher sensitivity rate of 10% has been used for currencies affected by these events.

47. Financial risk management (continued)

An analysis of sensitivity of the Group's net profit to changes in foreign currency exchange rates based on positions existing as at 31 December 2020 and 31 December 2019 and a simplified scenario of a +/- 5% change in respective currency to EUR exchange rates (which is considered a reasonable historical approximation of average currency fluctuations) is as follows:

Foreign currency rate risk exposure	31.12.2020.	31.12.2019.
ALL currency	+/- 1 492	+/- 64 756
AMD currency*	+/- 328 776	+/- 34 354
BYR currency*	+/- 102 882	+/- 6 858
GEL currency*	+/- 23 163	+/- 148 676
KEL currency	+/- 45 054	+/- 18 709
KZT currency*	+/- 189 462	+/- 71 078
MDL currency	+/- 187 314	+/- 34 647
MKD currency	+/- 30 637	+/- 26 579
PLN currency	+/- 77 782	+/- 6 261
RON currency	+/- 20 555	+/- 6 455
UAH currency	+/- 6 998	+/- 11 737
UGX currency	+/- 39 725	+/- 16 800
UZS currency*	+/- 125 743	+/- 39 152
TOTAL:	+/- 1 179 582	+/- 486 062

For reasons mentioned above a higher sensitivity rate of 10% has been used for currencies affected.

The Group is not exposed to currency risk in Bulgaria and Bosnia since currency rates are fixed by respective national banks.

Interest rate risk

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

Financial risks

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 or increase its share capital. The Group fulfils externally imposed equity capital requirements as stated in Note 46.

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.

In order to maintain or adjust the overall capital structure, the Group may issue new bonds, borrow in P2P platform or sell assets to reduce 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.

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 manages its liquidity risk by arranging an adequate amount of committed credit facilities with related parties, P2P investors and by issuing bonds. The Group monitors daily cash flows and plans for milestone dates for cash outflows to cover major liabilities like semi-annual interest payments for Eurobonds. The Group regulates its issuances of new loans to ensure the adequate funds are available when upcoming larger settlement of liabilities is approaching.

47. Financial risk management (continued)

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

	Contractual cash flows					Total
	Carrying value	On demand	Up to 1 year	1-5 years	More than 5 years	
As at 31.12.2020.	EUR	EUR	EUR	EUR	EUR	EUR
Assets						
Cash in bank	9 315 430	9 315 430	-	-	-	9 315 430
Loans and advances to customers	92 431 892	-	92 567 307	61 915 516	3 802 143	158 284 966
Loans to related parties	15 828 513	-	7 577 108	9 023 944	-	16 601 052
Loans to non-related parties	-	-	-	-	-	-
Trade receivables	3 333 549	-	3 333 549	-	-	3 333 549
Other loans and receivables	-	-	-	-	-	-
Other short term receivables from related parties	2 869 132	-	760 878	187 171	145	948 194
Finance lease receivables	94 458 592	-	80 279 828	107 212 350	4 271 891	191 764 069
Total undiscounted financial assets	218 237 108	9 315 430	184 518 670	178 338 981	8 074 179	380 247 260
Liabilities						
Borrowings*	[243 233 928]	-	[78 862 971]	[185 139 099]	[13 451 077]	[277 453 147]
Other current liabilities	[7 164 857]	-	[7 164 857]	-	-	[7 164 857]
Total undiscounted financial liabilities	[250 398 785]	-	[86 027 828]	[185 139 099]	[13 451 077]	[284 618 004]
Net undiscounted financial assets / (liabilities)	[32 161 677]	9 315 430	98 490 842	[6 800 118]	[5 376 898]	95 629 256

* - borrowings contain balances from P2P lenders which might require earlier repayment due to 'buy back' guarantee. Carrying amount of such liabilities is 86 724 926 EUR. See Note 2 for further information on 'buy back' guarantee.

	Contractual cash flows					Total
	Carrying value	On demand	Up to 1 year	1-5 years	More than 5 years	
As at 31.12.2019.	EUR	EUR	EUR	EUR	EUR	EUR
Assets						
Cash in bank	8 656 530	8 656 530	-	-	-	8 656 530
Loans and advances to customers	63 934 676	-	43 809 649	69 335 984	3 940 456	117 086 089
Loans to related parties	22 073 496	-	4 944 338	19 491 261	-	24 435 599
Other loans and receivables	876 603	-	929 848	9 456	-	939 304
Other short term receivables from related parties	-	-	-	-	-	-
Finance lease receivables	116 151 466	-	90 164 587	145 473 894	7 823 558	243 462 039
Total undiscounted financial assets	211 692 771	8 656 530	139 848 422	234 310 595	11 764 014	394 579 561
Liabilities						
Borrowings*	[222 249 845]	-	[42 693 618]	[202 867 770]	[23 891 095]	[269 452 483]
Other current liabilities	[6 537 604]	-	[6 537 604]	-	-	[6 537 604]
Total undiscounted financial liabilities	[228 787 449]	-	[49 231 222]	[202 867 770]	[23 891 095]	[275 990 087]
Net undiscounted financial assets / (liabilities)	[17 094 678]	8 656 530	90 617 200	31 442 825	[12 127 081]	118 589 474

* - borrowings contain balances from P2P lenders which might require earlier repayment due to 'buy back' guarantee. Carrying amount of such liabilities is 70 157 207 EUR. See Note 2 for further information on 'buy back' guarantee.

