Eleving GROUP

Integrated annual report

2022

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Our Group

2022 at a glance

330 000+
Total Number of Active Customers

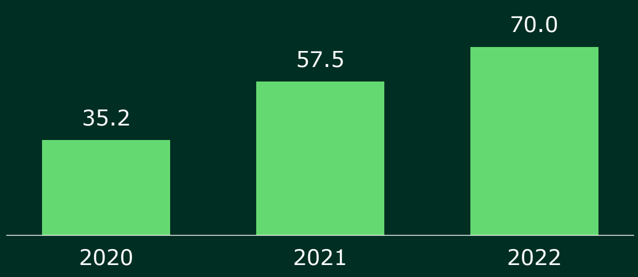
EUR 70.0 mln[1]
EBITDA, 12M 2022

EUR 293.0 mln
Vehicle and Consumer Financing Net Portfolio

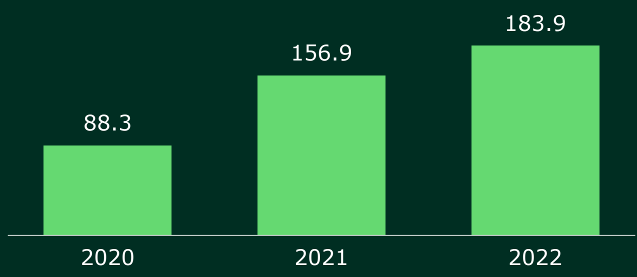
EUR 183.9 mln[2]
Revenues, 12M 2022

Exceptional twelve-month EBITDA[1] — EUR 70.0 mln

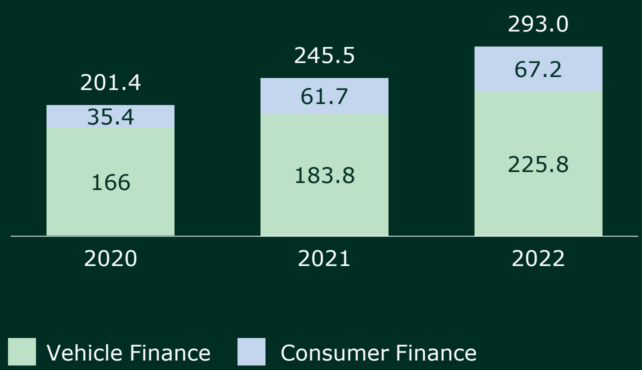
EBITDA, EUR mln[1]



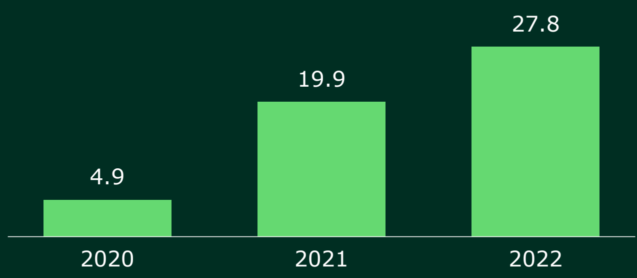
Revenue, EUR mln[2]



Net portfolio, EUR mln



Net profit before FX, EUR mln[3]



[1] 2020 EBITDA adjusted with an increase by one-off costs of: (a) Mezzanine payments for warrant EUR 2.5 mln; (b) amortization of fair value gain from acquisitions EUR 3.4 mln; (c) non-controlling interests EUR 0.4 mln; and a decrease by one-off gains of: (a) fair value gain on acquisitions EUR 9.7 mln; (b) acquisition of trademark EUR 1.8 mln; (c) other one-off adjustments. 2021 EBITDA adjusted with an increase by one-off costs of: (a) amortization of fair value gain EUR 3.2 mln; (b) loss resulting from subsidiary write-off EUR 1.0 mln; (c) bonds refinancing expense EUR 5.7 mln; and a decrease by one-off gains of: (a) non-controlling interests EUR 5.0 mln. 2022 EBITDA adjusted with an increase by one-off costs of: (a) loss resulting from subsidiary write-off EUR 0.8 mln; and a decrease by one-off gains of: (a) non-controlling interests EUR 5.0 mln.

[2] Adjusted with fair value gain on acquisition in 2020 in the amount of EUR 3.4 mln and subsequent amortization of portfolio gain in 2021 in the amount of EUR 3.2 mln.

[3] 2020 adjusted with an increase by one-off costs of: (a) Mezzanine payments for warrant EUR 2.5 mln; (b) amortization of fair value gain from acquisitions EUR 3.4 mln; and a decrease by one-off gains of: (a) fair value gain on acquisitions EUR 9.7 mln; (b) acquisition of trademark EUR 1.8 mln; (c) other one-off adjustments. 2021 adjusted with an increase by one-off costs of: (a) amortization of fair value gain EUR 3.2 mln; (b) loss resulting from subsidiary write-off EUR 1.0 mln; (c) bonds refinancing expense EUR 5.7 mln. 2022 adjusted with an increase by one-off costs of: (a) loss resulting from subsidiary write-off EUR 0.8 mln.

Keynotes from the CEO

Modestas Sudnius
Eleving Group CEO

The strategy

2022 was a turbulent year with a high level of uncertainty in the capital markets and on the geopolitical stage. It was a test for our organization, and we proved that a well-balanced and well-diversified business model is the key to overcoming unprecedented events. Diversification has always been part of Eleving Group's strategy—(i) diversification across different customer groups, with a focus on low monthly payments and affordable products, (ii) diversification across multiple products serving different customer needs, (iii) diversification of portfolio among different countries to have well-balanced revenue streams (iv) diversification across funding sources. This year's strategy has proved its effectiveness as, due to geopolitical reasons, economic turmoil, and changing moods in capital markets; we had to reevaluate our business in some markets, re-adjust our growth plans, and focus more on portfolio quality. It also meant we had to become more efficient in our operations, reduce administrative costs, manage our capital wisely, and take a slightly more cautious approach to new projects.

Despite all the headwinds, Eleving Group successfully navigated through the year, achieving the best financial and operational results in the company's history. Our strategy proved its effectiveness, as a result of which we successfully diversified business risks across our markets and broadened our funding structure. Now we find ourselves fairly comfortable with various funding sources, such as bonds, peer-to-peer (P2P), bank loans, and borrowings from third parties.

In 2022, we also tightened our underwriting policies to better prepare for potential future challenges. That resulted in our portfolio quality improving from quarter to quarter. At the moment, we do not observe any adverse effects on our portfolio caused by the economic downturn, but even if we were to start seeing some of the effects, the Group is fully prepared to cope with them.

Products and processes

In the previous years, we shifted our business focus and transitioned from a services-based approach to one aimed at creating a positive long-term impact on society and the economy. In 2021, we broadened our product range to become an international multi-brand Group, striving to empower diverse communities worldwide through financial inclusion. In 2022, we continued pursuing the set course and strengthened our position.

Despite the economic and geopolitical challenges, we maintained growth in nearly all of the Group's markets and both product segments. Our most mature markets and products continued to perform at the usual level. Car rental and car subscription services now play an increasing role in our portfolio, as does our motorcycle-taxi financing business in Kenya and Uganda. Indeed, in the second part of last year, we took a more conservative approach, but it allowed us to streamline our existing products and achieve a high quality of service. Although global consumption volumes fell slightly in the second half of the year, the demand for our products remained strong across the Group's markets.

Sustainability

At Eleving Group, we strive to create a positive impact through our business. We believe in sustainable practices and provide our customers with access to innovative opportunities that create social, environmental, and economic benefits. Thus, we have taken the necessary steps to make sure an effective environmental, social, and governance (ESG) framework is in place. We are actively working to implement, assess, measure, and report on our ESG goals. By collaborating with various stakeholders, such as policymakers, civil society, and suppliers, we are taking a leadership role in creating change to address the future challenges faced by society.

In 2022, the Group continued to pursue its climate targets, becoming Carbon Neutral Certified. We achieved this by offsetting the Group's carbon footprint in projects in Kenya and Uganda. Sustainability is also becoming increasingly important in our product concepts, through which we educate our customers about climate-friendly decisions and alternatives. To this end, we launched OX Drive, an electric car-sharing service in Latvia, and an e-motorcycle financing project in Kenya. These actions have helped us reduce the average CO_2 intensity arising from the Group's vehicle portfolio.

This year, we also launched our long-cherished financial literacy project, which aims to educate more than 500 000 consumers on financial management and budget planning through a purpose-built financial literacy platform. We believe that a good customer is one that is informed, and educating customers about financial literacy is a collective responsibility.

Summary

To sum up, I would resist calling 2022 an excellent year despite us achieving our all-time best financial results. We had to make a number of difficult choices, such as exiting markets and optimizing administrative costs. Now in retrospect, I may conclude that, although hard, they were the right decisions that allowed us to have, if not perfect, then still a great year. Our organization and team have once again demonstrated their agility and flexibility, and I am confident and optimistic about the future. We are embarking on 2023 as strong a team, business, and organization as we have ever been.

Modestas Sudnius
Eleving Group CEO

About the report

Eleving Group, formerly known as Mogo Finance, a public limited liability company (société anonyme) incorporated and existing under the laws of the Grand Duchy of Luxembourg, having its registered address at 8-10 Avenue de la Gare, L-1610 Luxembourg, Grand Duchy of Luxembourg and registered with the Luxembourg Trade and Companies Register (Registre de Commerce et des Sociétés, Luxembourg) under number B.174457, has prepared this Integrated Annual Report 2022 (hereinafter — the Integrated Report) following International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), and in a GRI-referenced approach (Global Reporting Initiative), demonstrating Eleving Group's financial standing, its performance regarding environmental, social, and governance aspects, adopted measures to prevent financial crime, responsible lending and inclusion measures, and other non-financial elements.

The Integrated Report of Eleving Group discloses sustainability information of Eleving Group along with its key operating entities: AS 'mogo' (Latvia), mogo OÜ (Estonia), UAB 'mogo LT' (Lithuania), Mogo LLC (Georgia), Mogo IFN SA (Romania), O.C.N. 'MOGOLOANS' S.R.L. (Moldova), OOO 'Mogo Credit' (Belarus), MOGO Universal Credit Organization LLC (Armenia), AS Renti (Latvia), OCN SEBO CREDIT SRL (Moldova), Kredo Finance Shpk (Albania), Finance Company TIGO FINANCE DOOEL Skopje (North Macedonia) and AS Mogo Africa (Latvia), SIA Spaceship 'OX Drive' (Latvia), and other subsidiaries (altogether hereinafter — Eleving Group, the Group, the Company).

The Integrated Report covers the period from 1 January until 31 December 2022.

Please send any questions or suggestions regarding the report to: esg@eleving.com.

The report is made public on the April 27, 2023.

Key ESG events of 2022

- In June, Eleving Group participated in carbon offsetting projects in Uganda and Kenya to compensate 114 tCO_2e arising from the administrative processes of the Group's headquarters (HQ), thus receiving a carbon-neutral company status.
- In July, the Group joined the "Zero tolerance against corruption" initiative to reduce corruption risks in the Latvian business environment, improve business disclosure practices, and implement anti-corruption programs.
- In September, the Group updated its Anti-fraud, Anti-bribery, and Anti-corruption Policy to set a high internal standard and come to a common understanding across all subsidiaries.
- In November, the Group introduced a CO_2 metric on all Eleving Group car portals to promote cars with lower CO_2 intensity per km.
- In December, Eleving Group launched its financial literacy platform in Latvia.
- At the end of 2022, Eleving Group adopted a new Business Code of Conduct and Ethics to set clear business principles for all stakeholders related to the Group.

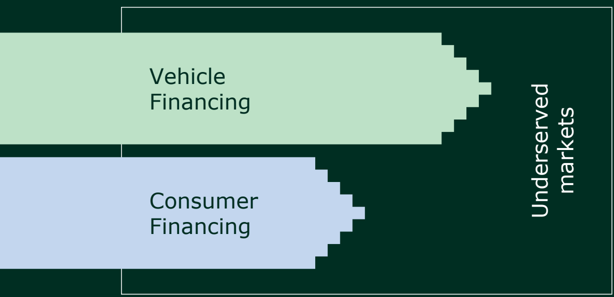
Key achievements of 2022

- Annual adjusted revenue up by 17.2% year-on-year (YoY) to EUR 183.9 mln.
- Annual adjusted EBITDA up by 21.8% (YoY), reaching EUR 70.0 mln.
- Record-high portfolio of EUR 293.0 million, reflecting annual growth of 19.3%.
- The Group's total equity amounting to EUR 72.9 mln, including subordinated debt that qualifies as equity per the Fitch Rating Agency, with a capitalization ratio of 25.8%.
- More than 146 000 new clients onboarded.
- EUR 7.3 mln raised in Kenya through a local bond issuance program.
- In June, the Group co-financed the launch of OX Drive, an electric car-sharing service in Latvia.
- In November, Eleving Group joined forces with Bolt and Stima to offer e-motorcycle financing services to boda riders in Kenya.

About the Group

Our approach

Our approach to business is to identify underserved markets and disrupt them with innovative and sustainable financial solutions in the vehicle and consumer financing segments.



Sustained growth

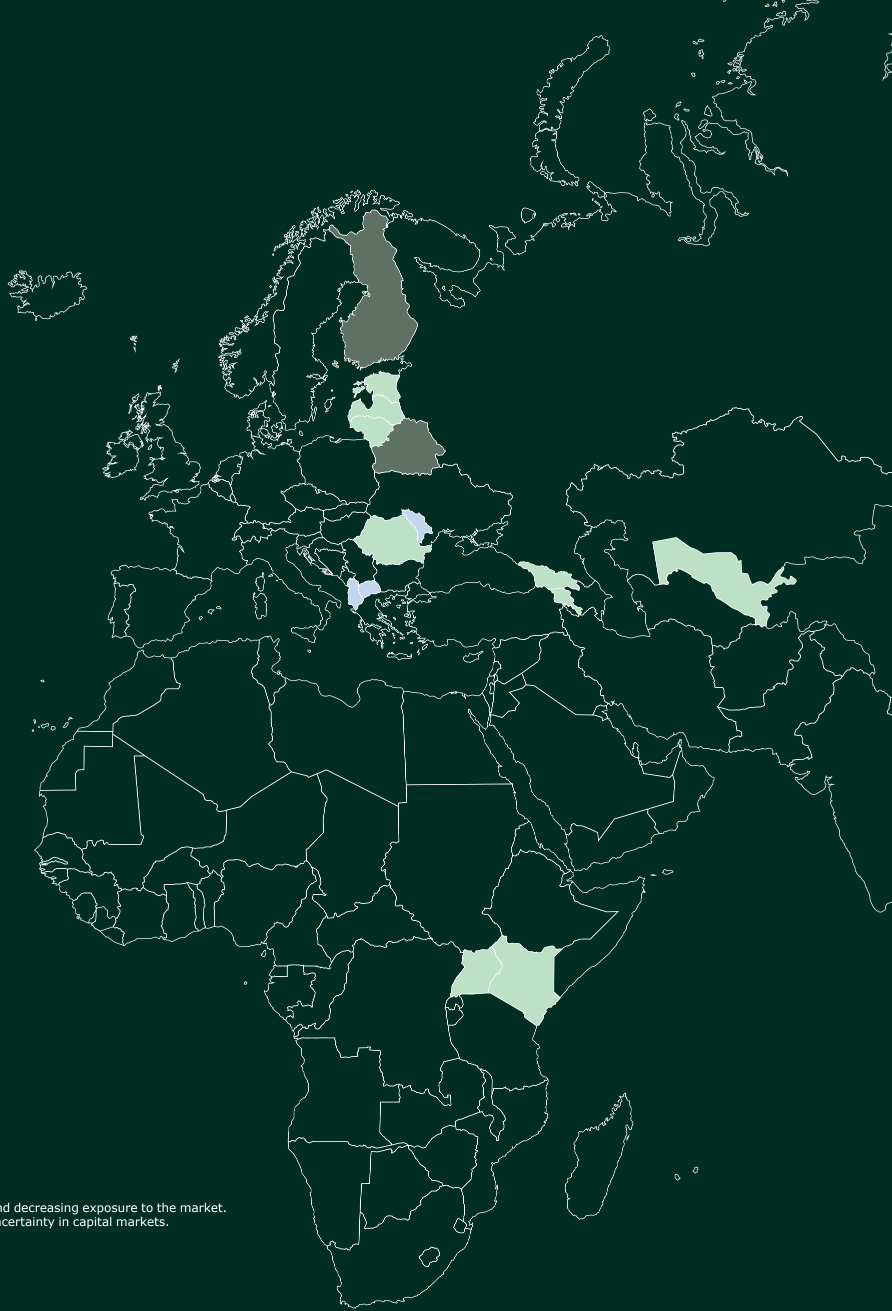
The consistent pursuit of growth has turned us into a strong, global, multi-brand player in the financial services industry, earning us a spot among the Top 1 000 fastest-growing companies in Europe in 2020 and 2021.