47. Financial risk management (continued)*Credit risk*

The Group is exposed to credit risk through its finance lease receivables, loans and advances to customers, loans to related parties, 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.

	31.12.2020.	31.12.2019.
Finance lease receivables	113 339 631	118 490 804
Loans and advances to customers	132 262 816	94 037 686
Loans to related parties	15 873 285	22 117 115
Trade and other receivables	7 051 341	5 163 029
Cash and cash equivalents	9 315 430	8 656 530
TOTAL:	277 842 503	248 465 164

The Group collateralizes the finance lease assets it finances and provides loans in amount of no more than 85% of the market values of the collateral.

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.

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 instalment loan and long-term rent products.

The concentration risk on Groups financial assets [based on net exposure] is the following:

	31.12.2020.	31.12.2019.
Moldova	32 575 375	13 513 902
Lithuania	29 025 746	28 715 515
Romania	19 015 470	14 106 265
Luxembourg	18 003 746	26 316 941
Belarus	15 524 958	13 214 702
Latvia	14 908 944	22 716 419
Kenya	13 298 124	2 717 721
Estonia	13 059 747	17 049 142
Albania	12 046 197	4 618 548
Georgia	12 098 240	17 028 883
Armenia	10 299 380	20 639 050
Uganda	5 483 383	2 853 145
Kazakhstan	5 369 464	4 832 639
Ukraine	5 039 163	124 336
North Macedonia	4 919 267	2 247 330
Uzbekistan	4 399 370	3 596 077
Poland	1 815 421	3 828 180
Bosnia&Herzegovina	1 352 112	2 682 284
Spain	3 000	3 000
Bulgaria	-	10 888 692
TOTAL:	218 237 108	211 692 771

48. 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. 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 assets and standard derivative financial instruments traded on the stock exchange.

Fair value for such financial instruments as Financial assets at fair value through profit and loss is mainly determined based on publicly available quoted prices (bid price, obtainable from Bloomberg system).

Instruments within Level 2 include assets, for which no active market exists, such as over the counter derivative financial instruments that are traded outside the stock exchange, bonds, as well as balances on demand with the central banks, balances due from banks and other financial liabilities. Mogo Finance S.A. bond fair value is observable in Frankfurt Stock Exchange public information; however these bonds are treated as being within Level 2 considering the limited market activity for the bonds on the stock exchange and unobservable inputs are required to make judgements in assessment whether the available quotes represent the fair values. Fair value of bank loans is based on effective interest rate which represents current market rate to similar companies. The management recognizes that cash and cash equivalents' fair value is the same as their carrying value therefore the risk of fair value change is insignificant.

Instruments within Level 3 include loans and receivables.

Fair value of finance lease receivables and loans and advances to customers is determined using discounted cash flow model consisting of contractual lease and loan cash flows that are adjusted by expectations about possible variations in the amount and timings of cash flows using methodology consistent with the expected credit loss determination as at 31 December 2020 to determine the cash flows expected to be received net of impairment losses. The pre-tax weighted average cost of capital (WACC) of the entity holding the respective financial assets is used as the basis for the discount rate. The WACC is based on the actual estimated cost of equity and cost of debt that reflect any other risks relevant to the leases and loans that have not been taken into consideration by the impairment loss adjustment described above and also includes compensation for the opportunity cost of establishing a similar lease or loan. An additional 1.5% to 4.1% is added to the discount rate as an adjustment to consider service costs of the portfolio that are not captured by the cash flow adjustments.

The annual discount rate was determined between 11.04% and 20.82% depending on the Group's component holding the respective financial asset. 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).

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 31.12.2020.	Fair value 31.12.2020.	Carrying value 31.12.2019.	Fair value 31.12.2019.
	EUR	EUR	EUR	EUR
Assets for which fair value is disclosed				
Loans to related parties	15 828 513	15 828 513	22 073 496	21 848 308
Finance lease receivables*	94 458 592	131 979 781	102 460 765	158 558 456
Loans and advances to customers*	92 431 892	119 900 934	77 625 377	87 628 871
Other loans and receivables	2 869 132	2 869 132	908 253	908 253
Trade receivables	3 333 549	3 333 549	1 433 025	1 433 025
Other short term receivables from related parties	-	-	-	-
Other receivables	4 076 535	4 076 535	2 509 672	2 509 672
Cash and cash equivalents	9 315 430	9 315 430	8 656 530	8 656 530
Total assets for which fair value is disclosed	222 313 643	287 303 874	215 667 118	281 543 116

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

Liabilities for which fair value is disclosed

<i>Borrowings</i>				
Loan from related parties	12 126 467	12 126 467	6 782 061	6 782 061
Mogo Finance S.A. bonds	97 698 205	95 877 220	93 733 897	95 465 550
Mogo AS bonds	24 129 000	23 566 794	27 087 203	26 788 000
Lease liabilities for right-of-use assets	7 795 311	7 795 311	7 945 543	7 945 543
Long term loan from banks	12 578 116	12 578 116	16 454 596	16 454 596
Financing received from P2P investors	86 603 685	86 603 685	69 869 246	69 869 246
Other borrowings	2 303 144	2 303 144	377 299	424 294
Trade payables	1 282 953	1 282 953	1 285 498	1 285 498
Other liabilities	1 877 198	1 877 198	2 361 747	2 361 747
Total liabilities for which fair value is disclosed	246 394 079	244 010 888	225 897 090	227 376 534
<i>Liabilities measured at fair value</i>				
Other financial liabilities	165 457	165 457	56 732	56 732
Total liabilities measured at fair value and liabilities for which fair value is disclosed	246 559 536	244 176 345	225 953 822	227 433 266