FT FINANCIAL TIMES statista 1000 Europe's Fastest Growing Companies 2020

FT FINANCIAL TIMES statista 1000 Europe's Fastest Growing Companies 2021

Presence

Eleving Group is an international fast-moving financial technology company offering services across the globe. The Group operates in 12[1] markets on three continents, with more than 2 600 employees and over 330 000 loyal customers



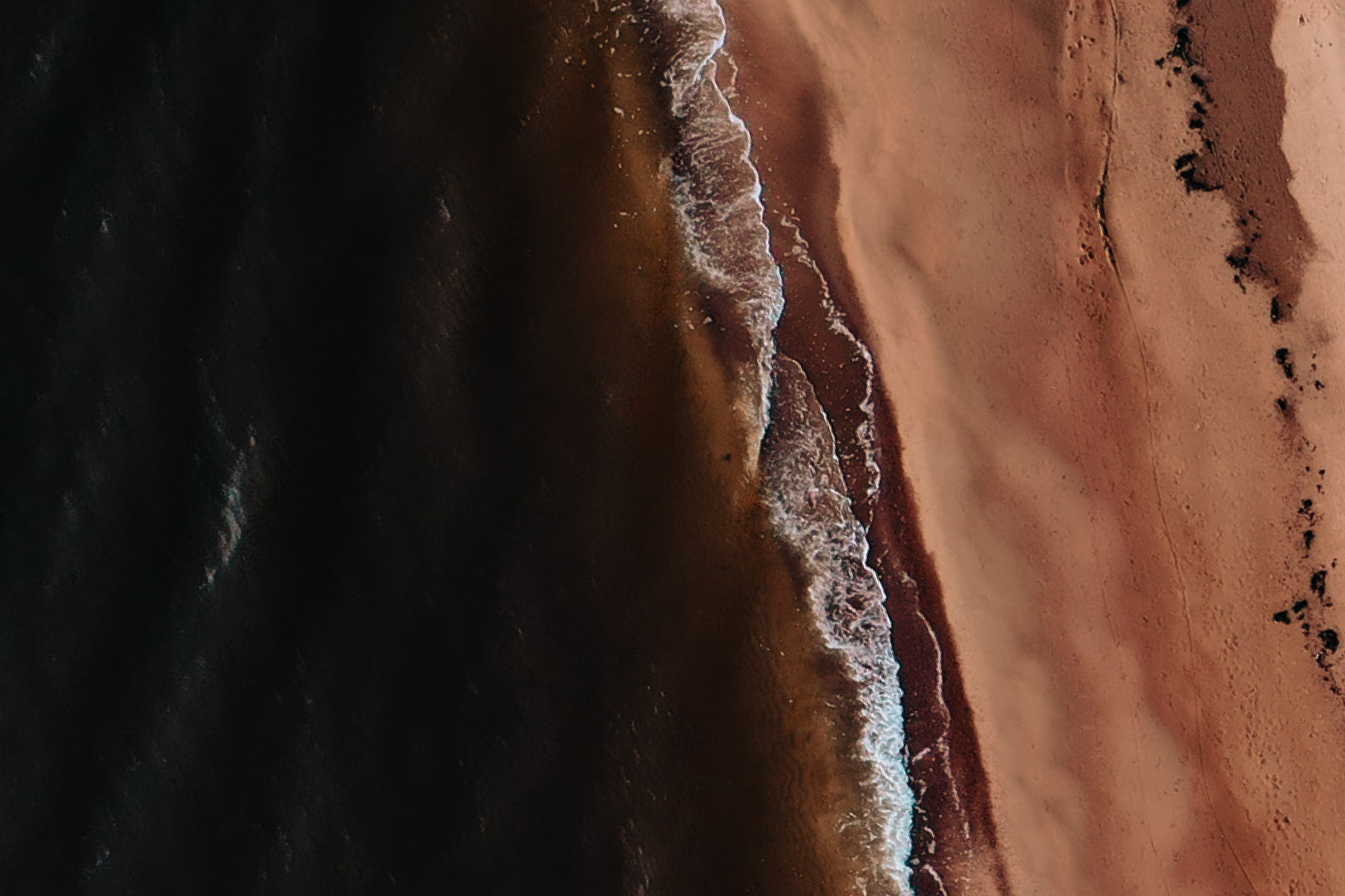
Vehicle Finance

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

Consumer Finance

- Albania
- North Macedonia
- Moldova

[1] Ukraine is in a run-down process, and further development is paused in Belarus with limited and decreasing exposure to the market. Operations in Finland were launched in early 2022 and put on halt right after due to general uncertainty in capital markets.



Management report

Group's profile

Eleving Group is an international, growth-oriented financial technology company with a vast global reach. The Group's approach to business is to identify underserved markets and disruptively change them with innovative and sustainable financial solutions in the vehicle and consumer finance segments. Founded in 2012 in Latvia as Mogo with a focus on vehicle financing and finance lease, the Group expanded into the Baltics within its first year in business. It continued expansion in the following years, now servicing 12[1] active markets and operating in three continents — Europe, Asia, and Africa. Eleving Group serves more than 500 000 loyal clients with a team of over 2 600 talented people who oversee administrative processes, risk management, customer service, product development, and other fundamental business areas.

Group's structure

Eleving GROUP

- **Eleving VEHICLE FINANCE**
  - **Eleving VEHICLE AFRICA & ASIA**
    - Mogo (Kenya)
    - Mogo (Uganda)
    - Mogo (Uzbekistan)
  - **Eleving VEHICLE EUROPE**
    - Mogo (Latvia)
    - Mogo (Lithuania)
    - Mogo (Estonia)
    - Mogo (Romania)
    - Mogo (Moldova)
    - Mogo (Armenia)
    - Mogo (Georgia)
- **Eleving CONSUMER FINANCE**
  - Kredo (Albania)
  - Tigo (North Macedonia)
  - Sebo (Moldova)

Since its inception, the Group has issued over EUR 1.2 bln in loans, with a current net loan portfolio and used car rental fleet of almost EUR 293 mln. In 2020 and 2021, the Group ranked among the top of Europe's 1 000 fastest-growing companies compiled by the Financial Times. Eleving Group has a proven track record and has developed strong know-how that allows its flexible business model to be implemented in new markets efficiently by leveraging its knowledge and technological resources.

Eleving Group carefully assesses new markets prior to entering them, looking into the legal framework, competition, country-specific risks, data availability, and other market conditions. Furthermore, Eleving Group visits the country to meet potential partners and suppliers and interviews potential local management candidates. Once the decision to enter a new market is made, Eleving Group typically adapts its existing models and business processes to the new market. This approach, together with an experienced hands-on regional management team, facilitates quick penetration of new markets and allows to maintain operations and credit risk assessments at a high level.

[1] Ukraine is in a run-down process, and further development is paused in Belarus with limited and decreasing exposure to the market. Operations in Finland were launched in early 2022 and put on halt right after due to general uncertainty in capital markets.

Eleving Group's business lines

Eleving Group runs two business lines:

vehicle finance

consumer finance

Eleving Group runs two business lines: vehicle finance and consumer finance. The Group offers vehicle finance in ten markets — Latvia, Lithuania, Estonia, Georgia, Romania, Moldova, Armenia, Uganda, Kenya, and Uzbekistan. As of 31 December 2022, a newly entered market of Finland is on temporary pause for further business exploration, while in Belarus, the Group is actively reducing portfolio exposure. In consumer financing, the Group is present in three markets —Albania, Moldova, and North Macedonia.

The Group's business lines comprise several products and services that fill the funding gap and create new opportunities for people who previously did not have access to finance or private transportation. Group's primary products can be split into three categories:

- **flexible lease and subscription-based** products — motorcycle taxis in Kenya and Uganda, used vehicle rental in Latvia and Lithuania, car subscription in Latvia, and electric car-sharing in Latvia.
- **lease and leaseback** products in Latvia, Lithuania, Estonia, Georgia, Romania, Armenia, Moldova, Uzbekistan, Kenya, and Uganda.
- **consumer lending** products — installment loans, credit lines, single payment loans in Albania, Moldova, and North Macedonia.

Eleving Vehicle Finance offers a finance lease and leaseback to customers in all its countries of operation. Under a finance lease, Eleving Group purchases a customer-selected vehicle; the lessee can then use the vehicle during the lease period and pay a series of installments. The purchased vehicles are 1 to 23 years old, with the majority in the range of 10 to 14 years. After repaying the principal, the lessee becomes the vehicle's legal owner. Under a leaseback contract, Eleving Group purchases a vehicle directly from the customer; the customer then continues to use the vehicle and pays monthly installments. After repaying the principal, the customer again becomes the vehicle's legal owner.

Both the finance lease and leaseback are Eleving Group's core products and currently represent 51.9% of the total net loan portfolio as of 31 December 2022. Eleving Group also offers multiple flexible lease and subscription-based products, accounting for 25.2% of the portfolio. In the Baltics, the Group provides rent-to-buy products to customers who seek ultimate flexibility and the possibility of returning or changing the vehicle at any time. In eastern Africa, the company focuses on productive lending products by financing new motorcycles and three-wheelers used for carrying passengers or delivering goods. Such products are offered exceptionally for self-employed riders who use their motorcycles to generate income and provide for their families. The Group also offers a car subscription product, allowing customers to drive a new car on the same day and covering all vehicle rental and maintenance costs with a single monthly payment. Customers can choose a subscription period from 1 to 36 months.

Mogo is the leading brand in the used vehicle finance market. Services are provided to customers via websites, mobile channels, and a broad dealer/broker and branch network. In specific markets, the Group also offers rent-to-buy services, car subscription services, and finance for more expensive vehicles through strategic collaboration with local banks. This is done under different brands (Renti, Renti Plus, Primero).

In 2022, the Group expanded its product range to include the car-sharing service OX Drive. This is an app through which an electric car-sharing service is offered in Riga and other nearby cities. In its first months, the new car-sharing product proved its viability and potential, and now more than 40 Tesla cars under the OX Drive brand provide a high-end and eco-friendly mobility experience for people who only need a car for short distances and short periods.

The proven business model of Eleving Vehicle Finance is built on the increasing demand for mobility around the world as well as the demand for quality used vehicles across Eleving Group markets, and it is realized through an innovative, data-driven, and fast process. IT investments, robust controls, efficient debt collection, and direct partnerships with used car dealer networks underpin this process. With a focus on secured lending against a vehicle's title, Eleving Group has unlocked a niche market for financial services, and is a first mover in this sector, benefitting from economies of scale and competitive advantage. Before establishing Mogo in 2012, there was no convenient alternative to finance used vehicles older than five years in the Baltics.

Eleving's Consumer Finance business focuses on markets lacking financial inclusion and having communities underserved by conventional financial institutions. In most cases, there is no "middle ground" between difficult-to-access bank finance and very limited, expensive short-term loans. Eleving Consumer Finance companies are often the only ones offering online and offline customer service experiences for diverse customer groups. With over 100 branches in Moldova, North Macedonia, and Albania, Eleving Consumer Finance companies offer flexible financial products—from credit lines to installment loans, providing access to substantial funds to customers that meet the Group's credit assessment benchmarks. This business line accounts for 22.9% of the total portfolio.

The key consumer financing product Eleving Consumer Finance offers is a long-term unsecured loan with regular fixed monthly payments. Interest rates differ based on the product, loan size, and term, with decreasing pricing for longer maturities. A customer may repay the outstanding loan balance in full at any time or make required minimum payments by the terms of the loan agreement.

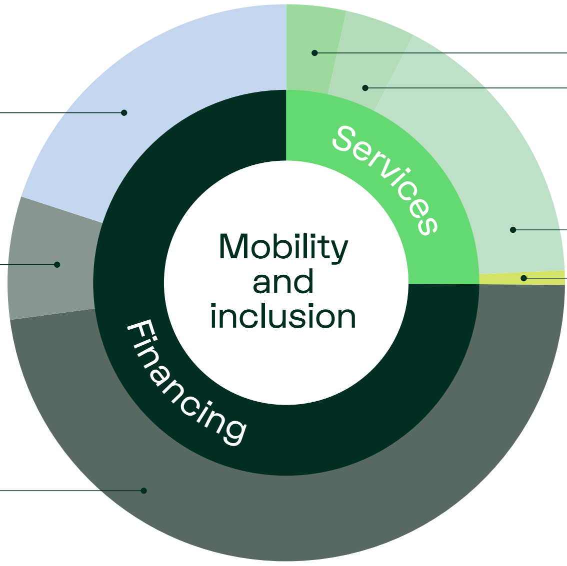
The Group's vehicle and consumer finance business lines have separate management teams. Having a larger operational volume and geographical outreach, Eleving Vehicle Finance's business operations are managed through two regional hubs—Eleving Africa & Asia and Eleving Europe. The Group`s headquarters of both business lines are operated from Riga, Latvia, and Vilnius, Lithuania.

Eleving Group's product universe

Accessible financing through traditional online and offline consumer loan products. (Kredo.al, Sebo.md, Tigo.mk)

Flexible premium car leasing for those interested in the highest quality vehicles. (primero)

Easily accessible and affordable mobility product for customers in underserved market segments. (mogo)



A rent-to-buy product designed with ultimate flexibility in mind. (RENTI)

Subscription-based product of brand-new cars for clients searching for immediate mobility solutions. (Renti plus)

A solution to self-employed who use mobility as a source of income for providing for their families. (mogo Boda loans)

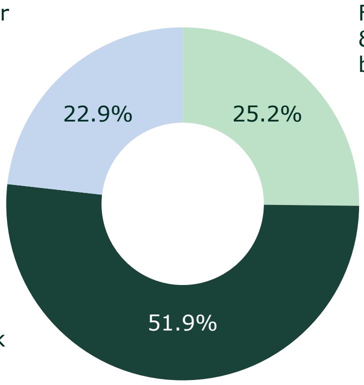
Group's latest product launched in July 2022 – Tesla based car-sharing experience in Riga region, Latvia. (OX)

Financing products include traditional lease and leaseback products as well as consumer financing products that accounted for 75% of the Group's total net portfolio as at December 2022.

Services products include flexible lease and subscription-based products that accounted for 25% of the Group's total net portfolio as at December 2022.

Portfolio balance[1]

as per December 2022



Eleving Group has a geographically diverse portfolio across three continents. Over 75% of the business is concentrated in European countries with resilient economies and strong currencies. The Group's African markets account for over 25% of the portfolio.

From the beginning of the war in Ukraine on 24 February 2022, the Group has gradually diversified its portfolio across markets to absorb the adverse effects of the war. Since 2Q2022, Eleving Group has reduced its portfolio exposure in Belarus and performed a portfolio run down in Ukraine.[5]

[1] Including Primero product portfolio in total portfolio balance
[2] Finland on pause, with license acquired in Q2 2022
[3] Population data source: Eurostat and World bank
[4] Passenger vehicle data source: ACEA VEHICLES IN USE REPORT and Nation Master
[5] Ukraine is in a run-down process, and further development is paused in Belarus with limited and decreasing exposure to the market. Operations in Finland were launched in early 2022 and put on halt right after due to general uncertainty in capital markets.

Vehicle Finance[2]

(Lease, leaseback + flexible lease and subscription)

Latvia (LV)
Population[3]: 1.9 mln
Passenger vehicles[4]: 0.66 mln
Operations launched: y2012
Share of portfolio: 4.6% (10.1%[w])

Lithuania (LT)
Population: 2.8 mln
Passenger vehicles: 1.26 mln
Operations launched: y2013
Share of portfolio: 9.4%

Estonia (EE)
Population: 1.3 mln
Passenger vehicles: 0.79 mln
Operations launched: y2013
Share of portfolio: 3.9%

Georgia (GE)
Population: 3.7 mln
Passenger vehicles: 1.01 mln
Operations launched: y2014
Share of portfolio: 5.5%

Romania (RO)
Population: 19.2 mln
Passenger vehicles: 6.90 mln
Operations launched: y2016
Share of portfolio: 10.1%

Armenia (AM)
Population: 2.9 mln
Passenger vehicles: n.a.
Operations launched: y2017
Share of portfolio: 4.4%

Moldova (MD)
Population: 2.6 mln
Passenger vehicles: 0.58 mln
Operations launched: y2017
Share of portfolio: 5.5%

Uzbekistan (UZ)
Population: 34.2 mln
Passenger vehicles: n.a.
Operations launched: y2018
Share of portfolio: 3.0%

Kenya (KE)
Population: 53.8 mln
Passenger vehicles: 0.96 mln
Operations launched: y2019
Share of portfolio: 17.8%

Uganda (UG)
Population: 45.7 mln
Passenger vehicles: 0.17 mln
Operations launched: y2019
Share of portfolio: 7.5%

Consumer Finance

Albania (AL)
Population: 2.8 mln
Business acquired: y2020
Share of portfolio: 10.1%

North Macedonia (MK)
Population: 2.1 mln
Business acquired: y2020
Share of portfolio: 5.8%

Moldova (MD)
Population: 2.6 mln
Business acquired: y2020
Share of portfolio: 6.8%

Taxonomy eligibility

The EU Taxonomy regulation is a classification system of environmentally sustainable economic activities.[1] The regulation aims to direct capital flows towards projects and activities that contribute to at least one of the EU's six environmental objectives:

1. Climate change mitigation
2. Climate change adaptation
3. The sustainable use and protection of water and marine resources
4. The transition to a circular economy
5. Pollution prevention and control
6. The protection and restoration of biodiversity and ecosystems.

Companies that are within the scope of the Non-Financial Reporting Directive (NFRD)[2] must disclose taxonomy-related information following the methodology and implementation timeframe of the disclosure obligation as specified in the Disclosures Delegated Act.[3]

In the 2022 annual report, Eleving Group will disclose information regarding its exposures to taxonomy-eligible and non-eligible activities in line with article 10(2) of the Disclosures Delegated Act. Currently, the eligible activities concern the first two objectives of the Taxonomy regulation: climate change mitigation and adaptation.[4]

Taxonomy Mandatory Reporting

Required information (art 10(2))	Absolute sum	The proportion of total covered assets
Exposures to Taxonomy-eligible activities	80 173 422	22.1%
Exposures to Taxonomy-non-eligible activities	281 248 521	77.5%
Exposures to central governments, central banks, and supranational issuers	-	0%
Exposures to derivatives	-	0%
Exposures to undertakings not subject to NFRD	1 455 347	0.4%
Trading book and on-demand inter-bank loans	-	0%

Eleving Group's exposures to taxonomy-eligible activities comprise leases for vehicles, loans backed by vehicles, and used vehicle rental services. These loans directly relate to activities that fit the description of section 6.5 of the Climate Delegated Act Annex I: Transport by motorbikes, passenger cars, and light commercial vehicles.[1] The exposures to taxonomy-non-eligible activities include unsecured consumer loans and vehicle loans granted outside the EU and loans to companies that are not subject to the disclosure obligations under the NFRD.

Eleving Group has set targets to reduce the climate impact of its portfolio related to these activities (see section Striving for climate impact reduction and adaptation). These climate targets relate to product design and engagement with clients. However, these targets are not considered in compliance with the Taxonomy regulation because it is currently difficult to estimate the availability and accessibility of information required to demonstrate that the activities Eleving Group are financing are taxonomy-aligned. This approach will be reviewed in the coming years, pending the feasibility of proving alignment.

[1] Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment and amending Regulation (EU) 2019/2088.

[2] Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014 amending Directive 2013/34/EU as regards disclosure of non-financial and diversity information by certain large undertakings and groups.

[3] Commission Delegated Regulation (EU) 2021/2178 of 6 July 2021.

[4] Commission Delegated Regulation (EU) 2921/2139 of 4 June 2021.

Stakeholders

Eleving Group believes a stakeholder-based approach helps to understand and manage both opportunities and risks to ensure sustainable growth and profitability; therefore, the Group focuses on bringing value to its stakeholders:

- Employees: career advancement and personal satisfaction.
- Customers: enabled upward social mobility through financial inclusion across diverse communities.
- Investors: return on the allocated capital.
- Regulators: a reliable partner in shaping the industry; a transparent and compliant entity.
- Local economies: regular tax revenues, a well-paid and educated workforce, and a non-discriminating attitude from an international employer.
- The industry: a trend and standard setter that drives innovation.

Eleving Group earns a substantial majority of its revenues from interest payments and fees on the loans the Group makes to customers. Financial institutions and other funding sources provide the Group with capital to fund these loans and charge interest on funds that Eleving Group draws down.

Eleving Group's investors' community comprises investors from the Baltics, Western and Central Europe. They value the Group as a trusted partner that can deliver consistent and sustainable growth.