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

	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
	31.12.2020.	31.12.2020.	31.12.2020.	31.12.2019.	31.12.2019.	31.12.2019.
Assets for which fair value is disclosed	EUR	EUR	EUR	EUR	EUR	EUR
Loans to related parties	-	-	15 828 513	-	-	21 848 308
Finance lease receivables	-	-	131 979 781	-	-	158 558 456
Loans and advances to customers	-	-	119 900 934	-	-	87 628 871
Other loans and receivables	-	-	2 869 132	-	-	908 253
Trade receivables	-	-	3 333 549	-	-	1 433 025
Other short term receivables from related parties	-	-	-	-	-	-
Other receivables	-	-	4 076 535	-	-	2 509 672
Cash and cash equivalents	9 315 430	-	-	8 656 530	-	-
Total assets for which fair value is disclosed	9 315 430	-	277 988 444	8 656 530	-	272 886 586

Liabilities for which fair value is disclosed

<i>Borrowings</i>						
Loan from related parties	-	-	12 126 467	-	-	6 782 061
Mogo Finance S.A. bonds	-	95 877 220	-	-	95 465 550	-
Mogo AS bonds	-	-	23 566 794	-	-	26 788 000
Lease liabilities for right-of-use assets	-	-	7 795 311	-	-	7 945 543
Long term loan from banks	-	-	12 578 116	-	-	16 454 596
Financing received from P2P investors	-	-	86 603 685	-	-	69 869 246
Other borrowings	-	-	2 303 144	-	-	424 294
Trade payables	-	-	1 282 953	-	-	1 285 498
Other liabilities	-	-	1 877 198	-	-	2 361 747
Total liabilities for which fair value is disclosed	-	95 877 220	148 133 668	-	95 465 550	131 910 985
<i>Liabilities measured at fair value</i>						
Other financial liabilities	-	-	165 457	-	-	56 732
Total liabilities measured at fair value and liabilities for which fair value is disclosed	-	95 877 220	148 299 125	-	95 465 550	131 967 717

Bonds issued by Mogo Finance S.A. have been classified as Level 2 fair value measurement given that there are observable market quotations in markets. The market for Mogo AS bonds is not assessed as an active market thus classified as Level 3. Fair value of the bonds has been determined based on observable quotes and management assessment why the quotes are representative of the fair values and are subject to any adjustments.

There have been no transfers between fair value hierarchy levels during 2020 and 2019.

49. Share-based payments

General Employee Share Option Plan

The Group may grant share options of Subsidiaries to its employees. Share options are generally awarded on the first day of employment. The share options vest within four years time with front loaded vesting of 25% of the granted shares after one year of employment. The maximum term of options granted is 4 years.

In some cases the Group might also sell the shares of certain entities to employees for nominal value of the shares. In 2020 the Group sold shares to its employees for total amount of 30 788 EUR and total value of minority interest of 512 836 EUR.

Shares in the following subsidiaries have been sold to employees during 2020:

Subsidiary	% of shares sold
Mogo Car Finance AS	0.58%
Mogo Baltics and Caucasus AS	1.20%
Mogo Eastern Europe AS	8.20%
Mogo Africa AS	11.94%

Fair value of the respective share options

The fair value of share options granted is estimated at the date of grant. Group's management has assessed that the fair value of the respective share options, due to reasons described in Note 3 is not material. Accordingly, no expense and liability arising from these equity-settled share-based payment transactions is recognized.

The exercise price of the share options under typical circumstances is equal to the nominal price of the underlying shares. The contractual maximum term of the share options are till 2023. There are cash settlement alternatives. Given absence of an ongoing sale of subsidiaries or Mogo Finance S.A. or any listing process initiated and any other relevant cash settlement events, cash settlement is considered not to be probable. The Group does not have a past practice of cash settlement for these awards and the Group does not have a present obligation to settle in cash.

The following table illustrates the number and weighted average exercise prices of the General Employee share option plan:

	2020		2019	
	Number	Weighted average exercise price, EUR	Number	Weighted average exercise price, EUR
Outstanding at 1 January	63	0.1	47	0.1
Granted during the year	65	0.1	34	0.1
Terminated due to failed vesting conditions	-49	-	-18	-
Outstanding at 31 December	79	0.1	63	0.1
Exercisable at the end of the period	-	-	-	-

There have been no forfeited or expired share options during the year.

The exercise price for options outstanding at the end of the year was 0.1 EUR [2019: 0.1 EUR]. The weighted average remaining contractual life for the share options outstanding as at 31 December 2020 is 3 years [2019: 3].

The main purpose of both share option plans is to attract and retain highly experienced employees for extensive period of time and build strong management team.