The Group's business depends on certain services provided by third parties such as banks, local consumer credit agencies, IT service providers, and debt-collection agencies. An inability to maintain existing business relationships with banks, local consumer credit agencies, IT service providers, debt-collection agencies, and other third-party providers or the failure by these third-party providers to maintain the quality of their services or otherwise provide their services to the Group may have a material adverse effect on its business, financial condition, results of operations, prospects, or cash flows.

The Group's current and potential customers are working-class people receiving a regular income but having limited savings. Typically, these are customers underserved by traditional banks due to the low-ticket size, inefficient underwriting process, complicated and inefficient loan application process, and long turnaround times for such loans.

Potential customers for a consumer loan often try to address urgent cash flow needs, mainly related to unexpected expenses and financing consumer electronics purchases. Eleving Group's Consumer Finance customers are equally divided by gender and fall within an age range of 21 to 59.

[1] Commission Delegated Regulation (EU) 2921/2139 of 4 June 2021, Annex I.

Customers of Eleving Group's Vehicle Finance prefer to drive used premium-class vehicles instead of new or few-year-old economy-class vehicles since such vehicles perform better, depreciate less, and have cheaper maintenance cost due to a well-developed aftermarket. For most customers, a car is not a nice-to-have item but a necessity to travel to their workplace or earn income. The Group also serves small and medium enterprises that need quick financial solutions to solve mobility issues in their businesses. Most of Eleving Group's Vehicle Finance customers are males aged 21 to 59.

A significant part of used car sales occurs at physical locations where potential customers can see and test a car while interacting with a seller directly. Because of this trend, Eleving Group introduced dedicated partner account managers and specific partner programs to establish close business relationships with used car sellers. As of 31 December 2022, Eleving Group has signed Cooperation Contracts with more than 2 000 car dealerships.

As of 31 December 2022, Eleving Group has 350 strategically located branches in its countries of operation, allowing it to serve a broader population and address its customers' needs across its business lines.

Eleving Group and its companies' membership in trade associations, unions, and other organizations provide information on the trends of the financial and related industries and ensure representation of national and international interests in developing policy documents, legislation, and standards. For example, in Latvia, the Group is represented at the Latvian Fintech Association, in Moldova—at the Alternative Financial Services Association of Moldova.

The Group's representatives regularly discuss the development of the finance and related industries with industry professionals at various forums, conferences, seminars, and working groups.

Business driven by technology

Eleving Group utilizes state-of-the-art technological Eleving Group utilizes state-of-the-art technological solutions that ensure the quickest disbursement of funds in the market while maintaining the flexibility needed to serve underserved communities. Care for customers means open communication and tailor-made solutions. Innovative and technology-based internal processes allow the Group to analyze and assess all the possible customer and vehicle data. All decisions are based on an in-house scoring model and a data-driven metrics pool.

Since Eleving Group's IT strategy utilizes the most sophisticated technologies and solutions available on the market, the Group intends to continue substantial investments in IT systems and adapt its operations and software to support current and future growth.

Eleving Group's IT department supports the entire product development and optimization lifecycle. Eleving Group embraces effective design principles and applies value-driven prioritization principles to maximize return on time invested by the IT department. This approach aims at building solutions based on validated business needs, focusing on running secure and stable systems, minimizing maintenance costs but maximizing customer conversion rates, and streamlining portfolio administration.

Eleving Group constantly invests in digitization, data processing, and risk solutions. With Eleving Group's experience and expertise in providing innovative and data-driven financial services, such investments strengthen the Group's position to stay ahead of its competitors in terms of ease of use, customer convenience, and product offering. In addition, the Group's IT systems have demonstrated a track record for reliability and undisrupted performance, with no significant system downtime in the last three years. Eleving Group believes that its in-house IT team will be able to maintain the current service level and further develop and strengthen the performance of its IT systems.

Eleving Group uses a data-driven analysis and a data-driven decision-making process in all aspects of its business. Using data improves the assessment of existing and potential customers, helps optimize marketing expenditures, enhances credit risk management, and facilitates efficient new product development. Predictive data from alternative and traditional sources, such as credit bureaus, are used for a customer's valid credit scoring.

Eleving Group, as a responsible citizen of the international business community, encourages responsible lending, and its priority is to ensure a transparent and convenient customer journey. The Group ensures that customer data is processed and stored in a secured, encrypted way. The Group's daily business operations are supported by a specialized toolset and IT infrastructure, like a fraud prevention & scoring engine, risk evaluation engine, and usage of alternative data sources.

The vehicle assessment software automatically assesses the value of a vehicle by combining 10+ variables among thousands of vehicles on the market. To simplify the customer journey, there is a streamlined CRM (Customer Relationship Management) tool with multiple integrations with relevant credit bureaus, all central banks, and call center solutions. To provide convenient customer service, e-payments are used. The proprietary algorithms in the debt collection engine ensure high-efficiency operations. Integrated GPS (Global Positioning System) tracking and alerts enable access to customer data even when on the ground. 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 automation possibilities enabling Eleving Group to have cost-efficient IT operations with a constant focus on information security.

In 2022, Eleving Group introduced the latest version of a dealer's portal where partners/dealers can manage their car ads, fill in loan applications, follow the application process, upload digital documents, coordinate the digital signing of the documents, communicate with the clients on the status and process, and many more. The dealer module proves that Eleving Group is not only thinking about the end product and the customer experience but also about the intermediate stages of the credit lifecycle.

Strategy and goals for 2023

Products/geographies

- Maintain organic growth in the existing markets.
- Increased focus on client retention and repeated clients across all business lines.
- The launch and scale-up of near-prime car leasing product (Primero) in Lithuania and Estonia.
- Promotion of e-boda financing product in Kenya.
- Focus on organic growth in the East Africa region.
- Scale-up of electric car-sharing service in Latvia.
- Analyse opportunities for further growth in new markets.

Capital management

- Maintain sufficient and comfortable headroom for financial covenants: Interest Coverage ratio (ICR), Net Leverage ratio and Capitalization ratio.
- Focus on efficient capital allocation between the existing markets and products. Evaluate possible growth opportunities through portfolio or business acquisitions or new market launches.
- Monitor developments in the financial markets since the local bond in Latvia is maturing in 2024.
- Focus on attracting private debt in East Africa markets to further facilitate growth and mitigate the FX gap.

Sustainability

- Promote Group's e-mobility products.
- Reduce the carbon footprint arising from the company's portfolio.
- Continue reducing the resource consumption and waste generation volumes in Group offices.
- Continue the improvement of the company's processes and policies to maintain a sustainable and transparent business practice.

Processes

- Further automation and improvements in sales and client underwriting tools.
- Focus on cost optimization initiatives in East Africa region.
- Roll-out country wide motorcycle financing branch network in Kenya.

Our mission

To facilitate upward social mobility across diverse communities around the world by creating access to innovative and sustainable financial solutions.

Our values

Driven by Success

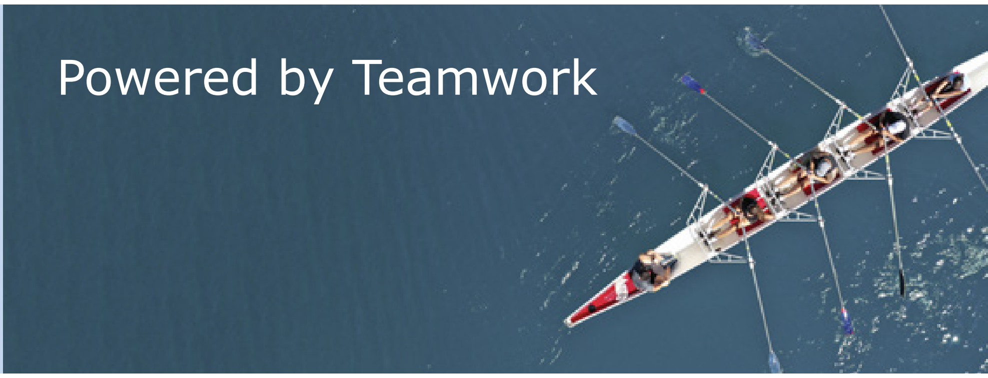
We are hungry for success and strive for excellence. While we revel in the process of dealing with any challenges encountered along the way, it is the result that truly matters and drives us. We define and measure our success, allowing it to be the driving force for new achievements.

Geared Towards Growth

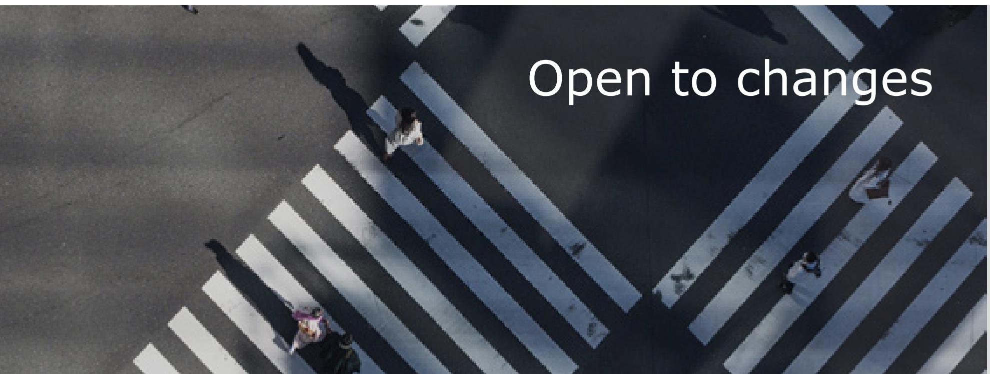
We have a business owner’s mindset. We take full responsibility for our actions and decisions, encouraging others to do the same. We take the initiative rather than react to events—we take calculated risks, boost efficiency, and keep improving.

Powered by Teamwork

We are open, honest, and caring. We lead by example and are trusting and trustworthy. We care for and support each other in reaching our common goals. We work with passion, celebrate our victories, and have fun along the way. We thrive on equality and diversity. An individual can achieve a great deal, but even more with a strong team.



Open to changes



We challenge and elevate everything we touch and are eager to find out-of-the-box solutions. Change is our driving force, and we face it head-on. We take on whatever comes our way, showing strength in a changeable environment.

Sustainability: approach and scope

Eleving Group is set to generate long-term value by fostering responsible financial behavior and practices, actively considering the societal impact of its business operations and the interests and expectations of the most relevant stakeholders, and contributing to a more sustainable future.

As a financial technology group with operations and clients around the world, Eleving Group promotes sustainable business practices and helps its customers capitalize on opportunities that bring positive social and economic impacts. Concerning several sustainability criteria, Eleving Group is a trendsetter introducing Western European values and incentives in developing countries, thus elevating the lives of vulnerable and diverse communities.

The Group is fully aware of the impact of its activities and its responsibility towards customers, regulators, shareholders, employees, business partners, and communities in which it operates, and is guided by the following sustainability principles:

- Compliance with high responsibility standards from a legal, ethical, economic, social, and environmental perspective.
- Commitment to balancing economic success with environmental and social responsibility.
- Responsible lending at the core of the business; continuous integration of environmental, social, and governance (ESG) criteria into the lending process.
- Promotion of transparent communication and open dialogue with our stakeholders.

To implement these commitments, the Group's most significant impacts have been identified, measurable targets set, and the progress on reaching these has been publicly reported. Above all, Eleving Group is transparent about direct and indirect impact on the environment, societies, and economies where it operates.

Materiality analysis

In 2022, Eleving Group conducted a materiality analysis to define the most relevant sustainability issues to the Group. The materiality analysis considered the nature of the business operations and the value chain of the Group, and various environmental, social, and governance impacts that its activities directly or indirectly might make or be affected by, and then prioritized these different ESG aspects through the following lenses:

- Stakeholder expectations (online survey and 1:1 interviews).
- Relevance from the management's point of view (workshops).
- Trends seen from a peer review (desktop analysis).
- High-level soon-to-be requirements of EU sustainability regulations, i.e., taxonomy and the Corporate Sustainability Reporting Directive (CSRD) (detailed requirements to be launched yet).

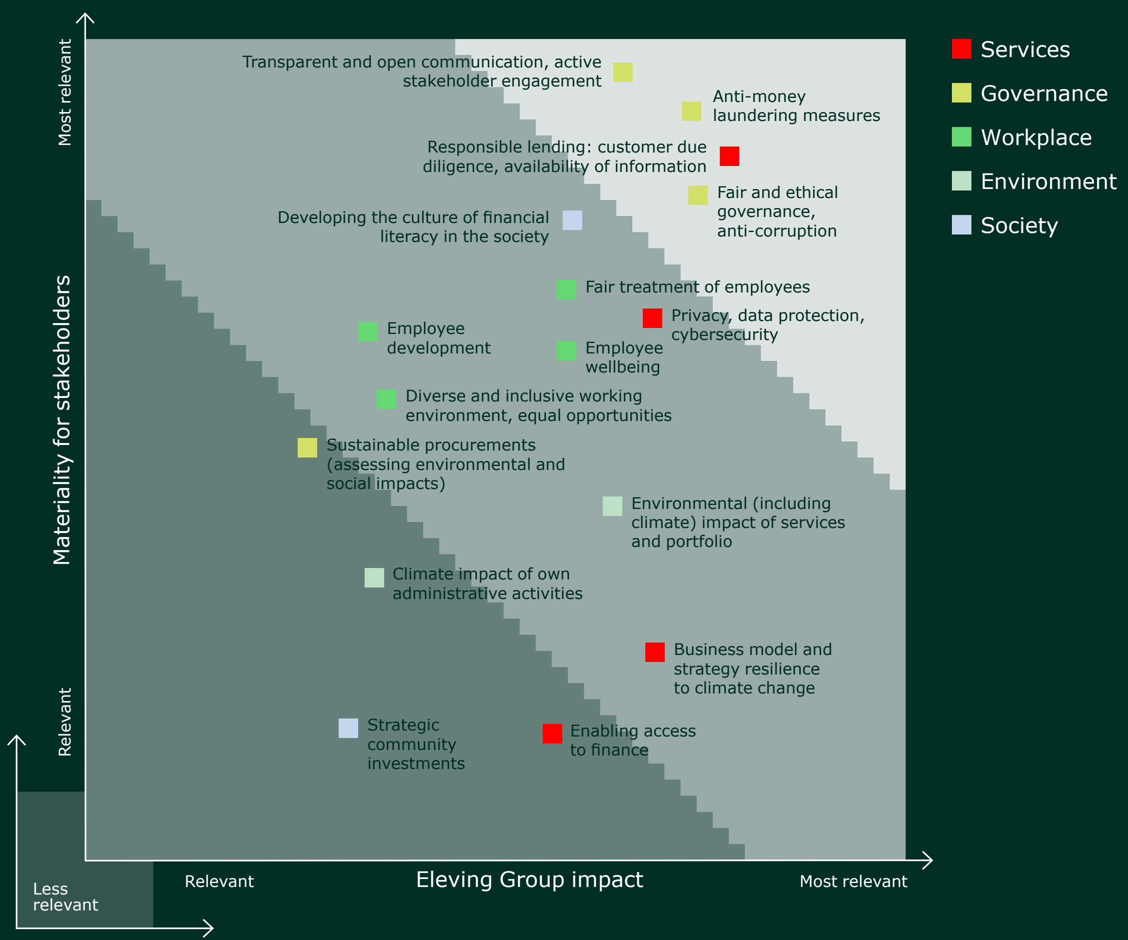
As part of stakeholder engagement, Eleving Group's managers of different functions and business units picked the most important stakeholders to be invited to do a survey on sustainability. Altogether, around 150 stakeholders and experts from around 130 organizations contributed to the Group's efforts in developing a systematic approach to sustainability, environmental and social aspects, and responsible business conduct. The findings are summarized in the table below, indicating stakeholder expectations regarding priority sustainability areas.

Priority sustainability areas / Major stakeholder categories	Financial community (banks, investors, analysts)	Policymakers, regulators, authorities, professional bodies	Suppliers, business partners	Civic society: NGOs, experts, media	Employees
Responsible lending: customer due diligence, access to information		✓	✓	✓	
Fair and ethical governance, anti-corruption	✓			✓	✓
Transparent and open communication, active stakeholder engagement	✓		✓	✓	✓
Anti-money laundering measures	✓	✓	✓		
Privacy, data protection, cybersecurity		✓	✓		

Major stakeholder categories / Priority sustainability areas	Financial community (banks, investors, analyists)	Policymakers, regulators, authorities, professional bodies	Suppliers, business partners	Civic society: NGOs, experts, media	Employees
Environmental (including climate) impact of services and portfolio	✓				
Fair treatment of employees (i.e., employment relations, engagement, remuneration)				✓	✓
Employee safety and well-being				✓	✓
Employee education, skills, and development		✓	✓		
Diverse and inclusive working environment, equal opportunities, respect for human rights					✓
Promotion of financial literacy in society	✓	✓			

As a result of the materiality analysis, 16 key focus areas were identified as the most relevant to Eleving Group. The matrix below presents the importance of each area from the perspective of the stakeholders (based on external stakeholder engagement—vertical axis) and from the perspective of the Group (based on the rest of the materiality analysis and external experts' opinion—horizontal axis).

Materiality Matrix



For the purposes of its Strategic ESG Program 2022–2025, the Group grouped the initially defined 16 areas into 11 priorities (split into four categories):

Eleving Group ESG priority topics

Practicing responsible business

- Sustainable procurements
- Fair and transparent business operations

Striving for climate impact reduction and adaptation

- Portfolio environmental/ climate impact
- Climate impact of own admin activities

Ensuring growth & well-being of employees

- Learning and development
- Health and well-being
- Engagement, diversity & equal opportunities

Fostering responsible access to finance

- Responsible lending
- Enabling access to finance
- Privacy, data protection, cybersecurity
- Financial literacy

A Way Way Up

ESG goals for 2025

Environment

- Climate impact monitoring and data collection system in place.
- Climate neutrality of administrative operations.
- User-friendly tools for measuring vehicle CO_2 emissions.

Social

- At least 8-hour professional development training for employees per year.
- Infrastructure for healthy work-life balance.
- Fair and equal internal progression of employees with 10% vacant management positions occupied by employees.
- Gender pay gap maximum 2%.
- Employee recommendation score (eNPS) at >50.
- Public programs and tools to improve the financial literacy of at least 500 000 people.

Governance

- Gender diversity in senior leadership roles (44-45% female).
- Zero unaddressed Whistle-blower reports.
- Structured ESG framework in place.
- Key suppliers assessed according to ESG criteria

Alignment with UN SDGs

To demonstrate compliance with the ethical standards of the industry and the national and international frameworks on corporate sustainability and sustainable development, Eleving Group has chosen to make sustainability commitments and align its practices with the United Nations Sustainable Development Goals (SDGs). Based on an analysis of its contribution to the SDGs, Eleving Group has chosen to focus on UN SDGs 3, 4, 5, 8, 9, 12, 13, and 15.

Sustainable development goals		SDGs and relevant sub-goals for Eleving Group	Contribution of Eleving Group to the achievement of the SDGs
3 GOOD HEALTH AND WELL-BEING	Ensure healthy lives and promote well-being for all at all ages	3.8. Achieve universal health coverage, including financial risk protection, access to quality essential healthcare services, and access to safe, effective, quality, and affordable essential medicines and vaccines for all	Provide Mandatory Health Checks; continue to offer and pay for health insurance for staff; and provide centralized access to Covid-19 vaccines
4 QUALITY EDUCATION	Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all	4.7. By 2030, ensure that all learners acquire the knowledge and skills needed to promote sustainable development, including, among others, through education for sustainable development and sustainable lifestyles, human rights, gender equality, promotion of a culture of peace and non-violence, global citizenship and appreciation of cultural diversity and of culture's contribution to sustainable development	Implement financial literacy platform in all Group's markets by the end of 3Q23. Promote financial literacy and learning opportunities through the platform to local consumers

Sustainable development goals		SDGs and relevant sub-goals for Eleving Group	Contribution of Eleving Group to the achievement of the SDGs
5 GENDER EQUALITY	Achieve gender equality and empower all women and girls	5.1. End all forms of discrimination against all women and girls everywhere	Promote diversity in the workplace and equal pay; promote a balanced gender diversity ratio; enable access to finance for female entrepreneurs
		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	Promote a balanced gender diversity ratio in senior leadership roles; enable access to finance for female entrepreneurs
8 DECENT WORK AND ECONOMIC GROWTH	Promote sustained, inclusive, and sustainable economic growth, full and productive employment, and decent work for all	8.3. Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity, and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services	Provide access to finance for starting a business/support revenue-generating activities
		8.8. Protect labor rights and promote safe and secure working environments for all workers, including migrant workers, in particular, women migrants, and those in precarious employment	Ensure a healthy and safe working environment and labor rights for employees
		8.10. Strengthen the capacity of domestic financial institutions to encourage and to expand access to banking, insurance and financial services for all	Provide access to finance to unbanked customers
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	Build resilient infrastructure, promote inclusive and sustainable industrialization, and foster innovation	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.	Enable access to finance to unbanked customers; providing employment considering diversity and equal pay; ensure digital accessibility
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	Ensure sustainable consumption and production patterns	12.6. Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle	Own ESG and sustainability reporting
		12.7. Promote public procurement practices that are sustainable, in accordance with national policies and priorities	ESG criteria included in the procurement process, assessment of suppliers

Sustainable development goals	SDGs and relevant sub-goals for Eleving Group	Contribution of Eleving Group to the achievement of the SDGs
 Take urgent action to combat climate change and its impacts	13.1. Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries	Climate-resilient and adaptive planning, monitoring own climate impact, and development of new
 Protect, restore, and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss	15.1. (..) ensure the conservation, restoration, and sustainable use of terrestrial and inland freshwater ecosystems and their services, in particular forests, wetlands, mountains and drylands, in line with obligations under international agreements	Offset the CO_2 emissions arising from Group HQs each year by co-financing the reforestation campaigns

Sustainability governance

Fair, ethical, and sustainable conduct across the Group and its supply chain underpins any business activity.

The board has the overall responsibility for the implementation of the Group's ESG policy, and everyone is committed to reaching the agreed strategic goals.

In order to meet its ESG commitments, Eleving Group has developed its Strategic ESG Program 2022–2025 and set measurable targets. Furthermore, the Group publicly reports on its progress, being transparent about its impact on society, the economy, and the environment of the countries the Group operates in.

For each of the four Eleving Group's ESG priority categories, there is a designated senior executive responsible for proposing goals, Key Performance Indexes (KPIs), and possible activities, and monitoring the progress regarding each of the targets set.

Approach to sustainability reporting

Eleving Group measures its non-financial performance according to internationally known metrics that are well respected and recognized by the global investors` community.

Therefore in 2021, the Group started its sustainability reporting practice, using the environmental, social, and governance (ESG) framework. This ensures that the key stakeholders have relevant information to make informed decisions about the Group's ability to create value in the short, medium, and longer term.

Eleving Group sees the ESG data as a significant performance signal to all main stakeholders and society in general; therefore, in 2021, the Group started a smooth transition to a regular and strategically guided sustainability reporting process.

2022 ESG Progress Report

Pillar	Topic	Link to 2025 goals/ UN SDG	Goal	Action	Stakeholders	Impact
Climate impact	Reduction of the Group's carbon footprint	Climate neutrality of administrative operations 15. Life on land	To fully compensate Group's carbon footprint for 2022	Participating in carbon offsetting projects in Uganda and Kenya Time of completion: Q2	Civic society, Non-Governmental Organizations (NGOs), local communities	The company has co-financed the reforestation of the Great Rift Valley in Kenya and co-financed the purchase of cookstoves for households in the Up Energy Improved Cookstoves project in Uganda. Through this project, Eleving Group compensated 114 tCO_2e arising from its business, positioning the Eleving Group as a sustainability-focused business
Corporate governance	Zero tolerance against corruption	Extra	Reduce the risks of corruption in the Latvian business environment, improve business practices in disclosing information, and implement anti-corruption programs	Joining the initiative Time of completion: Q2	Suppliers; Business partners; financial community	The company has publicly shown its position on the matter and promoted to join other companies in this initiative
Corporate governance	Anti-fraud, anti-bribery, anti-corruption policy	Extra	Update the related policy and achieve a common understanding of the topic across all subsidiaries	Policy update Time of completion: Q3	Suppliers; Business partners; employees	The company has updated, approved, and implemented the policy. It plays a significant role in the management of the company and in building relationship with decision-makers and partners
Corporate governance	Cyber-security education	At least 8-hour professional training for employees per year	To reduce the risks arising from the cyber environment and educate employees about the safety measures and standards in the company	Annual cyber-security seminar for Group's employees Time of completion: Q4	Suppliers; Business partners; employees	More than 150 employees participated in the webinar. The company improved its internal cybersecurity requirements for employees
People	Diversity and inclusion	Extra 5. Gender Equality	Promote equal opportunities and improve employee's well-being	Webinar on diversity and inclusion for all Eleving Group employees Time of completion: Q2	Employees	More than 200 employees took part in the webinar
People	Mental Health Awareness Month	Infrastructure for healthy work-life balance 5. Gender Equality	Improve employee well-being and maintain a work-life balance	Webinar on mental health for all Eleving Group employees Time of completion: Q2	Employees	More than 150 employees took part in the webinar

Pillar	Topic	Link to 2025 goals/ UN SDG	Goal	Action	Stakeholders	Impact
People	Support program for colleagues with kids	Infrastructure for healthy work-life balance 5. Gender Equality	Improve employee well-being and maintain a work-life balance	Improved support program with additional benefits Time of completion: Q3	Civic society, NGOs; employees	Once a year in July (three to four weeks), Eleving Group Riga and Vilnius HQ provide free of charge professional childcare services during working hours for those parents whose children's kindergarten is closed for the summer vacation
People	Zero work-related injuries	Extra	To improve internal health and safety measures, and promote work safety in the general public, and industry	Joining the initiative Time of completion: Q3	Employees; Civic society, NGOs	Work started on improving internal procedures, introducing new training programs, positioning the company
People	Re-onboarding	Infrastructure for healthy work-life balance 5. Gender Equality	To promote a more efficient reintegration of employees returning from child leave	Policy update Time of completion: Q3	Employees	The respective category of employees now has adapted work schedules in the first month of return, remote work options, specific reintegration program, designated mentor, specific salary review policy, etc.
People	Group Covid-19 vaccination for HQ	Extra 3. Good health and well-being	Provide vaccination against the Covid-19 virus	The company provided group vaccinations in its Riga office for employees at their free choice Time of completion: Q4	Employees	About 30% of the employees used the opportunity to get vaccinated with the 4th vaccine on this day
People	Annual Group health check for HQ	Extra 3. Good health and well-being	Provide health screening for staff	The company hired a certified medical institution to take the workers for a health check during working hours at the company's premises Time of completion: Q4	Employees	All Riga HQ employees who had to undergo the compulsory health check-up did so, and found out their health status

Progress toward 2025 targets in 2022

Pillar	Topic	Link to 2025 goals/ UN SDG	Goal	Action	Stakeholders	Impact
Climate impact	Electric car-sharing	Extra 13. Climate action	To create an alternative to the daily car-sharing format with ICE vehicles, thus reducing the negative impact on the climate arising from CO_2 emissions. Add more than 1000 e-vehicles to the fleet by 2025	The company has co-financed the OX Drive project, an electric car-sharing service in Latvia Time of completion: Q2	Civic society, NGOs, media; Financial community; Policymakers, regulators, authorities	The OX Drive project now offers an environmentally friendly car-sharing service with more than 40 Tesla cars, positioning the Eleving Group as a sustainability-focused business

Pillar	Topic	Link to 2025 goals/ UN SDG	Goal	Action	Stakeholders	Impact
Climate impact	Educating customers about CO_2 emissions	User-friendly tools for measuring vehicle CO_2 emissions 13. Climate action	To reduce the average CO_2 emission intensity arising from the company's vehicle portfolio and promote eco cars	CO_2 input in all Eleving Group car portals Time of completion: Q3	Civic society, NGOs; Customers; Partners	Positioning the business as a sustainability-focused, dealer activation to promote green vehicles
Climate impact	Reduction of the CO_2 emission intensity	User-friendly tools for measuring vehicle CO_2 emissions 13. Climate action	To reduce the average CO_2 emission intensity arising from the company's vehicle portfolio from 97 to 80 gCO_2/km	Promotion of cars with lower CO_2 intensity levels per km Time of completion: Q4	Civic society, NGOs, media; Financial community; Policymakers, regulators, authorities	3,1% reduction of the CO_2 intensity level arising from the Group's portfolio in 2022, positioning the business as a sustainability-focused
Climate impact	E-mobility in Kenya	Extra 13. Climate action	To promote green mobility and sustainable decision-making among local clients. Add more than 1000 e-vehicles to the fleet by 2025	The company has joined forces with Bolt and Stima to promote climate-neutral mobility in Kenya by offering e-motorcycle financing services to local customers Time of completion: Q4	Civic society, NGOs; Financial community; Policymakers, regulators, authorities	For clients, this project will save money on fuel and maintenance costs. For society, in the long run, it will improve the ecological aspects in the cities, such as air quality and reduced noise levels, positioning the company as a sustainability-focused business
Climate impact	Resource usage monitoring for HQ	Climate impact monitoring and data collecting system in place 13. Climate action	Accurately identify resource consumption at HQs to reduce the volumes	Principles for monitoring resource use developed and approved, delegated responsibility for record-keeping to Heads of Office Time of completion: Q4	Civic society, NGOs; employees	Deposit packaging collection system introduced in the HQs, work started on developing measures to reduce resource use
Corporate governance	Whistle-blowing system	Zero unaddressed Whistle-blowing reports	To facilitate the reporting of potential or suspected misconduct, improper activity, and illegal activity within or in relation to Eleving Group	Streamlining the whistleblowing system by introducing the TrustLine webform Group-wide Time of completion: Q1-Q4	Suppliers; Business partners; employees	In 2022 there were 25 whistleblowing applications, and all were addressed. This system plays an important role in the internal management of the company, ensuring employee involvement and process transparency
Responsible access to finance	Financial education	Public programs and tools to improve the financial literacy of at least 500 000 people 4. Quality education	The company is committed to promoting basic financial literacy through this tool to at least 500 000 people in all markets represented by the Group by 2025	Launching the financial literacy platform Time of completion: Q4	Financial community; Policymakers, regulators, authorities; Professional bodies	The platform is now live on the websites of the Group's brands in Latvia, and the first customers have already completed the self-assessment
People	Diversity and inclusion	Gender diversity in senior leadership roles 5. Gender Equality	Promote equal opportunities and inclusive workplace	The signing of the Latvian Diversity Charter to reaffirm the Group's commitment to diversity and inclusion Time of completion: Q1	Civic society, NGOs; employees	In 2022, in senior level roles Eleving Group had 47% women, 53% men

Climate change mitigation and adaptation

The global economy must undergo system-wide change to keep global warming under two degrees. Eleving Group takes an active role within its sphere of influence to promote the pursuit of a low-carbon, climate-resilient economy, focusing on low-emission mobility.

Climate change is already an important strategic consideration for Eleving Group. Eleving Group acknowledges that not only does climate change have an impact on its own business, but the Group's financing decisions can also facilitate the transition to low-carbon, sustainable societies. Eleving Group is committed to implementing decarbonization measures in line with the Paris Agreement and reducing its environmental footprint in the coming years through product-related activities, such as launching electric car sharing and offering financial incentives (discounts) for 'green' vehicles.

Climate change mitigation and adaptation are included as a priority area in Eleving Group's Strategic ESG Program 2022–2025, developed in 2021, and the Group's management has set the following goals:

- Measure CO_2 intensity (average gCO_2/km tailpipe emissions), report transparently, and reduce the CO_2 emissions intensity of the funded fleet annually.
- Educate customers and society about CO_2 emissions intensity and provide incentives to move to zero-emission vehicles.
- Reach climate neutrality of the administrative operations by 2025.

To meet these commitments, in 2022, Eleving Group took several strategic actions to promote green mobility. The Group launched an e-boda financing service in Kenya, while in Latvia, an electric car-sharing service under the OX Drive brand was launched. Since the launch, in just seven months, OX Drive, through offering a climate-friendly car-sharing service, has saved 110 metric tons of CO_2 and has saved EUR 0.5 mln for its clients compared to owning a personal car.

The Group also educates its customers on more sustainable decisions through daily communication—it has introduced a CO_2 metric on all Eleving Group sales portals, thus promoting eco cars to all customers visiting the websites. Car subscription services, through which customers are offered brand-new cars, are also reducing the average CO_2 intensity. By providing new and environmentally friendly products and educating customers, in 2022, the Group reduced the average CO_2 intensity arising from its portfolio by 3.1%.

At the same time, the Group has clarified the accounting principles for resource consumption, and from 1 January 2023, resource consumption will be accounted for at all the Group's offices.

Vehicle finance portfolio climate impact

As part of its ESG proposition, Eleving Group is committed to taking an active role in shaping the transition to a low-carbon economy and mobility. This will be achieved by fostering green mobility among customers—by offering new green products and raising customer awareness of sustainable consumption, thus encouraging them to make more sustainable choices.

Eleving Group has set the reduction of CO_2 intensity of its funded fleet as the primary goal in the Strategic ESG Program 2022–2025. The Group intends to reach its ambitions by promoting green vehicle financing and focusing on productive lending (see section Fostering responsible access to finance).

To assess the current climate impact of the Group's portfolio, a CO_2 calculation methodology was developed internally in 2022. After exploring different approaches and available data sources, it was decided to use the database of the Road Traffic Safety Directorate of Latvia (hereinafter CSDD (Latvian abbreviation)). The database was compared with the European Environment Agency's (EEA) CO_2 emissions calculations for new passenger cars, and the results were very similar. Since the CSDD database covers the period of 2004–2020 as opposed to EEA's 2010+, it was decided that the CSDD database will provide better coverage.

In the CSDD database for 2004-2020, the New European Driving Cycle (NEDC) method was used, but starting from 2021-2022, the method was changed to the Worldwide Harmonized Light Vehicle Test Procedure (WLTP) developed by the European Union. Since the WLTP method gives slightly higher CO_2 emission results, the impact of the methodology change should be estimated before it can be used in calculations. For 254 loans (0.8% of loans excluding boda boda), CO_2 emission data from 2020 are used.

The CSDD database contains data on vehicle fuel type, year, engine capacity, transmission type, brand, and model. Since the nature of the data on Eleving Group's side did not correspond to that of CSDD and to avoid manual monitoring of all current entries in the Group's database, it was decided to group the data by:

- vehicle year.
- fuel type.
- engine capacity.

For each vehicle matching the group, the average CO_2 consumption from the CSDD database was used. For vehicles that did not match the group, exception rules were created:

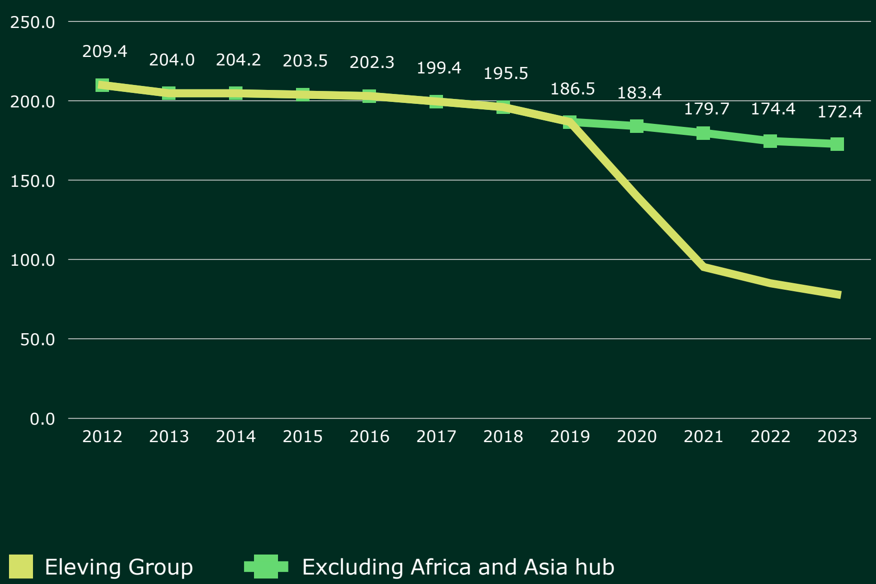
- Boda-boda's (motorbike taxis in Kenya and Uganda) formed 54.8% (count-wise) of loans in the Group's vehicle finance portfolio in 2022. Their emissions have been estimated at 40g per km used. The International Council on Clean Transportation suggested using 21-35g per km for boda boda, but according to Ecoscore, the estimated consumption is 1.8l/100km: 1.81L/100km*2392g=43g per km and 1.61L/100km*2392g=39g per km.
- Electric cars produce 0g CO_2 per km used, and they formed 0.05% of Eleving Vehicle finance loans in 2022.
- Cars manufactured before 2004 formed 10.9% of loans in 2022. Since no accurate data were available for this period, average data from the CSDD database of 2004 by fuel type and engine capacity was used in calculations.

Eleving Group leased car portfolio by fuel type as of 31 December 2022

The Boda-boda portfolio is excluded from the table.