50. Segment information

For management purposes, the Group is organized into business units based on their geographical locations and on internal management structure, which is the basis for reporting system. During reporting year the Group restructured management structure therefore operating segments have been change. These consolidated financial statements provide information on the following operating segments. Comparative figures reflect segments according to previous years structure.

- HUB 1. This is the major segment of the Group representing entities performing car financing activities in Estonia, Georgia, Armenia, Bulgaria, Bosnia and Herzegovina, North Macedonia and Albania.
- HUB 2. This is the major segment of the Group representing entities performing car financing activities in Latvia, Lithuania, Romania, Moldova and Belarus.
- HUB 3. This is the major segment of the Group representing entities performing car financing activities in Kazakhstan, Uzbekistan, Kenya and Uganda.
- Entities performing consumer loan financing activities. This is the major segment of the Group representing entities performing activities in Moldova, Armenia and Ukraine.
- Other segments. This segment comprises Group's business lines with aggregate unconsolidated revenue below 10% of the total unconsolidated revenue of all operating segments.
- Other. The Group's financing (including finance costs, finance income and other income) and income taxes are managed on a Group basis and are not allocated to operating segments hence these are presented in "Other".

50. Segment Information [continued]

Management monitors mainly the following indicators of operating segments for the purpose of making decisions about resource allocation and performance assessment: net revenue, profit before tax, gross portfolio and impairment. Other segment is not monitored on segment level but on comprising subsidiaries level.

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

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

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

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

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

Operating segment	Interest income	Interest expenses	Impairment expense*	Other operating income	Other operating expense	Corporate income tax	Segment profit/(loss) for the period	Total assets	Total liabilities
HUB 1	24 440 201	[6 152 958]	[9 352 585]	6 712 182	[19 555 275]	145 849	[3 762 586]	79 324 252	50 306 925
HUB 2	40 535 138	[12 046 240]	[7 209 209]	13 945 483	[24 555 727]	[331 783]	10 337 662	154 826 517	128 608 171
HUB 3	12 020 950	[3 218 983]	[4 335 189]	1 905 753	[13 808 943]	1 503 499	[5 932 913]	47 402 265	49 395 896
Consumer loan financing entities	17 209 205	[1 600 239]	[5 921 144]	2 884 111	[6 454 445]	[563 409]	5 554 079	44 525 171	27 942 741
Other segments	676 103	[1 223 719]	[133 549]	3 964 873	[4 841 446]	[4 187]	[1 561 925]	12 445 476	16 038 731
<i>Total segments</i>	<i>94 881 597</i>	<i>[24 242 139]</i>	<i>[26 951 676]</i>	<i>29 412 402</i>	<i>[69 215 836]</i>	<i>749 969</i>	<i>4 634 317</i>	<i>338 523 680</i>	<i>272 292 465</i>
Other	9 868 101	[16 458 922]	[8 341 788]	18 289 922	[3 277 886]	[4 815]	74 612	98 320 474	148 027 190
Total	104 749 698	[40 701 061]	[35 293 464]	47 702 324	[72 493 722]	745 154	4 708 929	436 844 154	420 319 655
Adjustments and eliminations	[21 274 602]	14 647 684	9 718 740	[21 710 402]	15 073 351	[30 561]	[3 575 790]	[157 076 042]	[162 789 766]
Consolidated	83 475 096	[26 053 377]	[25 574 724]	25 991 922	[57 420 371]	714 593	1 133 139	279 768 112	257 529 889

* - includes net gain/[loss] from de-recognition of financial assets measured at amortized cost.

Inter-segment revenues are eliminated upon consolidation and reflected in the 'adjustments and eliminations' column. All other adjustments and eliminations are part of detailed reconciliations presented further below.

	2020
Revenue	EUR
External customers [interest income and other income]	81 308 995
Inter-segment [interest income and other income]	42 985 004
TOTAL:	124 293 999
Reconciliation of profit	EUR
Segment profit	4 634 317
<i>Profit from other</i>	<i>74 612</i>
<i>Elimination of inter-segment revenue</i>	<i>[39 031 716]</i>
Elimination of intragroup interest income	[18 400 766]
Elimination of intragroup income from dividends	[9 694 390]
Elimination of intragroup other income	[12 016 009]
Elimination of intragroup income from dealership commissions	1 079 449
<i>Elimination of inter-segment expenses</i>	<i>35 455 926</i>
Elimination of intragroup interest expenses	14 647 684
Elimination of intragroup other expenses	11 089 502
Elimination of impairment expenses	9 718 740
Consolidated profit for the period	1 133 139

50. Segment information [continued]*Reconciliation of assets*

Segment operating assets	338 523 680
Loans to subsidiaries [assets of Other]	73 532 078
Loans to non related parties [assets of Other]	15 825 465
Other short term receivables [assets of Other]	8 962 931
Elimination of intragroup loans	[150 586 950]
Elimination of other intragroup receivables	[6 489 092]
Total assets	279 768 112

Reconciliation of liabilities

Segment operating liabilities	272 292 465
Borrowings	110 445 192
Other liabilities	37 581 998
Elimination of intragroup borrowings	[145 166 849]
Elimination of other intragroup accounts payable	[17 622 917]
Total liabilities	257 529 889

In 2019 the Group organized its business units based on their geographical locations according to following hubs:

- HUB 1. This is the major segment of the Group representing entities performing financing activities in Baltic countries, Georgia and Armenia.
- HUB 2. This is the major segment of the Group representing entities performing financing activities in Bulgaria, Bosnia and Herzegovina, North Macedonia and Albania.
- HUB 3. This is the major segment of the Group representing entities performing financing activities in Romania, Moldova, Ukraine and Belarus.
- HUB 4. This is the major segment of the Group representing entities performing financing activities in Kazakhstan and Uzbekistan.
- HUB 5. This is the major segment of the Group representing entities performing financing activities in Kenya and Uganda.
- Entities performing sales of motor vehicles. This is the major segment of the Group representing entities performing sales activities of motor vehicles in Baltics, Armenia and Georgia.
- Other segments. This segment comprises Group's business lines with aggregate unconsolidated revenue below 10% of the total unconsolidated revenue of all operating segments.
- Other. The Group's financing [including finance costs, finance income and other income] and income taxes are managed on a Group basis and are not allocated to operating segments hence these are presented in "Other".

Segment information for the period ended on 31 December 2019 is presented below:

	Interest income	Interest expenses	Impairment expense*	Other operating income	Other operating expense	Corporate income tax	Segment profit for the period	Total assets	Total liabilities
HUB 1	47 124 898	[12 954 370]	[11 398 576]	17 103 344	[22 730 241]	[1 093 209]	16 051 846	171 053 182	125 784 644
HUB 2	6 187 535	[1 802 481]	[2 494 241]	1 977 929	[6 502 836]	327 797	[2 306 297]	29 348 023	22 381 095
HUB 3	14 477 607	[4 139 502]	[2 483 167]	1 785 856	[8 600 448]	[176 450]	863 896	56 741 355	48 635 900
HUB 4	1 994 940	[797 353]	[1 060 261]	2 137 450	[4 635 543]	325 646	[2 035 121]	13 055 874	15 151 811
HUB 5	1 142 180	[356 473]	[344 708]	3 813 644	[2 643 252]	279 472	1 890 863	10 950 037	8 973 721
Entities performing sales of motor vehicles	4	[698 223]	8 630	26 792 468	[28 406 674]	136 009	[2 167 786]	-	-
Other segments	9 861	[11 877]	-	945 997	[994 165]	[300]	[50 484]	2 044 641	1 981 393
Total segments	70 937 025	[20 760 279]	[17 772 323]	54 556 688	[74 513 159]	[201 035]	12 246 917	283 193 112	222 908 564
Other	909 995	[11 196 550]	-	10 198 420	[815 345]	[4 815]	[908 295]	93 222 939	126 435 476
Total	71 847 020	[31 956 829]	[17 772 323]	64 755 108	[75 328 504]	[205 850]	11 338 622	376 416 051	349 344 040
Adjustments and eliminations	[3 825 882]	10 781 573	1 673 763	[53 570 584]	38 132 487	[124 151]	[6 932 794]	[122 778 552]	[118 012 292]
Consolidated	68 021 138	[21 175 256]	[16 098 560]	11 184 524	[37 196 017]	[330 001]	4 405 828	253 637 499	231 331 748

* - includes net gain/[loss] from de-recognition of financial assets measured at amortized cost.

** - segment has been discontinued at the end of the reporting year. See Note 20 for further information.

50. Segment information [continued]

Although segmentation principles have been changed in 2020, segmentation information has not been updated for 2019 as considered impracticable due to being a resource-intensive task and thus bearing high costs.

Inter-segment revenues are eliminated upon consolidation and reflected in the 'adjustments and eliminations' column. All other adjustments and eliminations are part of detailed reconciliations presented further below.

	2019
	EUR
Revenue	
External customers [interest income and other income]	68 097 247
Inter-segment [interest income and other income]	57 396 466
TOTAL:	125 493 713
Reconciliation of profit	31.12.2019.
	EUR
Segment profit	12 246 917
<i>Profit from other</i>	<i>[908 295]</i>
<i>Elimination of inter-segment revenue</i>	<i>[19 781 677]</i>
Elimination of intragroup interest income	[7 014 017]
Elimination of intragroup income from dividends	[3 200 920]
Elimination of intragroup interest income	[5 740 858]
Elimination of intragroup income from dealership commissions	[3 825 882]
<i>Elimination of inter-segment expenses</i>	<i>12 848 883</i>
Elimination of intragroup interest expenses	10 781 573
Elimination of intragroup other income/[expenses]	2 067 310
Consolidated profit for the period	4 405 828
Reconciliation of assets	
Segment operating assets	283 193 112
Loans to subsidiaries [assets of Other]	70 644 249
Loans to non related parties [assets of Other]	4 555 439
Other short term receivables [assets of Other]	18 023 251
Elimination of intragroup loans	[121 465 829]
Elimination of other intragroup receivables	[1 312 723]
Total assets	253 637 499
Reconciliation of liabilities	
Segment operating liabilities	222 908 564
Borrowings	97 540 397
Other liabilities	28 895 079
Elimination of intragroup borrowings	[119 514 449]
Elimination of other intragroup accounts payable	1 502 157
Total liabilities	231 331 748

51. Events after balance sheet date

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

- 1] The Group has completed the sale of its Macedonian subsidiaries. An approval from the regulator has been received on 1 February 2021. Consideration received for the sale by the date of approval of these financial statements was 400 001 EUR with further amounts payable in the future.
- 2] On 1 March 2021, through public offering JSC "mogo" successfully issued secured corporate bond [LV0000802452] in the amount of EUR 30 million, which from 31 March 2021 is listed on the regulated market – the Baltic Bond List of "Nasdaq Riga" stock exchange.