Fuel type	Average CO_2 emissions, g/per 100km	Number of loans
Diesel	182.7	26891
Petrol	195.3	19471
Gas	152.4	5030
Bi-fuel	214	1594
Other	104.1	1074
Hybrid	49.8	795
Electric	0	68
Flexfuel	0	21
Total	**181.54**	**54944**

Average CO_2 emissions of the portfolio by loan issued date, g per 100km



To facilitate the transition to sustainable transport, in 2021, a new product financing electric and hybrid vehicles (eco leasing) was designed. The product is currently available under the Mogo brand in Georgia, and under the Primero brand in Latvia, Moldova, and Lithuania.

By 2025, Eleving Group intends to introduce more green products in at least ten different markets. For example, in Kenya, the Group has already joined forces with Bolt and Stima to promote climate-neutral mobility by offering e-motorcycle financing services to local customers.

As of 31 December 2022, the Group's portfolio contained 27 leased cars with zero CO_2 tailpipe emissions, but the Group is still expecting that with the current and new measures in place, this figure will rise to at least 1 000 in the coming years.

Direct environmental impact

Although the Group's main climate impact arises from its portfolio, Eleving Group aims to become climate neutral in its administrative operations by 2025, and it continuously works on maintaining high environmental standards in all its offices.

To pursue climate impact mitigation, the Group started tracking its carbon footprint in 2021—a carbon footprint assessment was introduced at Eleving Group's headquarters.

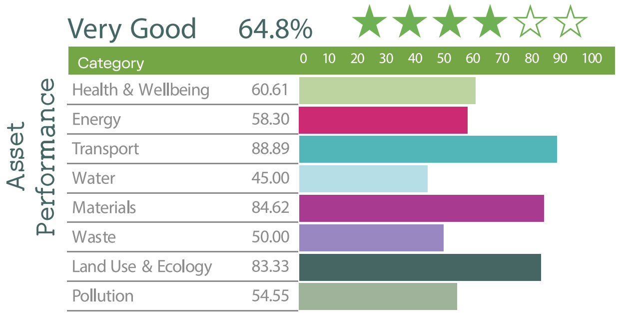
Carbon Neutral Organisation

According to an assessment carried out in 2021 by Carbon Footprint Ltd, the Group's HQ generate 114 tCO_2 annually. To offset the carbon footprint arising from the HQ operations, Eleving Group participated in carbon offsetting projects in Uganda and Kenya in 2022. In Kenya, the Group co-financed the reforestation of the Great Rift Valley, while in Uganda, the Group co-financed the purchase of cookstoves for households within the UpEnergy Improved Cookstoves program. As a result, Eleving Group was certified as carbon-neutral in 2022. The goal is to maintain the standard also in 2023.

The Group is committed to reducing the climate impact of its HQ through energy efficiency and using renewable energy Group-wide. By 2025, 100% of all Eleving Group's offices, where suppliers can be selected, will use renewable energy.

Eleving Group HQ are based in Riga, Latvia, in Skanstes City, a brand-new multifunctional business district, which is one of only a few BREEAM In-Use certified office complexes in Latvia to date. BRE Environmental Assessment Method (BREEAM) is an environmental certification system from the UK. It was developed in 1990, and is one of the oldest environmental certification systems that have been used to certify buildings. This is the most widely used system in Europe.

Asset Performance:
Very Good



Modern offices, developed infrastructure, and sustainability were among the top reasons for the Group to choose Skanstes City. At the end of 2020, Eleving Group's office was certified as an energy-efficient workplace, receiving the BREEAM In-Use assessment of "Very Good," which was an upgrade from the sustainability assessment of "Good."

Also, significant investments were made into modernizing the ventilation systems and making technical upgrades, improving the HQ' public spaces, accessibility, and cycling infrastructure. After renovation, it became one of Riga's most modern and sustainable office buildings in its class.

Eleving Group is committed to keeping other environmental impacts of its offices to a bare minimum: reducing paper, water, waste, and other resource consumption intensity Group-wide.

Admittedly, the Group's operations were influenced by Covid-19, leading to a significant change in the way of working. For example, digital meetings replaced physical ones, thus reducing travel-related emissions more substantially.

While the Group's focus is placed on reducing resource consumption, waste reduction and recycling are also considered. The Group`s HQ have already implemented a range of waste optimization initiatives, such as a zero-paper policy and reducing plastic waste.

To provide Eleving Group's HQ staff with fresh and clean drinking water, the office is equipped with water dispensers to save water and reduce plastic waste. By using an average of 1.94 m^3/m^2 of water in 2021 at all Eleving Group`s premises, the water usage is kept in check across all offices.

Eleving Group understands the importance of protecting the environment and is committed to ensuring that the company is doing its part to reduce the environmental impact arising from its business. Almost every month, an activity is carried out at the Group level to raise employee awareness of sustainable alternatives to various daily habits. For example, the Group’s HQ regularly educate employees on reducing resource consumption in internal seminars and through announcements on internal TV screens at the offices. The Group actively participates in the Earth Hour campaign, and during the warmer months, it promotes bicycles as an alternative mobility solution to cars. One month every year is dedicated to climate topics, and relevant activities are carried out.

Also, on a country level, decentralized initiatives are organized by local teams. For example, in 2022, Mogo Armenia carried out annual tree planting, during which 70 evergreen trees were planted. The Estonian team moved to a more environmentally friendly office (class A) equipped with solar panels, rainwater collecting and recycling system, etc. The team also started recycling waste.

In Moldova, the company collects empty batteries to send them for recycling later. This service is also used by Mogo Moldova customers. Meanwhile, the Riga office is actively promoting the collection of packaging waste. The money received for the deposited package is later invested in internal green initiatives.

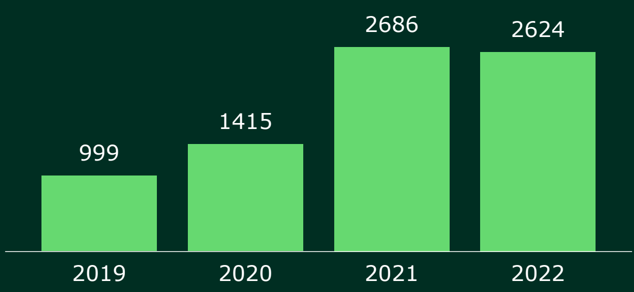
Ensuring employees' growth and well-being

Eleving Group's success depends on its team — the management and employees. Eleving Group aims to be an employer of choice, constantly developing a working environment in all markets where it operates and where every employee feels safe, healthy, and comfortable.

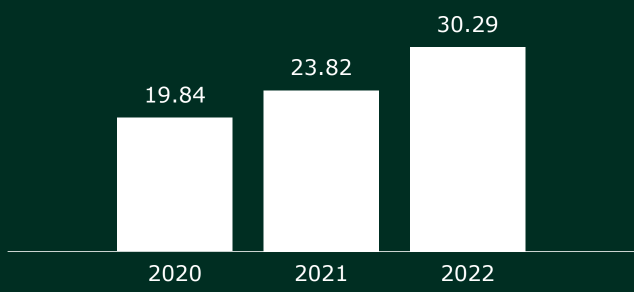
All business operations are carried out by the Group's employees; Eleving Group does not rely on contracted workers (e.g., rented labor, subcontractors). Subcontractors provide specific expertise and certain services, such as consulting or particular training. An absolute majority of employees are permanently employed by the Group.

As a result of Eleving Group actions related to the employee well-being and career opportunities, the company has been listed 15th in the "Top Employer in Latvia 2022" research. In the respective research, more than 16000 respondents participated.

Figure with the total number of employees by the end of the year, 2019-2022



The average tenure at the Group in months, 2020-2022



Remuneration Policy

Eleving Group has always stood up for fair pay and social and health guarantees. The Group rewards employees based on their performance and contribution to the company, while also taking into account factors like location and cost of living. Employees are also provided with competitive benefits packages and are encouraged to use opportunities for development offered by the company. The Group's Remuneration Policy states that each employee is entitled to a salary review once per calendar year as a part of the performance review. Employees who have worked for a full calendar year are eligible for a bonus equivalent to two salaries, which is paid in addition to their regular salary.

Eleving Group believes that a fair and transparent tax system constitutes a vital part of a well-functioning society. The Group pays maximum attention to all tax-related procedures, complying with the local and international legislation, legal requirements, and acceptable business standards. This especially applies to labor taxes, where the Group maintains a very strict tax discipline.

Eleving Group remuneration budget, 2021-2022

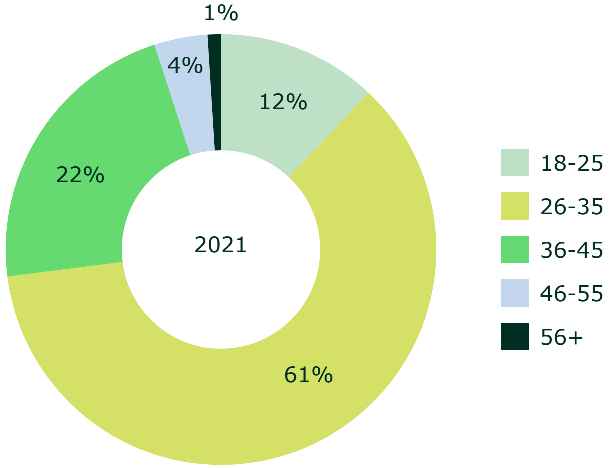
Diverse and inclusive workplace

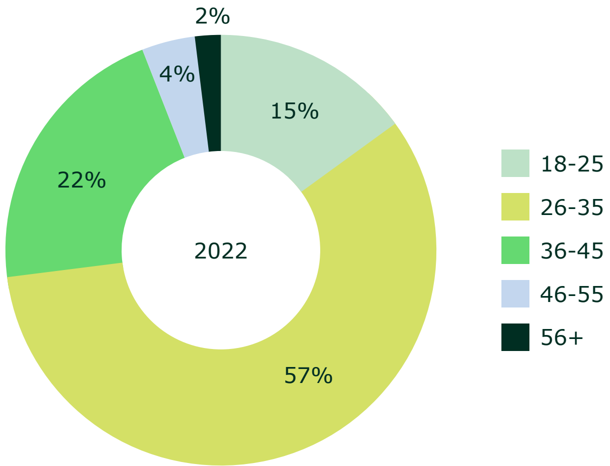
Eleving Group employs people of various cultural backgrounds, genders, and ages. The Group is represented by people coming from close to 20 different nations. Therefore, diversity and equal opportunities are essential to Eleving Group's human resources strategy.

The Group ensures that employees are treated fairly and are provided with equal opportunities. Eleving Group is committed to creating and maintaining an open, inclusive work environment free from discrimination and harassment. No one, internal employees or external candidates, should feel discriminated or harassed in the process of recruitment, promotion, or employment.

Mogo Kenya

Breakdown of staff by age group, 2021-2022





Managing a diverse and flexible workforce with the right competencies is vital to ensuring quality, innovation, and growth. The Group's Equality, Inclusion, and Non-Discrimination Policy is enforced at all Eleving Group companies.

The Group's Equality, Inclusion, and Non-Discrimination Policy sets out the following principles:

- Equality—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 other factors, is our overriding priority.
- Zero-tolerance against discrimination, harassment, sexual harassment, and victimization.
- Respect for individual differences with respect to ethnicity, sex, gender identity, sexual orientation, culture, religion, and other factors.

This policy applies to the Group`s management, employees, agency workers, contractors, business partners, and suppliers.

The policy applies 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 interpersonal relationships at work, related situations such as travel, events, and after-work gatherings.

To ensure full compliance and adherence to the policy throughout the Group, continuous work is being done to raise employee awareness of diversity issues.

Anita Kalnina,
Group Chief Human Resources Officer

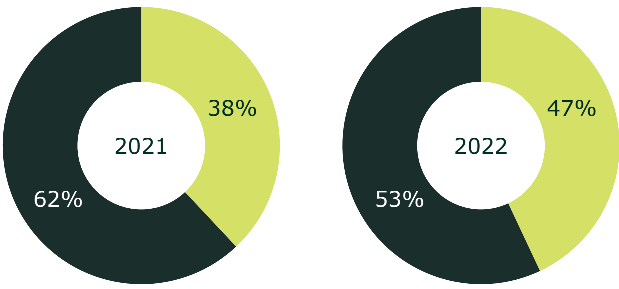
> At Eleving Group, we strive to create an environment where everyone feels accepted and respected. Our diverse team allows us to learn from one another and work together to reach our goals. We foster a workplace encouraging personal growth and professional success.

In September 2021, Eleving Group voluntarily joined and, in 2022, re-signed a declaration promoting respect and inclusion—the Latvian Diversity Charter. It contains 15 commitments promoting diversity in workplaces around Latvia. By signing the Diversity Charter, the Group commits to promoting diversity and equal opportunities for its staff.

According to Fontes, a Baltic human resources consultancy firm, the ratio of women to men in the financial services sector is 66% to 34%. Eleving Group's gender diversity ratio stands at 50% women to 50% men across all positions as at the end of 2022. Gender diversity in the Group and among senior roles is measured monthly. As of 31 December 2022, the ratio of women to men in entry-to-mid level positions was 50% to 50%, respectively, while in senior-level positions, the ratio was 47% to 53%.

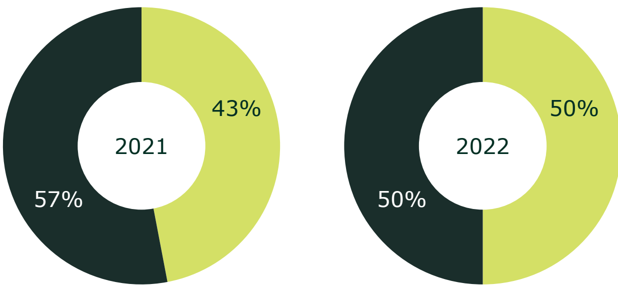
Signing of the Latvian Diversity Charter

Senior level



Men Women

Entry, mid-level



Men Women

Eleving Group has a grievance mechanism in place—employees can report harassment and discrimination incidents directly to their local human resources representative or global human resources. There is also a TrustLine, Eleving Group's whistleblowing tool, to be used as a reporting tool if (i) an incident concerns persons in leading positions and (ii) it concerns serious cases of discrimination or harassment.

The Group offers its staff a number of fringe benefits to foster an inclusive working environment. Among other things, Eleving Group focuses on solutions that prevent working parents from choosing between career and family. Eleving Group provides working parents with a support package that includes a room designated for children at the company office, flexible working hours, additional leave according to the company's internal policies, and professional childcare service once a year for three weeks in July at the company's HQ. Eleving Group has also developed and implemented a re-onboarding plan for colleagues returning from parental leave. The plan aims to promote a smoother return to the work environment, design an adapted work schedule for the first month of return, and determine the duties of direct managers during the reintegration process. In 2021, Eleving Group was named a Family-Friendly Workplace. To earn this title, an employer has to facilitate measures to reconcile work and family life.

The Family-Friendly Workplace program is run by the Society Integration Foundation of Latvia, and its goal is to promote a family-friendly work environment in Latvia and to increase public awareness. Involvement in the Family-Friendly Workplace program motivates companies to introduce new solutions to enhance the well-being of working parents. In addition, the program provides an excellent opportunity to draw inspiration from other program participants and inspire change for those Latvian companies that are still considering joining the program.

Personal growth and development

One of Eleving Group's main goals is talent attraction, development, and retention. The Group is committed to helping employees realize their full potential at every stage of their careers. The Group's Personnel Management Policy aims to develop skilled and highly productive staff that successfully performs their responsibilities.

Many senior management team members possess significant experience in the lending industry and knowledge of the regulatory and legal environment in the Group's markets. The senior management would be difficult to replace. The market for qualified individuals is highly competitive, and labor costs for hiring and training new employees are increasing.

In 2022, all C-level executives, senior managers, and country managers who had been with the company for more than one year received a 360 Degree Feedback. Managers were assessed on their fit for the role of a manager—being trustworthy, visionary, a strategist, a good coach who develops the potential of subordinates, etc. To ensure an accurate employee evaluation process and interpretation of the results, a management training on Feedback 360 was organized, providing tips on how to read the results and manage the feedback conversation. In 2022, all HQ staff received performance appraisals, and 98% received development interviews.

The Group has developed a comprehensive training program that provides internal and external professional training for employees at all levels. In 2022, Eleving Group changed its learning and development platform. Now it offers a range of guest lectures on financial literacy, emotional health, diversity, and other topics relevant to the team. The new Eleving Learning Platform also allows embedding various tests and training videos, thus making the learning process more interactive.

In 2022, Eleving Group promoted 135 staff members (61 in Eleving Vehicle Finance and 74 in Eleving Consumer Finance). Whenever possible, rather than searching for external talent, the Group seeks to promote employees capable of taking on new responsibilities.

Dialogue and committed employees

Employee engagement is partially measured through Eleway Pulse (previously Mogo Voice), an employee survey conducted twice a year—in April and September. In 2022, the Group streamlined its internal employee survey based on Gallup's Q12 employee engagement survey principles. In 2022, the response rate ranged from 69% to 100%, with the average rate equaling 90%.

To measure employee satisfaction and loyalty, Eleving Group uses the Employer Net Promoter Score (eNPS) scoring system. In 2022, the score was 51.0. In 2022, Eleving Group launched the Eleving Group Brand Ambassador program to promote employee engagement and company culture. This initiative seeks to facilitate employee involvement in public communication activities and listen to and integrate their ideas on improving internal communication and implementing new projects.

Around 20 employees from the HQ are currently participating in the program. These employees are rewarded for their involvement with prizes and exclusive company merchandise.

In addition, in 2022, Eleving Group celebrated the best employees in six categories, where the winners were determined by a vote cast by all staff. The award ceremony is envisaged as an annual event organized by the HQ.

The Group also focuses its attention on employee onboarding. Eleway Pitstop, an onboarding event for new employees, was held in May 2022, introducing them to the Group's culture, products, functions, team leads, and the like.

Employee health and well-being

Employee health, safety, and well-being have been of great importance to Eleving Group at all times. Nevertheless, it was the Covid-19 pandemic which gave prominence to mental health, work-life balance, and employee well-being at the Group.

Eleving Group is committed to creating a safe working environment in all countries it operates. Compliance with local laws, adherence to the Group's Global Policy and Standards, and working towards health and safety objectives are all essential components of the Group's efforts to reduce risks and improve its health and safety record.

Workplace safety risks and hazards are prevented by implementing proper measures. First, as required by law, workplace risks are assessed within the framework of the labor protection management system provided by FN Serviss, a workplace safety expert. All employees are regularly instructed on general work safety and fire alarms. At employee onboarding and annually, employees are provided with information, instructions, and training to work safely and take steps to protect themselves from hazards. In 2022, the Group registered 76 recordable injuries among employees. Injuries were mostly related to workers performing duties related to boda-bodas in Kenya and Uganda—either during field debt collections, boda-boda verification, or GPS Tracker installation. No injuries were recorded in other markets.