The notes, with a 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 an exchange offer to existing bondholders, which has been comfortably oversubscribed with more than 840 investors participating in the offering.

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

51. Events after balance sheet date

Allocation results are as follows:

Investors	Nominal amount [% of issue size]	Number of investors
Existing bondholders	71%	181
New investors	29%	662
TOTAL:	100%	843

Geographic breakdown:

Country	Nominal amount [% of issue size]
Latvia	73.4%
Estonia	17.7%
Lithuania	0.3%
Other	8.6%
TOTAL:	100.0%

3] The Group has signed a sale agreement for its subsidiaries in Kazakhstan on 17 March 2021. Closing of the transaction is subject to the parties satisfying the conditions set out in the sales agreement. The transaction involves the disposal of 100% equity stake and repayment of Group loans by the end of Q1, 2022. Change of ownership has been completed in 5 May, 2021. It is anticipated that following the transfer of ownership TOO "Mogo Kazakhstan" will continue providing the same core services in Kazakhstan.

4] The Group has attracted further funding of EUR 5 000 000 in the form of subordinated borrowings.

5] The Group has received loan repayments from related parties for EUR 1 500 000.

6] On 19 March 2021 in order to hedge against the currency drop impact on the Group's assets, denominated in BYN, Mogo Belarus has obtained 4 420 000 BYN loan from the Belarus Bank Reshenie, holding a 12.9 % borrowing rate and maturing on 16 September, 2021. The loan has been pledged by 1.9 million USD cash deposit.

7] On 15 March 2021 a local regulatory approval was received for the change of shareholder with regards to the acquisition of TIGO FINANCE DOOEL Skopje.

8] On 17 February 2021 a local regulatory approval was received for change of shareholder regards to acquisition of KREDO FINANCE SH.P.K.

9] The Citadele bank loan in Baltics increased by 3,3 million EUR and prolonged maturity until 30 September 2021.

10] On 27 January 2021 Mogo Finance received board approval from bondholders to amend the terms and conditions of its EUR 2022 bonds [ISIN: XS183187755]. At the bondholders meeting, all proposed amendments were resolved. The proposals included the replacement of the bondholders' representative [Proposal 1], the amendment of financial conditions [Proposal 2] and the amendment of the definition of permitted debt [Proposal 3].

Signed on behalf of the Group on 17 May 2021 by:

Māris Kreics
Type A director

Delphine Glessinger
Type B director



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To the Shareholders of
Mogo Finance S.A.
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REPORT OF THE REVISEUR D'ENTREPRISES AGREE

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Mogo Finance S.A. and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for opinion

We conducted our audit in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 on the audit profession (the "Law of 23 July 2016") and with International Standards on Auditing (ISAs) as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" (the "CSSF"). Our responsibilities under the EU Regulation N° 537/2014, the Law of 23 July 2016 and ISAs as adopted for Luxembourg by the CSSF are further described in the « Responsibilities of "réviseur d'entreprises agréé" for the audit of the consolidated financial statements » section of our report. We are also independent of the Group in accordance with the International Code of Ethics for Professional Accountants, including International Independence Standards, issued by the International Ethics Standards Board for Accountants ("IESBA Code") as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the consolidated financial statements, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial



statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Significant judgments with regards to the assessment of the Group's ability to continue as a Going Concern

- a) Why the matter was considered to be one of most significance in our audit of the consolidated financial statements for the year ended 31 December 2020

The Group's financial statements are prepared on a going concern basis.

The World Health Organization declared on 11 March 2020 the coronavirus (COVID-19) outbreak a pandemic, following which government measures and restrictions to counter the effects of the outbreak were imposed in the Group's markets, affecting its business in the concerned jurisdictions. These measures and restrictions, which included border closure, quarantine, severe limitations imposed on cross-border and domestic transportation and bans on social, cultural, leisure or sport events were temporarily lifted in the middle of 2020 and then reintroduced in many markets in late autumn 2020 and have continued to the date of this audit report. As a consequence, the Group was forced to temporarily close its offline sales channels and transfer to a mostly remote working regime. Due to these conditions during the first half of 2020, the Group experienced a significant decrease in revenues and profitability. Issuance of new loans is still limited in certain markets in 2021.

The Group's going concern assessment is based on cash flow forecasts, which, in the Board of Directors' view, support the assertion that the Group will have sufficient resources to continue for a period of at least 12 months from the reporting date. The preparation of these forecasts incorporates a number of assumptions and significant judgment under a number of scenarios, including those considered by the Board of Directors to be severe but plausible, such as an extended closure of offline channels and continued substantial reduction in new loan issuance.

The Board of Directors concluded that the range of possible outcomes considered at arriving at this judgment does not give rise to material uncertainties related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. Note 3 further explains how this judgment was formed.