In addition, everyone must perform a compulsory health check with certain regularity. Eleving Group's employees are provided with annual health insurance, which allows using a wide range of health services. In 2022, Eleving Group spent more than EUR 0.6 mln on health insurance coverage for employees.

Healthy lifestyle, sports activities, and employee well-being have become especially important since 2020 when the global coronavirus pandemic struck. The Group then put in place large-scale remote work models, which were implemented across many offices around the world, making sure that employee health and well-being is a top priority, and safe working conditions are ensured.

A healthy and active lifestyle is promoted and supported daily at Eleving Group. In addition to the safety instructions and training required by law, Eleving Group also provides employees with various types of informative trainings and activities to improve their well-being and health:

- Seminars on healthy eating, mental health, managing emotions and maintaining the psychological balance in a dynamic work environment.
- First aid training.
- Company-paid weekly yoga classes for the HQ employees.
- Company-paid volleyball training for the HQ employees.
- Collective initiatives to promote physical activity during the summer months.

Future talents

The future success of Eleving Group also depends on the company's ability to find and cultivate new talent. Eleving Group strives to help its staff grow by increasing their knowledge and experience.

At the end of 2021, Eleving Group became the general partner of the Students' Association of the Stockholm School of Economics in Riga, the leading business school in the Baltic region. This partnership is based on knowledge and experience sharing, thus bringing value to the school's present and future students. In 2022, the Group's experts gave guest lectures in HR, finance, and business management, while in the summer months, seven interns filled internship positions in ESG management, as well as analysis, accounting, and risk management.

Also, in 2022, Eleving Group continued its partnership with WORK[IT], a career event organized by Riga Coding School. During the career event, the Group's representatives gave a presentation called 'Behind the scenes in IT. Eleving Group experience stories' showing the daily process of working in IT.

Fostering responsible access to finance

Helping our customers make the right financial decisions lies at the core of the Eleving Group business. By generating stable financial returns to investors and providing access to innovative and sustainable financial solutions, Eleving Group seeks to make significant social and economic impact. In the coming years, the Group is committed not only to working hard to create a culture that treats the Group's customers fairly but also to improving financial literacy in all markets where it operates.

Eleving Group's corporate strategy is focused on impact-making. By serving communities that conventional lenders underserve, Eleving Group brings disruptive change to the financial industry. By providing financial inclusion, the Group improves people's lives worldwide. The Group's ultimate purpose is to empower diverse communities worldwide by providing them financial inclusion—thus enabling upward social mobility.

The Group's products are designed to offer customers simplicity, convenience, and transparency. Our online and offline products are designed to protect our customers' privacy, provide easy access to funding, and offer transparent fee and interest structures. A finance lease and leaseback are long-term loans (up to 84 months), while consumer loans are both short-term and long-term, with maturities ranging from 7 days to 48 months. For all products, customers are charged nominal interest and fees payable monthly on the outstanding principal amount. While penalty interests are charged for late loan payments, this is a minimal proportion of the Group's income and shows the resilience of its customer base.

Enabling access to finance

Access to appropriate and sustainable financial services enables the poor to increase their income, build assets, and reduce their vulnerability to external shocks. Eleving Group has disrupted the used vehicle market by providing access to finance for people with, up till then, limited access to funds. In 2021, Mogo, the leading brand in the Group's portfolio, made a bold shift to productive lending in developing countries. Productive lending means financing vehicles for customers to earn a living or, alternatively, to increase their income from existing businesses. This is achieved mainly by financing boda-bodas (motorcycle taxis) in Africa.

A boda-boda is a small motorcycle widely used in Kenya for taxi services and cargo deliveries. It is estimated that the boda-boda industry secures over 1.6+ million jobs, which support another 9+ million Kenyan (more than 16% of the population) livelihood. An estimated 70% of the motorcycles in Kenya are rented to the riders by fleet owners, not allowing the average rider to own the asset. With a Mogo lease, riders can pay similar or even lower monthly fees compared to renting the motorcycle, and they will own it after the loan term.

Since its launch in Kenya, Eleving Group has already contributed to the economic inclusion and small business development of more than 60 000 boda-boda riders. Boda-bodas account for around 60% of the company's vehicle portfolio, which demonstrates the importance of productive lending in the Group's business strategy.

Domas Mineikis,
CEO of Mogo Kenya

> Productive lending is the core business principle of Eleving Group in developing countries. We aim to promote inclusive economies and, through the Group's products, create opportunities for people to increase their income, thereby ensuring their economic independence and the financial well-being of their families.

Eleving Vehicle Finance provides a variety of products and services through different brands. The Group fills a funding gap, providing innovative financial solutions globally, which contributes to empowering diverse communities, including local entrepreneurs.

Eleving Group seeks to support the local small and medium-sized enterprise (SME) environment by creating jobs in the mobility microbusiness industry in developing markets through productive lending and local educational campaigns aimed at young entrepreneurs. To this end, collaboration with local NGOs and associations which promote productive lending as an opportunity to start a business will play an important role.


Boda Boda Riding School in Kenya

Responsible lending

Responsible and productive lending promoting economic inclusion lies at the core of Eleving Group's operations, both in the mobility and consumer segments.

Eleving Group and its subsidiaries always operate in full compliance with the local regulatory institutions (Financial Services Supervisory authorities, Central Banks, Consumer Right Protection authorities, and/or Ministries of Finance).

Eleving Group also follows its internal standards on responsible lending and fair treatment; one of the fundamental principles of these standards is transparency. Eleving Group ensures that all the relevant information, including fees, key terms and conditions, legal documentation, and advertising, is clear, understandable, and accessible to clients.

Eleving Group's responsible lending principles

Integrity › Availability › Care › Transparency

Eleving Group has two main business lines: secured lending via a finance lease and leaseback against the title of the vehicle and unsecured consumer lending. The Group's core focus stays on secured lending, which comprises more than 77% of the consolidated net loan portfolio as of 31 December 2022.

Consumer loans issued by Eleving Group are primarily used for everyday expenses or purchasing consumer goods and electronics. Eleving Group provides consumers with easy access to finance since it has both- a brick-and-mortar and online presence.

Once customers apply for a loan, their creditworthiness is determined through a sophisticated underwriting process that relies on data-driven statistical analysis as captured in Eleving Group's proprietary scoring models for vehicle and consumer finance.

Across all its products, Eleving Group analyses customers' creditworthiness utilizing public and private databases (vehicle register information, databases of government institutions, debt collection agency databases, industry/peer company blacklists, and bank statement providers) and allocates a scoring band to each customer. The automated scoring models are developed in-house and, depending on the relevant country, are either integrated into the customer relationship management systems or run on third-party cloud solutions.

Each loan application undergoes the following steps:

1. Loan application processing and preliminary assessment.

2. Risk assessment and scoring.

3. Vehicle inspection (for a finance lease and leaseback products) and finalization of loan terms.

4. Loan approval and disbursement of funds.

This allows Eleving Group to assess counterparty risk properly. The approval rate is exceptionally rigorous: in the 12-month period from 1 January 2022 to 31 December 2022, of approximately 950 000 new client loan applications, Eleving Group has kept an approval rate of 16.9% for vehicle finance and around 40% for consumer finance.

Eleving Group seeks to be working with an educated and informed customer; therefore, special focus is placed on educating customers on financial literacy and promoting sustainable and climate-friendly decision-making.

Increasing financial literacy

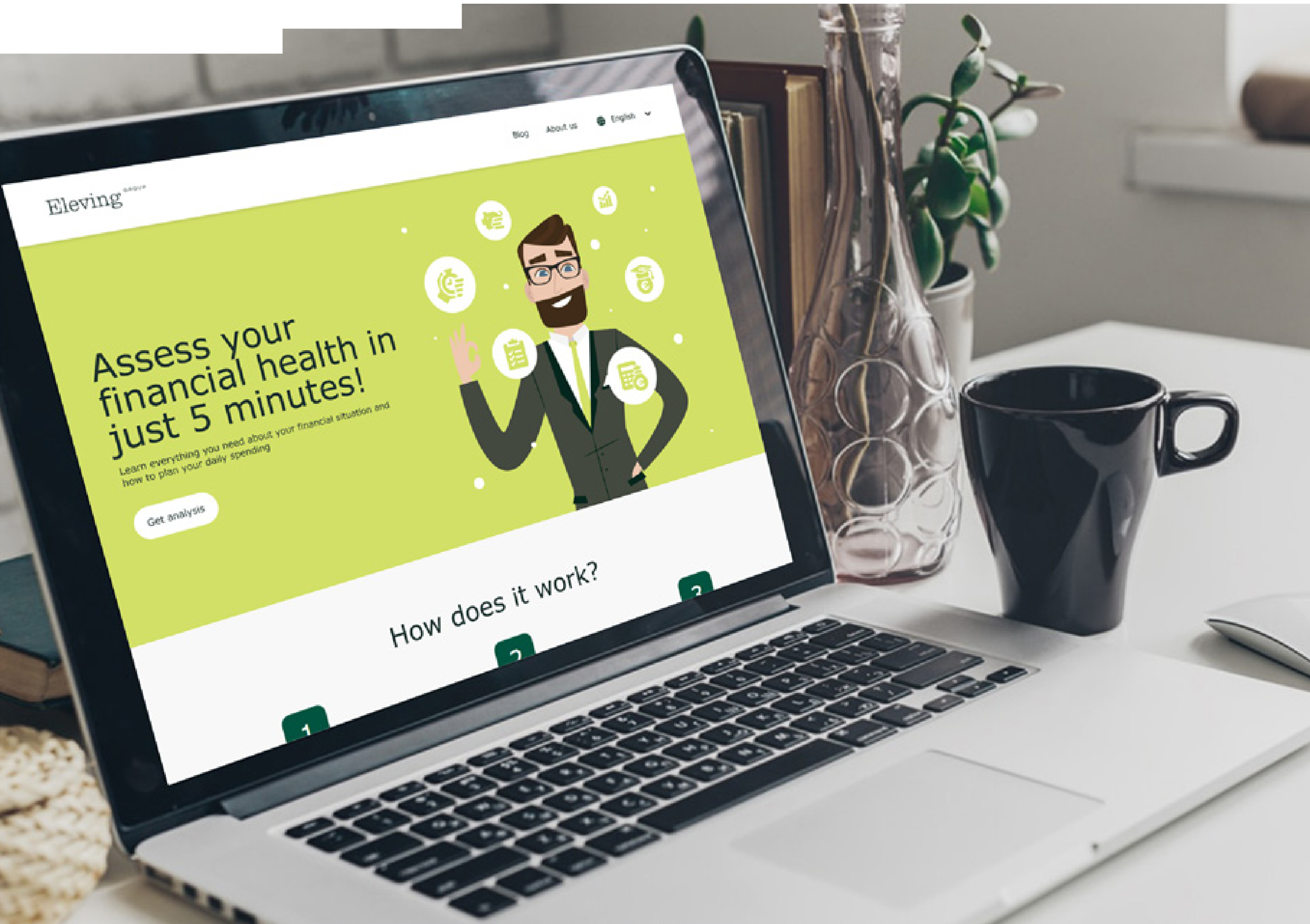
The Group aims to contribute to building a prosperous and sustainable society and supports various social initiatives helping local communities. In particular, Eleving Group is committed to fostering financial literacy in society.

In 2022, Eleving Group developed www.smart.eleving.com, a financial literacy platform where anyone can assess the health of their existing loan commitments, determine whether new financial commitments would be feasible within their current budget, and find bits of advice on budgeting, debt management, saving, financial hygiene, and much more.

As of 30 December 2022, the platform is up and running on the Mogo Latvia and Primero Latvia websites. The launch of a financial literacy platform is an expression of Eleving Group's commitment to educating its customers about personal finance and making informed financial decisions. The company aims to educate at least 500 000 consumers in the markets represented by the Group by 2025.

> One of the core values of Fintech Latvia Association members is responsible lending. This is the only way to promote the development of the industry while ensuring that the interests of consumers are respected. Financial literacy is one of the hottest topics in the industry and among regulators in recent years. It is essential to consider educating the public on these issues, so I believe that the financial literacy platform developed by Eleving Group is an excellent initiative that can serve this purpose.

Tīna Lūse, Head of the Fintech Latvia Association



Customer experience

The Group's priority is to ensure a transparent and convenient customer journey. Customer satisfaction and operational excellence are essential for Eleving Group to meet its customers' needs once they choose to buy a new car or apply for a consumer loan.

Eleving Group has developed a customer service division with around 1 000 full-time employees as of 31 December 2022, delivering highly efficient customer support in local languages across all markets. Eleving Group continuously works to improve customer satisfaction by creating personal contact with its customers through telephone calls, e-mails, and chats, among others, to discuss product options, address customers' questions, inform customers of their payment due dates, and encourage them to pay on time, discuss late payment arrangements, and help customers with their applications.

In addition, the Group carefully monitors specific customer service quality ratios, such as call waiting times and abandoned calls. Customer service quality is one of the reasons why customers return to Eleving Group for more services.

Eleving Group's customer service is provided in local languages and delivered through a network of call centers in all operating countries and branches.

Debt collection

Eleving Group has established an efficient, effective, and responsible debt collection process in each country it operates. To ensure consistent quality of debt collection operations across the Group, Eleving Group has developed group-wide debt collection service standards that include (i) debt collection principles, (ii) best practices and requirements for the Debt Collection Departments, and (iii) internal procedures for each country to ensure practical knowledge sharing and continuous improvement of operations.

Eleving Group's debt collection team in each country utilizes debt collection measures that comply with the local regulations. If the local regulations set standards lower than in other countries where the Group operates, Eleving Group applies the higher standard.

Eleving Group's strategy is focused on maximizing dialogue with customers. Before the loan becomes overdue, the Group has an automated reminder process that ensures that the client is aware of the upcoming payment and payment details.

On the first day when the payment is overdue, it enters the early debt collection process, where Eleving Group launches its automated reminder system (auto-calls, texts, e-mails) informing the customer about the overdue amount, further actions if the payment will not be made, and the Group's contacts to discuss further scenarios. Eleving Group constantly monitors the effectiveness of its automated system. In addition, the Group involves its in-house debt collection officers that call all debtors according to a pre-determined schedule (as early as Day 1 in some countries) to recover the payable amount, identify the reason for the delay, and, if necessary, offer restructuring possibilities where possible and economically viable. Prior to pursuing further debt collection activities, Eleving Group first aims to reach an agreement with a customer to find a solution for loan repayment. If an agreement is not reached until Day 30, the case moves to the next debt collection stage.

When Eleving Group ascertains that a customer can repay their loan, it offers various scenarios and a tailored repayment schedule. If the customer is unable to continue fulfilling their contractual obligations, a quick and efficient repossession of the collateral and subsequent sale of it is pursued, maintaining complete transparency with the customer about the process. In the case of unsecured loans, legal collection or debt sale is initiated.

Eleving Group largely handles all debt collection and car repossession activities in-house. The Group has gained substantial expertise in debt collection strategies over the years. In certain countries, Eleving Group outsources parts of the debt collection activities to test and compare the efficiency of internal versus external debt collection.

Eleving Group does not employ controversial debt collection practices, such as using a continuous payment authority or siphoning money from customers' bank accounts. Such methods are controversial and will or may become illegal in certain jurisdictions. Due to this fact, and from the customer relations and loyalty perspective, Eleving Group firmly believes that its business model is more sustainable than one of those lenders who engage in these types of debt collection.

Debt collection is improved through regular benchmarking, experience sharing, and targeted projects supervised by the Group's operations team to develop best practices across the Group.

Practicing responsible business conduct

Eleving Group strives for transparency, trust, and integrity. This approach applies to all its business entities and markets and the Group's clients and business relations.

The Group is committed to initiating and maintaining collaboration across the financial industry and continuously investing in the supplier selection process to promote sustainability and ethical behavior in the business environment.

Anti-bribery, Anti-fraud, and Anti-corruption Policy

Eleving Group has developed and adopted its Anti-corruption, Anti-bribery, and Anti-fraud Policy, which aims to ensure a common understanding of the problems arising from corruption and fraud, its types, responsibilities, and action models to prevent corrupt and fraudulent activities within Eleving Group, as well as in relations with external partners and those involved in the political process. This policy applies and is binding to all Eleving Group employees and employees of Eleving Group's subsidiaries, regardless of their position. Eleving Group is committed to complying with all applicable anti-bribery and corruption laws and regulations in the jurisdictions in which it operates. Eleving Group has zero tolerance against bribery and corruption, and other activities that are unethical, unacceptable, and inconsistent with the Group's values. Eleving Group strives to operate with transparency, trust, and integrity. This approach applies to all of its markets of operation, and all business relations.

The policy defines corruption as dishonest behavior and criminal action by those in positions of power, such as company representatives or government officials. Corruption can include giving or accepting bribes or inappropriate gifts, double-dealing, under-the-table transactions, manipulating elections, diverting funds, laundering money, and defrauding investors. In comparison, bribery is the act of promising, giving, receiving, or agreeing to receive money or some other item of value with the corrupt aim of influencing a public official or business partner in the discharge of their official duties. Fraud is the crime of using dishonest methods to take something valuable from another person or company (money, property, information, technology, product, trust, etc.).

The policy functions as a source of guidance for those working for Eleving Group, and every employee is expected to follow the principles it entails. The sole purpose of the policy is to set out the responsibilities of Eleving Group and its personnel regarding our zero-tolerance against bribery and corruption. The core principles are as follows:

- Company representatives shall not offer, promise, give, request, accept or receive bribes or another undue advantage to facilitate Eleving Group's business. Promising, offering, or providing any benefit to a person who exercises public authority, is strictly prohibited.
- Company representatives are prohibited from offering, giving, and accepting gifts, events, trips and other traveling arrangements unless such activities comply with the allowed limits and are open, moderate, match clear business objectives, and are commensurate with the nature of the business relations. Activities to strengthen and establish client and supplier relations shall be made in good faith and in compliance with the requirements set by Eleving Group.
- Eleving Group's good practice stipulates that an employee must not individually decide whether to accept gifts whose purpose may be questionable, as well as gifts exceeding the value of EUR 150.00. Gifts whose value exceeds the aforementioned threshold must be immediately reported.
- It is prohibited to accept money as a gift under any circumstances.
- Eleving Group supports contributions to the communities where it does business and permits reasonable donations to charities and sponsorships. Sponsoring and donations shall be made in an open and transparent manner.
- Eleving Group never donates to political parties, politicians, or political campaigns. Eleving Group is politically neutral.