The COVID-19 pandemic is an unprecedented challenge for humanity and for the economy globally, and at the date of approval of the consolidated financial statements for issue, its ultimate effects are subject to significant levels of uncertainty. The Group's use of the going concern basis of accounting is a key audit matter due to the associated extent of uncertainty, and consequently, high level of judgment required in evaluating the Board of Directors' plans for future actions and their financial impact.



b) How the matter was addressed in our audit

Our procedures over the going concern assumption included but were not limited to:

- Understanding through inquiries and inspection the Group's business planning process, including the process to assess the Group's ability to continue as a going concern, and the preparation and validation of cash flow forecasts used in the assessment;
- inspecting the Board of Directors' going concern assessment, including their evaluation of the business/operating and liquidity risks arising from the continued COVID-19 outbreak, and plans for further actions in response to the risks identified. As part of the procedure, we also made corroborating inquiries of the Group's CEO and CFO;
- evaluating the reasonableness and feasibility of management's plans for future actions in order to alleviate the effects of the outbreak by reference to the procedures as follows :
 - challenging the key assumptions used in the determination of the forecasted financial information under various scenarios. This primarily included challenging the forecast amounts of new loans attracted, borrower payment discipline trends, capital expenditure and other cost volumes, based on our understanding of the Group's activities and by reference to publicly available industry and market reports;
 - performing an analysis of the going concern conclusion's sensitivity to changes in the aforementioned key assumptions adopted in the going concern assessment, and considering whether there were any indicators of management bias in management's assessment;
 - Assessing the availability of financing facilities and arrangements, by inspecting underlying documentation, such as agreements signed before the reporting period end, and assessing the impact of any covenants and other restrictive terms therein;
- considering whether any additional relevant facts or information have become available since the date on which the Group made its assessment;
- evaluating the appropriateness of Group's disclosures in respect of the going concern assessment, subsequent events and any related uncertainties in the consolidated financial statements.

Impairment allowance for finance lease receivables, loans and advances to customers

a) Why the matter was considered to be one of most significance in our audit of the consolidated financial statements for the year ended 31 December 2020

The gross amount of finance lease receivables as at 31 December 2020 amounts to EUR 113 339 thousand; impairment allowances on lease receivables recognised in 2020 amount to EUR 4 623 thousand; total impairment allowance as at 31 December 2020 amounts to EUR 17 816 thousand.



The gross amount of loans and advances to customers as at 31 December 2020 amounts to EUR 132 263 thousand; impairment allowances on loans and advances to customers recognised in 2020 amount to EUR 4 688 thousand; total impairment allowance as at 31 December 2020 amounts to EUR 37 822 thousand.

We refer to Note 2 and Note 3 (accounting policy), Note 7, Note 24 and Note 25 (financial disclosures) to the consolidated financial statements.

Finance lease receivables, and loans and advances to customers, collectively ("exposures"), represent approximately 67% of the Group's total assets as at 31 December 2020. Related impairment allowances represent the Board of Directors' best estimate of the expected credit losses associated with those exposures at the reporting date.

The Group estimates impairment allowances under the expected credit losses (ECLs) model of IFRS 9, considering multiple scenarios. During this process, the exposures are assigned into one of three stages. Stage 1 and Stage 2 loans are performing exposures, with Stage 2 exposures being those where a significant increase in credit risk since origination ("SICR") has been observed. Stage 3 loans are non-performing exposures. The ECLs for all are determined collectively, by applying modelling techniques, based on the historical pattern of losses and changes in the exposures' risk characteristics, adjusted by relevant forward-looking information. Key parameters within the model include those in respect of Probability of Default ("PD"), Loss Given Default ("LGD") and Exposure at Default ("EAD").

Determination of key parameters and timely identification of exposures with significant increase in credit risk and those credit impaired also requires significant management judgment. This is because 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.

Due to the above factors, and further alleviated in the current uncertain economic environment as a result of the COVID-19 pandemic, we consider the area to be associated with a significant risk of material misstatement, which requires our increased attention in the audit. As such, we determined it to be a key audit matter.

b) How the matter was addressed in our audit

Our procedures over impairment allowance for finance lease receivables, loans and advances to customers included but were not limited to:

- inspecting the Group's ECL methodology and assessing its compliance with the relevant requirements of the financial reporting standards. As part of the above, we challenged whether the level of the methodology's sophistication is appropriate based on an assessment of the entity-level and portfolio-level factors;
- testing selected key controls over the approval and recording of finance lease receivables and loans, and also those over the management review and approval of the key ECL model inputs and outcomes;
- testing the application and general IT controls related to the ECL estimation process, data flows between source systems and calculation of days past due with the assistance of our own information technology (IT) specialists;



- independently assessing the forward-looking information used in the ECL model, by means of corroborating inquiries of the Board of Directors and inspection of publicly available information with the assistance of our own financial risk management specialists;
- assessing the LGD, PD and EAD parameters in the model, by inspecting the Group's experience studies, evaluating any changes thereto in 2020 and making related inquiries of the Board of Directors and relevant credit risk personnel;
- assessing the appropriateness of the Group's staging of exposures, including identification of exposures with SICR. Considering COVID-19 pandemic outbreak impact and the related increase in granted forbearances and payment holidays we also challenged the identification of SICR for exposures that have been subject to any of the forbearance options offered by the Group. As part of the procedure, we also tested the appropriateness of the impairment rates applied in the model for exposures in a given stage;
- assessing the reasonableness of the ECL allowances, including both the share of the gross non-performing exposure in total gross exposure and the non-performing loans provision coverage;
- assessing the adequacy of the Group's disclosures on the loss allowances and credit risk management in the notes to the consolidated financial statements.

Interest income recognition

- a) Why the matter was considered to be one of most significance in our audit of the consolidated financial statements for the year ended 31 December 2020

Interest income from finance lease receivables in 2020 amounts to EUR 49 900 thousand; Interest income from loans and advances to customers in 2020 amounts to EUR 32 942 thousand;

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

Interest income represent 76% of the total revenue and other income of the Group for the year ended 31 December 2020.

The calculation of interest income relies on the application of complex information technology systems, which process substantial amounts of data requiring frequent updates.

In addition, interest income to be recognized is determined using the effective interest rate ("EIR") method. In making the determination, the Group applies a model whereby manual adjustments are made to the interest amounts calculated in an automated manner based on the contractual interest rate, to reflect incremental costs incurred in securing the underlying lease and loan contracts in the measurement of the EIR and resulting interest income recognized in profit or loss.

The above complexities increase the risk of a material error in the recognition of interest income and, because interest income represents one of the Group's key performance indicators, there is an inherent risk that the timing of recognition and the amounts recognized could be manipulated to meet specific targets or expectations.



In the wake of the above factors, we considered interest income recognition to be associated with a significant risk of material misstatement due to both error and fraud. Therefore, the area required our increased attention in the audit and as such was determined to be a key audit matter.

b) How the matter was addressed in our audit

Our procedures over interest income recognition included but were not limited to:

- obtaining an understanding of and evaluating the Group's interest income recognition policies against the requirements of the relevant financial reporting standards;
- testing the design and implementation of selected key controls within the interest recognition process, including those over application of appropriate contractual interest rates and other contractual terms in interest revenue recognition process and review and approval of manual accounting entries to measure EIR;
- testing IT general controls and selected key process level controls for the systems supporting the automated element of the interest income calculation, using contractual (nominal) interest rates with the assistance of our own information technology (IT) specialists;
- in respect of the internal reports and computations for manual adjustments to recognized interest income, testing the mathematical and logical accuracy of the reports and computations and, on a sample basis, tracing selected data inputs used in the reports, as follows:
 - interest rate implicit in the lease, principal outstanding at the year end and remaining lease term: by reference to the terms of the underlying finance lease and loan agreements;
 - transaction costs (commissions): by reference to supporting counterparty invoices;
- examining whether the interest income-related disclosures in the consolidated financial statements appropriately include and describe the relevant quantitative and qualitative information required by the applicable financial reporting framework.

Other information

The Board of directors is responsible for the other information. The other information comprises the information stated in the consolidated annual report including the “Our Group” section, the consolidated Management Report, and the consolidated Non-Financial Statement but does not include the consolidated financial statements and our report of the “réviseur d’entreprises agréé” thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information we are required to report this fact. We have nothing to report in this regard.



Responsibilities of the Board of Directors and Those Charged with Governance for the consolidated financial statements

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

The Board of Directors is responsible for presenting and marking up the consolidated financial statements in compliance with the requirements set out in the Delegated Regulation 2019/815 on European Single Electronic Format (“ESEF Regulation”).

In preparing the consolidated financial statements, the Board of Directors 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 the Board of Directors 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.

Responsibilities of the réviseur d’entreprises agréé for the audit of the consolidated financial statements

The objectives of our audit 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 a report of the “réviseur d’entreprises agréé” that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF 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.

Our responsibility is to assess whether the consolidated financial statements have been prepared in all material respects with the requirements laid down in the ESEF Regulation.

As part of an audit in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional skepticism 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 the Board of Directors.
- Conclude on the appropriateness of Board of Directors’ 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 report of the “réviseur d’entreprises agréé” 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 report of the “réviseur d’entreprises agréé”. 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 fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our report unless law or regulation precludes public disclosure about the matter.

Report on other legal and regulatory requirements

We have been appointed as “réviseur d’entreprises agréé” by the General Meeting of the Shareholders on 21 November 2019 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is two years.

The consolidated management report is consistent with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.



The Corporate Governance Statement is included in the consolidated management report. The information required by Article 68ter paragraph (1) letters c) of the law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended, is consistent with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.

We confirm that the audit opinion is consistent with the additional report to the audit committee or equivalent.

We confirm that the prohibited non-audit services referred to in the EU Regulation N° 537/2014 were not provided and that we remained independent of the *Group* in conducting the audit.

We have checked the compliance of the consolidated financial statements of the Group as at 31 December 2020 with relevant statutory requirements set out in the ESEF Regulation that are applicable to financial statements.

For the Group it relates to:

- Consolidated financial statements prepared in a valid xHTML format;
- The XBRL markup of the consolidated financial statements using the core taxonomy and the common rules on markups specified in the ESEF Regulation.

In our opinion, the consolidated financial statements of Mogo Finance S.A. as at 31 December 2020, identified as 'mogo-2020-12-31.xhtml', have been prepared, in all material respects, in compliance with the requirements laid down in the ESEF Regulation.

Luxembourg, 17 May 2021

KPMG Luxembourg
Société coopérative
Cabinet de révision agréé

A handwritten signature in blue ink, appearing to be 'M. Jahke'.

M. Jahke