- It is forbidden for company representatives to ask for or accept a donation from a private person or legal entity and other types of financial assistance if the donation or assistance affects the decision-making regarding this person.
- The good practice of Eleving Group determines that no favoritism is allowed in the selection of partners for the provision of services. In every procurement procedure or selection of service providers, at least three applicants (unless it is impossible to obtain three offers due to objective circumstances) must be evaluated, choosing the partner or supplier that can provide the highest price-performance level. The following rules shall apply in the selection of service providers:
- In situations where the partner’s representative is personally known outside of the professional field, is a relative, or a spouse, the final decision is taken collectively or by a decision of competent and neutral managers.
- Favoritism is also not allowed in the selection of employees; a human resource manager cannot make an individual decision to hire a friend, family member, or partner.
- Employees do not engage in private activities and refrain from side jobs and combining positions which may interfere with the responsibilities and professional performance, and create suspicions of potential, apparent, or actual conflict of interest.

In 2019, a special Economic Security Department was established at Eleving Group, ensuring the following:

- Personnel and business partners’ control against economic security risks.
- Cooperation with police and other partners regarding antifraud activities.
- Audit on local car sales operations.
- Audit of local repossession teams.
- Audit on IT security in the Group.
- Physical security checks (cash, branches, car parking places, video, etc.).
- Education of employees on economic security-related matters.

In addition, other measures like centralized accounting and payment supervision systems are used to increase the transparency of payment transactions. Over the recent years, Eleving Group has reduced the number of cash payments to a minimum and strictly follows the dual control principle for digital payment transactions above a certain threshold.

Certain countries where Eleving Group operates pose higher corruption risks. According to the 2022 Transparency International Corruption Perceptions Index ranking countries by their perceived levels of public sector corruption from 1 (least corrupt) to 180 (most corrupt), the Group’s key markets in terms of assets, growth, and profitability like Lithuania, Romania, Kenya, and Moldova were ranked 33, 63, 123, and 91, respectively.

At least once a year, the identified corruption risks are reviewed, and procedural improvements to the policy are made when necessary. At least once a year, an audit of the adopted policy implementation tools (training, reporting, norms) is conducted, and their effectiveness evaluated.

All Eleving Group employees are informed about the adopted policy, its content, and its importance in ensuring the transparency of Eleving Group’s business processes. Employees are immediately notified of amendments to the policy. Department heads update their subordinates on the current policy once a year, while new employees are informed and instructed about the policy in the first week of work. Around 95% of employees dealing with clients and suppliers have received training on anti-corruption.

Employees undergo internal training once a year, examining the concepts defined in the policy and their manifestations in various situations. During the training, employees understand how to act in situations characterized by an ethical dilemma and how to act in situations where there is a potential case of corruption, bribery, conflict of interest, or fraud. Employees are informed about the procedure for reporting such situations.

Anti-money laundering, countering terrorism and proliferation financing, sanctions compliance

Eleving Group strives to stay one step ahead of criminals who seek to use the global financial system for money laundering. We recognize the challenges and dangers posed by this criminal activity. Therefore, Eleving Group has approved its Anti-Money Laundering, Countering Terrorism Financing and Proliferation Financing (AML/CTF/PF) Policy, which formulates Eleving Group's general principles and methods to determine measures for the assessment and management of money laundering, terrorism, and proliferation financing and international sanctions risks inherent in Eleving Group and to put in place appropriate processes to mitigate those risks and to protect Eleving Group's customers and employees from the money laundering, terrorism, and proliferation financing and international sanctions violation risks. The Group also pays close attention to breach of sanctions or other illegal activities. Eleving Group and its subsidiaries do not deal in any form with sanctioned companies or individuals. Compliance with this standard is strictly monitored.

Given that Eleving Group entities are located in multiple jurisdictions, their policies and procedures are tweaked to the various jurisdictions Eleving Group's subsidiaries operate in and consider not only the specific local legal requirements but also product nuances, Eleving Group's AML/CTF/PF best practices, and international recommendations and guidelines, thus ensuring the highest level of AML/CTF/PF and international sanctions compliance reasonably possible.

The country managers in each jurisdiction are responsible for preventing money laundering and ensuring compliance. Besides, at each of the Group's companies, there is an AML team of several AML specialists. The team works closely with various internal departments and committees, including the legal department and client support, to achieve AML-related goals and adhere to international and local legal requirements.

Along with the internal know-your-client (KYC) investigative practices, Eleving Group uses a special information technology solution that enhances compliance and provides faster and more efficient AML checks. This allows to perform the required client due diligence and KYC checks, monitor and screen transactions, and report any suspicious transactions or infringements on sanctions, and enables the effective evaluation of the potential risks associated with each client and ensures that the Group adheres to the Group's policies and standards.

To ensure full compliance with the AML legal requirements, the internal AML practices are reviewed and amended at least once every 18 months according to globally consistent policies and standards, and local legal requirements. Furthermore, both internal and external AML and sanctions compliance audits are performed on a regular basis, and in case any findings and recommendations are received, those are implemented in due course to ensure maximum compliance with the applicable legal regulations.

Insider Trading and Information Barriers Policy

Eleving Group`s Policy on Preventing Insider Trading, and the laws of many countries in which it operates, prohibit trading in securities (in our case, debt securities or bonds) while possessing material non-public information regarding the issuer.

According to this policy, all the Group's 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 the 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 it is based on inside information.

Furthermore, the Group's general principle reiterates that in case of any doubt, 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.

To enhance compliance with insider trading prevention policies, the Group uses 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 the Group's Policy on Preventing Insider Trading.

In addition to the above, all the Group's employees are requested 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 to perform their work duties.
- Addressing actual or potential conflicts of interest related to business activities.

Failure to comply with this policy may lead to sanctions imposed by the Group, including dismissal for cause, whether or not the failure to abide by this policy results in an actual violation of the law.

Whistleblowing system

Eleving Group is committed to the highest levels of ethics and integrity in its business. The Group values integrity, compliance, and ethics and believes that the way of building a culture of trust is learning to speak up when something is not right so that the Group can address the problem. Eleving Group understands that this is crucial to its continued success and reputation. Therefore, Eleving Group has devised its Whistleblowing Policy and reporting system called Trust Line available at https://bit.ly/3aOqfYM.

TrustLine is an anonymous form available to report concerns related to misconduct, improper and/or illegal activity within or in relation to Eleving Group. This solution allows sharing concerns regarding violations of the Group's policies, local laws, regulations, fraud, and corruption without fear of negative consequences or retributions. Eleving Group ensures that the reporting on actual and potential conflicts of interest is confidential, and the reporting employees, clients, and suppliers are protected from discrimination and retaliation.

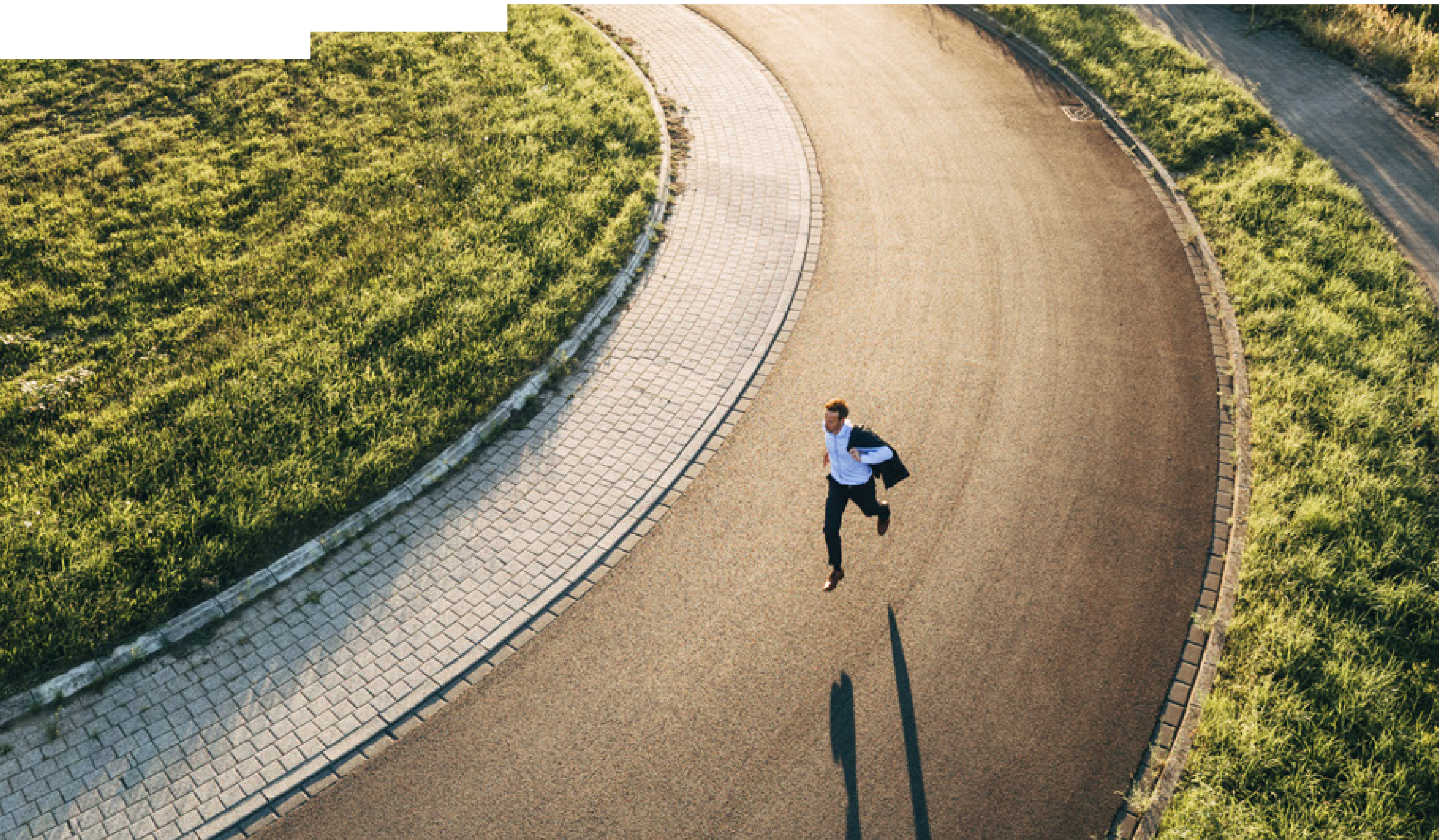
The Whistleblowing Policy aims to provide clarity on how Eleving Group will support whistleblowers so that they:

- Are encouraged to express their concerns.
- Know how to report their concerns.
- Know their rights, including their right to remain anonymous.
- Know what will happen if they report their concerns.
- Feel safe in reporting their concerns.
- Will not be subject to retaliation, detriment, or victimization in response to reporting their concerns.

Anyone with evidence or reasonable suspicion that one of Eleving Group's employees or business partners has violated the established norms or Eleving Group commits systematic procedural violations can report it through the whistleblowing system. A competent Whistleblower Report coordinator monitors the Trust Line 24 hours a day, seven days a week. The Trust Line allows reporting anonymously.

The Group's management structure is designed to ensure effective team management and transparency. It is designed to encourage team members to have mutual trust and respect, and to be able to report any misconduct. Direct relationships among employees and all levels of the management team are facilitated, so everyone would feel comfortable communicating and escalating any issues through multiple avenues. Eleving Group believes that every employee should feel safe and assured that their rights are observed, 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 HR department.

In 2022, 25 reports of misconduct were received, of which 22 were anonymous. There were fourteen reports in Kenya, four in Uzbekistan, three in Uganda, whereas in Moldova, Estonia, Latvia, and Romania there was one report received in each country. Four of the reports were related to the issues of alleged employee exploitation and dissatisfaction with procedures, and three were related to alleged misappropriation of the company's assets. Five reports were test reports. None of the submitted reports was left unaddressed, and all issues were sorted out.



Data privacy

Eleving Group protects its customers, employees, and partners` privacy and ensures compliance with the applicable data protection laws and regulations. As business entities of Eleving Group enter new markets and its customer base grows, the work on data privacy is ongoing. Globally, over 330 000 customers, 2 600 employees, and 2 000 partners have entrusted Eleving Group with their personal data.

The Group's goal is to ensure that this information is processed securely and in accordance with applicable laws and regulations. To achieve this, goals and internal requirements are set and followed when dealing with personal data.

Eleving Group's data processing principles

- Process data only for the purposes it was collected
- Provide honest and transparent information to the individual
- Do not retain data, if it is no longer needed
- Ensure legal basis to process personal data
- Use only accurate and precise data
- Respect the individual's rights to privacy
- Use minimum amount of data necessary
- Monitor and ensure compliance with local privacy laws
- Ensure data security, integrity and confidentiality at every step

As Eleving Group operates in different markets and jurisdictions, it is subject not only to the General Data Protection Regulation No. 679/2016 of the European Parliament and of the Council (GDPR) but also to different national requirements for personal data protection. At entities located in the European Union, the Group has carried out multiple privacy-related external audits, reviewed its procedures, and adopted documentation to address GDPR requirements and improve data protection standards. All Eleving Group business entities have adopted the same general privacy framework, complemented by additional local requirements. Eleving Group strives to achieve a unified approach across the Group and provide a high level of technical and organizational security measures.

The Group continuously reviews existing procedures and educates its employees on applicable laws and regulations in relation to privacy, data protection, and other relevant matters such as information security. Personal data protection and information security trainings are organized regularly both at a Group and local level to educate employees and raise awareness on the subject. In addition to this, starting from the end of 2020, the Group uses the OneTrust system to operationalize and manage privacy-related requirements, assess and monitor compliance, and ensure a common approach to 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. Such a governance model ensures overreaching support and a common approach to the Group's privacy objectives and standards and addresses the local legal requirements.

Local data protection officers | Legal team | Risk officers | Business development experts | IT team

Eleving Group's employees are bound by strict confidentiality requirements and must not intentionally or accidentally disclose sensitive information while performing their work duties. The information is protected, regardless of whether it belongs to Eleving Group or its stakeholders.

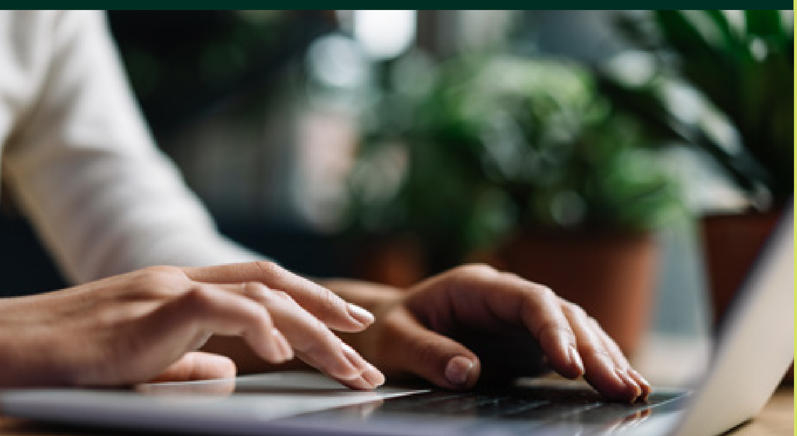
Employees are precluded from using confidential information obtained during their employment in Eleving Group for personal gain or the advancement of private interests.

Sustainable supply chain

A sustainable supply chain is essential to minimize the risks for the Group, influence the industry, and drive real and meaningful global change.

Eleving Group's business depends on certain services provided by third parties, such as banks, local consumer credit agencies, IT service providers, and debt-collection agencies. An inability to maintain existing business relationships with banks, local consumer credit agencies, IT service providers, debt-collection agencies, and other third-party providers or the failure by these third-party providers to maintain the quality of their services or otherwise provide their services to the Group may have a material adverse effect on the Group's business, financial condition, operating results, prospects, or cash flows.

With an aim to minimize the Group's external costs and risks when new business relationships are established with a new or existing supplier, Eleving Group has drawn up its internal procurement guidelines in line with the Group's strategic direction and internal and external regulations. Employees must screen suppliers against the economic sanctions list, perform sanity checks (tax debts, overall reputation), and conduct general research on whether the suppliers have adopted their own code of conduct and follow good corporate practices. Most supplier agreements are entered into for a period shorter than one year, and before the extension of an agreement, the said procedures are repeated. Since Eleving Group needs to choose suppliers with similar values and responsible business conduct, the Group plans to invest in improving the supplier selection process. The goal by 2025 is to assess all key suppliers according to the Group's ESG criteria. Currently, the Group mainly outsources certain IT services, such as software development, data center, and technical support.



Human rights statement

Human rights are fundamental rights belonging to every person in the world. They form the foundation for freedom, justice, and peace. They apply equally and universally in all countries, irrespective of the legal framework.

Eleving Group respects universal human rights in all markets where it operates. The Group follows the United Nations Guiding Principles on Business and Human Rights and the UN Global Compact, which form the basis for its efforts to respect human rights. The Group complies with all relevant international legal obligations and local legal obligations in the countries and regions in which it operates.

Eleving Group respects employee human rights as established in the International Labour Organisation's Declaration on Fundamental Principles and Rights at Work, including non-discrimination, prohibition of child and forced labor, and safe and healthy working conditions. The Group offers equal opportunities and rights to all, regardless of sex, national or ethnic origin, religion or belief, age, gender identity or expression, sexual orientation, or disability.

Eleving Group firmly stands against human rights violations, including child and forced labor. The Group does not employ children and strongly believes any employee should be able to freely negotiate and accept terms and conditions of employment relations and should not be coerced or forced to accept unfair or discriminatory terms. The Group applies the same principles within its supply chain and does not cooperate or engage with suppliers or service providers who do not adhere to them.

General principles of communication, sponsorship, and advertising

Eleving Group implements its communication activities in compliance with the principles of responsible communication and locally adopted laws and regulations.

The Group strongly opposes communication that misleads customers and general public in any way. Eleving Group does not sponsor events, people, or organizations whose reputation, products, or event concepts calls into question honesty, ethics, or other generally accepted values.

Investor relations

Eleving Group is committed to protecting the interests of all shareholders and investors and thus makes sure it complies with all relevant laws and regulations. Eleving Group aims to generate returns to shareholders on a sustainable long-term basis by continuously improving its services, products, and business processes with a focus on profitability and cost efficiency.

The Group is committed to maintaining transparent business processes, in which investors can gain a complete understanding of Eleving Group's planned short-term, medium-term, and long-term development projects and investments, as well as the actual financial and non-financial results. Considering the international scale of Eleving Group's business, and sustainable business principles, it is absolutely essential for Eleving Group to cooperate with investors who are not exposed to various sanctions risks. Eleving Group distances itself from investors about whom doubts may arise or whose origin of funds cannot be verified.

In early 2023, the Group won the Best Investor Relations on the First North Bond List category of the Nasdaq Baltic Awards. The award is presented every second year as part of the Nasdaq Baltic Awards ceremony, which celebrates outstanding achievements by Nasdaq Baltic-listed companies in the areas of transparency, sound corporate governance, and investor relations.

Shaping the industry

Eleving Group advocates responsible lending in all countries where it operates. Eleving Group also promotes this among the other industry players through participation in various industry-related events, projects, and trade associations.

The Group actively participates in the industry’s self-regulation processes, putting an emphasis on raising the product quality and the reputation of the industry. Eleving Group competes fairly and honestly and does not engage in anti-competitive conduct. Eleving Group is open to dialogue with industry regulators and is ready to engage in the legislative process within its expertise and experience gained on a global scale.

The Group is represented in several industry associations in the countries where it operates. For example, the Group is an active member of the Fintech Latvia Association, where it is represented in several expert groups. Representatives of the company, together with the representatives of other companies in the sector, adopt self-regulatory initiatives, agree on measures to be taken to improve the reputation of the industry, and carry out various communication and educational activities. Through the trade association, both directly and indirectly, the Group participates also in several working groups, for example, in the Financial Literacy Working Group organized by the Bank of Latvia, where experts discuss ways to collectively raise awareness of personal financial planning at a national level.

Addressing war in Ukraine

Eleving Group has taken a strong stance condemning Russia’s aggression and crimes in Ukraine since day one of the war. We are still paying close attention to the situation in Ukraine, and our number one concern is the safety of our employees and their families. As a result of the precarious economic and political atmosphere, the Group has decided to gradually decrease the business operations and portfolio exposure in Belarus, while in Ukraine, the Group is conducting a business run-down.

Eleving Group understands that the war in Ukraine is a collective struggle for Western World, therefore, the company has provided financial and material support to the Ukrainian people. In March 2022, Eleving Group donated EUR 100 000 to the “Entrepreneurs for peace” project, where the donations were used to provide humanitarian aid for Ukraine. In November 2022, the company’s employees personally delivered a large shipment of medical supplies and generators to Lviv, handing them over to Ukrainian army volunteers. It is planned that the company will continue its support to Ukraine also in 2023.

Business highlights

Operational and strategic highlights

- 2022 marked another successful year for the Group as the revenue hit an all-time twelve-month high, and the net portfolio achieved annual growth of 19.3%, totaling EUR 293.0 mln.
- Continued diversification of business operations and a balanced revenue stream from all three core business lines:
  - Flexible lease and subscription-based products contributed EUR 50.8 mln to the 12M 2022 revenue—up by 91.1% compared to 12M 2021. The key revenue driver was the productive lending segment in East Africa, which performed exceptionally well during the first three quarters of the year.
  - Traditional lease and leaseback products contributed EUR 68.0 mln to the 12M 2022 revenue—up by 32.5% compared to 12M 2021. The respective revenue growth was observed across the majority of the Group's markets, with Uganda, Kenya, Uzbekistan, and Armenia experiencing the most significant growth.
  - Revenue from the consumer loan segment contributed EUR 57.1 mln to the 12M 2022 revenue—down by 12.1% compared to 12M 2021. The negative trend observed in the annual consumer loan revenue mainly stemmed from the run-down of the Ukrainian portfolio; otherwise, all other markets have increased their revenues.
- More than 146 000 new clients onboarded.
- The impairment coverage ratio for the vehicle finance segment at the end of the year stood at 88.3%, representing a 4.7% drop YOY. Meanwhile, the impairment coverage ratio for the consumer finance segment in the same period declined by 12p.p., driven by portfolio development in North Macedonia and portfolio run-down in Ukraine. At the end of the year, it equaled 131.9%.
- The Group co-financed the launch of OX Drive, an electric car-sharing service in Latvia. During the seven months of its operations, the project has generated EUR 256 thousand in revenue and helped to save 110 metric tons of CO_2.
- In Q2, Eleving Group participated in carbon offsetting projects in Uganda and Kenya to compensate 114 tCO_2e arising from the administrative processes of the Group's HQ, thus receiving a carbon-neutral company status.
- Midst Q4, the Group partnered with STIMA, a battery-swapping technology provider, and the Estonian ride-hailing unicorn Bolt to promote climate-neutral mobility in Kenya by offering electric motorcycle financing services to the local customers. The initiative is still in its early stages of development, yet the first electric motorcycle customers have already been financed.
- In December, Eleving Group launched a financial literacy platform in Latvia.

Financial highlights and progress

- Solid profitability as evidenced by:
  - Adjusted EBITDA[1] of EUR 70.0 mln (12M 2021: EUR 57.5 mln).
  - Adjusted Net Profit[2] before FX of EUR 27.8 mln (12M 2021: EUR 19.9 mln).
  - Adjusted Net Profit after FX of EUR 21.4 mln (12M 2021: EUR 21.0 mln).
- Record-high net portfolio of EUR 293.0 mln; Eleving Vehicle Finance and Eleving Consumer Finance accounted for EUR 225.8 mln and EUR 67.2 mln, respectively.
- The strategic decisions regarding the diversification of the funding sources proved right and yielded tangible results. The Group is in a fairly advantageous position since it has various funding sources, such as bonds, bank loans, and borrowings from third parties that were acquired or issued at longer maturities when the conditions for fundraising were more favorable.
- Additionally, the Group is tapping into the opportunities of raising local finance, especially at the African subsidiaries' level, with the local bond issuance program in Kenya having amassed EUR 7.3 mln as at the end of 2022. Moving forward, the Group will seek to leverage similar opportunities, as they both bolster its capital structure and mitigate the FX gap on the Group's balance sheet, originating from the asset and liability currency mismatch.
- The Group has successfully managed to decrease its operational cost base, as evidenced by the 1.7 p.p. drop in the cost-to-income ratio of 12M 2022 compared to 12M 2021. Moreover, facing an uncertain inflationary environment, the Group will seek to become even more cost-efficient in 2023.
- The financial year of 2022 was closed with a healthy financial position, supported by the capitalization ratio of 25.8% (31 December 2021: 20.7%), ICR ratio of 2.4 (31 December 2021: 2.3), and net leverage of 3.3 (31 December 2021: 4.0), providing an adequate and stable headroom for Eurobond covenants.

[1] 2021 EBITDA adjusted with an increase by one-off costs of: (a) amortization of fair value gain EUR 3.2 mln; (b) loss resulting from subsidiary write-off EUR 1.0 mln; (c) bonds refinancing expense EUR 5.7 mln; and a decrease by one-off gains of: (a) non-controlling interests EUR 5.0 mln. 2022 EBITDA adjusted with an increase by one-off costs of: (a) loss resulting from subsidiary write-off EUR 0.8 mln; and a decrease by one-off gains of: (a) non-controlling interests EUR 5.0 mln.

[2] 2021 adjusted with an increase by one-off costs of: (a) amortization of fair value gain EUR 3.2 mln; (b) loss resulting from subsidiary write-off EUR 1.0 mln; (c) bonds refinancing expense EUR 5.7 mln. 2022 adjusted with an increase by one-off costs of: (a) loss resulting from subsidiary write-off EUR 0.8 mln.

Comments from Eleving Group CEO and CFO

Modestas Sudnius
Eleving Group CEO

We started 2022 with a dosed optimism. The turbulence caused by the Covid-19 pandemic had subsided, and it appeared that we might plan for moderate and predictable growth of the global economy. However, the changing geopolitical situation in Eastern Europe and the war in Ukraine shifted the market and, consequently, the macroeconomic outlook. Despite these external factors, we experienced a strong quarter and twelve-month period, with the best financial and operational results in the Group’s history.

The near-perfect results were driven by the adjusted strategy approved right after Q1. The main emphasis was put on portfolio quality and efficiency, as well as reducing the portfolio exposure in the affected markets while maintaining steady growth as a Group. This translated into a focus placed on managerial efficiency, cost optimization, careful capital management, and a slightly more conservative business approach.

In Q4, we saw that consumption in some markets decreased because consumers postponed larger purchases, including buying new vehicles. Admittedly, these fluctuations were already predictable in Q2, so our timely decisions—focusing on key strategic partnerships and roll-out a fully automated “dealers’ module”—helped us maintain stable issuance volumes without sacrificing portfolio quality at a time when the overall market was shrinking.

In November, we decided to simplify and optimize our hub structure and merge our Eastern Europe hub with our Caucasus hub, creating a new and larger—Eleving Europe hub. We are confident this will result in smoother management processes and reduced administrative costs throughout 2023.

Māris Kreics
Eleving Group CFO

2022 was the best year for Eleving Group in terms of EBITDA, revenue, net profit, and other fundamental business indicators. In 2022, the Group managed to increase the adjusted EBITDA by 21.8% compared to 2021, while the adjusted revenue reached EUR 183.9 mln, an increase of 17.2% compared to a year ago.

Also, the adjusted net profit before FX increased by 39.4% in 2022, while the net portfolio ascended to EUR 293.0 mln.

All things considered, we saw a slightly slower portfolio growth QOQ, but this resulted from our choice to mitigate the potential risks in times of uncertainty. We managed to diversify our portfolio across the markets and have absorbed the negative effect of war by decreasing exposure in the affected markets accordingly. Also, the diversification of the Group’s funding structure is still strong, with more opportunities for us to tap into the private debt at a local market level, especially in the African region.

As seen by the figures mentioned previously, we have entered the phase that is daunting for many companies in the financial industry—the elevated interest rates period—on a solid footing due to a conservative and measured approach toward the quality of our balance sheet.

In the coming quarters, we plan to continue focusing on controlled growth, improving our existing products, and ensuring the quality of our portfolio. Additionally, we will be closely monitoring the developments in the financial markets, especially since our local three-year bond in Latvia is maturing during the next year.

Future outlook

The strategy for the upcoming fiscal years is to drive organic growth in the core segments across all existing markets. In 2022, we saw that there still was potential for double-digit growth, even in our mature markets. We will keep the same focus in the upcoming year, in addition to further growth in the East African region. Last year in Kenya and Uganda, the Group experienced significant growth, nearly doubling its portfolio. Going further, the growth rate is expected to slow down, while the company will focus on increasing its operational efficiency and return on the portfolio in the respective markets.

Our goal next year is to grow our net loan portfolio and revenue by at least 15–20%. We will constantly monitor product and portfolio performance across our existing markets to achieve the best capital allocation. We will also evaluate and explore possible growth opportunities through the portfolio, business acquisitions, or new market launches.

The Group's capital management strategy focuses on maintaining and strengthening its financial covenants, particularly interest coverage ratio, net leverage ratio, and capitalization ratio. Since the local bond in Latvia is maturing in 2024, we will closely monitor developments in the financial markets to address the potential refinancing in the most efficient way. Another strategic goal of the company is to increase its debt financing raised in local currencies in Kenya and Uganda in order to have a natural hedge and to facilitate further growth in the respective markets.

The company will pursue different avenues to achieve that, such as local bank financing, bond programs, and potentially attracting impact investors as well.

To demonstrate the Group's compliance with the ethical standards of the industry and the national and international frameworks on sustainability, Eleving Group has chosen to make sustainability commitments and align its practices with the United Nations Sustainable Development Goals. The Group started corporate sustainability reporting in 2021 and entered 2022 with extended and improved long-term ESG goals focusing on environmental, social, and governance aspects. The Group is paying significant attention to the following:

- Environmental criteria: monitoring of the impact, educating customers, and launching mobility products with low CO_2 emissions.
- Social criteria: Eleving Group employee wellbeing and development, and financial literacy in society.
- Governance criteria: balanced gender diversity and transparent ESG reporting practices.

Products and strategy in 2023

	Mobility					Inclusion
	Financing		Flexible lease and subscription			Consumer lending
Products & services	mogo: Vehicle leasing for pre-owned cars	primero: Premium vehicle leasing for pre-owned cars	Renti plus, RENTI: Rent-to-buy & subscription services for ultimate flexibility	Boda loans, mogo: Motorcycle taxi loans in emerging markets[1]	OX: Electric car sharing product	Kredo.al, Tigo.mk, Sebo.md: Consumer loan products available online and through branch networks
Product strategy for next 12 months	Maintain organic growth in the existing markets	Maintain organic growth in the existing markets	Maintain organic growth in the existing markets	Maintain organic growth in the existing markets	Scale the new product in Latvia	Shift portfolio to longer maturities and higher ticket loans to serve wider customer needs, portfolio run down in Ukraine

Business strategy

- Maintain organic growth in the existing markets
- Increased focus on client retention and repeated clients across all business lines
- The launch and scale-up of near prime car leasing product (Primero) in Lithuania and Estonia
- Promotion of e-boda financing product in Kenya
- Focus on organic growth in the East Africa region
- Scale-up of electric car-sharing service in Latvia
- Analyse opportunities for further growth in new markets

Capital management strategy

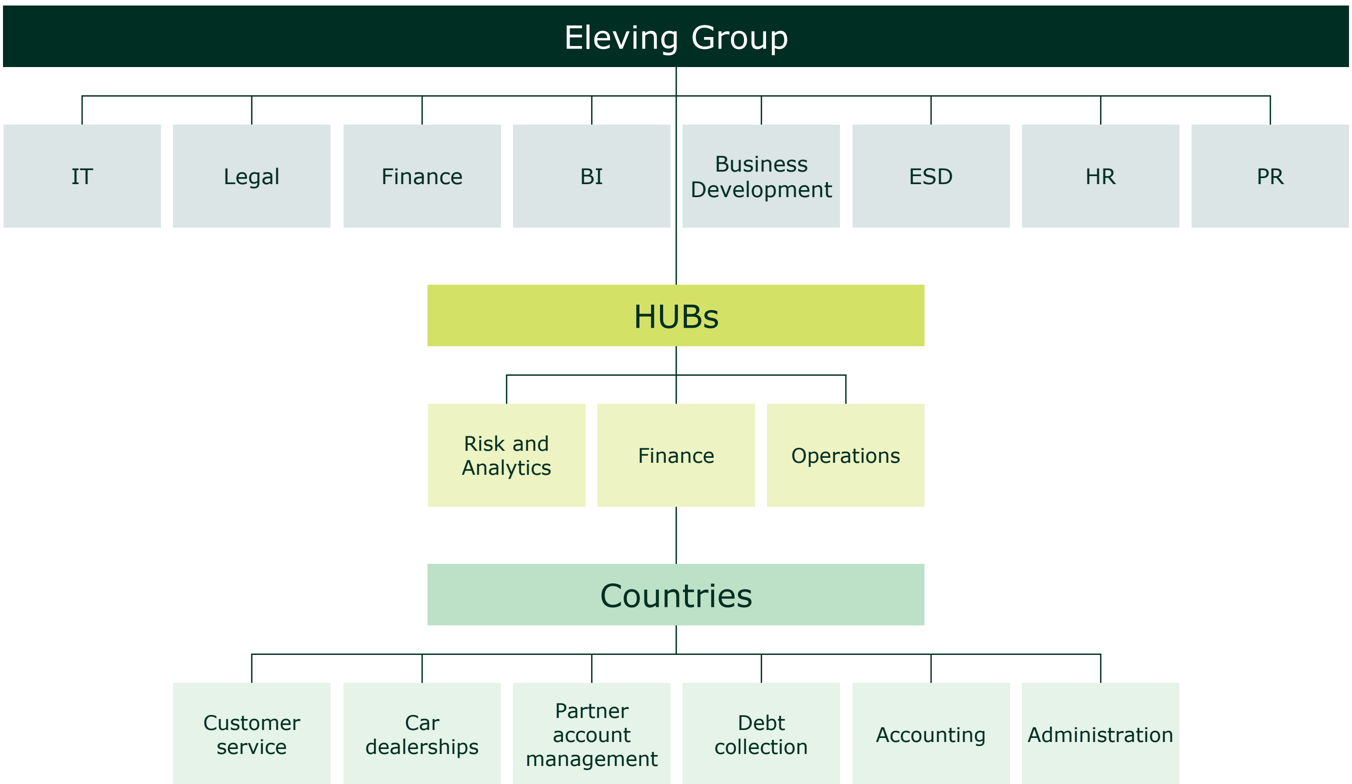
- Maintain sufficient and comfortable headroom for financial covenants: Interest Coverage ratio (ICR), Net Leverage ratio and Capitalization ratio
- Focus on efficient capital allocation between the existing markets and products. Evaluate possible growth opportunities through portfolio or business acquisitions or new market launches
- Focus on attractive private debt in East Africa markets to further facilitate growth and mitigate the forex gap
- Monitor developments in the financial markets since the local bond in Latvia is maturing in 2024

Corporate governance

Eleving Group is a public limited liability company. It is subject to and complies—among the others—with 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 and Riga Stock Exchanges. The Group does not apply additional requirements in addition to those required by the above.

In 2022, the Group continued to operate in 12 markets. Each country's subsidiary is entitled to take operational decisions regarding its business activities. Countries in a particular region are organized in clusters ("Hubs") coordinated by sub-holding companies controlled by the parent company.

Multilayer structure



Group functions

- HUB oversight
- Strategy
- Reporting
- Compliance
- Fundraising
- Consolidation

Hub functions

- Operational excellence
- Reporting
- Risk management
- Compliance
- Analysis and data management
- Countries oversight

Country-level functions

- Sales
- Operational execution (debt collection and customer service)
- Policy implementation
- Administration
- Local regulatory compliance

The share capital of the Group is indirectly held by the four founders of the Group (approximately 87%) and by present and former employees of the Group. On 5 May 2015, the shareholders of the Group entered 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 the 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. The share capital of Eleving Group is entirely held by its shareholders (see table on the right).

Largest shareholders, 31 December 2022

Share of capital, %	2022
SIA ALPPES Capital (Latvia)[1]	43.67%
AS Novo Holdings (Latvia)	14.56%
SIA EMK Ventures (Latvia)	14.56%
AS Obelo Capital (Latvia)	14.56%
Other shareholders	12.65%
Total	**100%**

[1]SIA ALPPES Capital is the new legal name of SIA "AK Family Investments".

Powers of the shareholder

The shareholders' general meeting exercises 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 the 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 Luxembourg residents and, at the same time, hold the positions of CEO and CFO within the Group. The board of directors has not appointed a chairperson among its members so far.

Modestas Sudnius

Appointed as CEO of Eleving Group in January 2019 and as Director of the Group in March 2019. A graduate of the Stockholm School of Economics, Mr. Sudnius held the position of Country Manager in Lithuania, followed by Regional CEO of Eleving Group in charge of the Baltic states, Georgia, and Armenia, and Co-CEO of the Group together with Edgars Egle. He has several years of experience in financial assurance and project management in companies such as Ernst & Young and EPS LT.

Māris Kreics

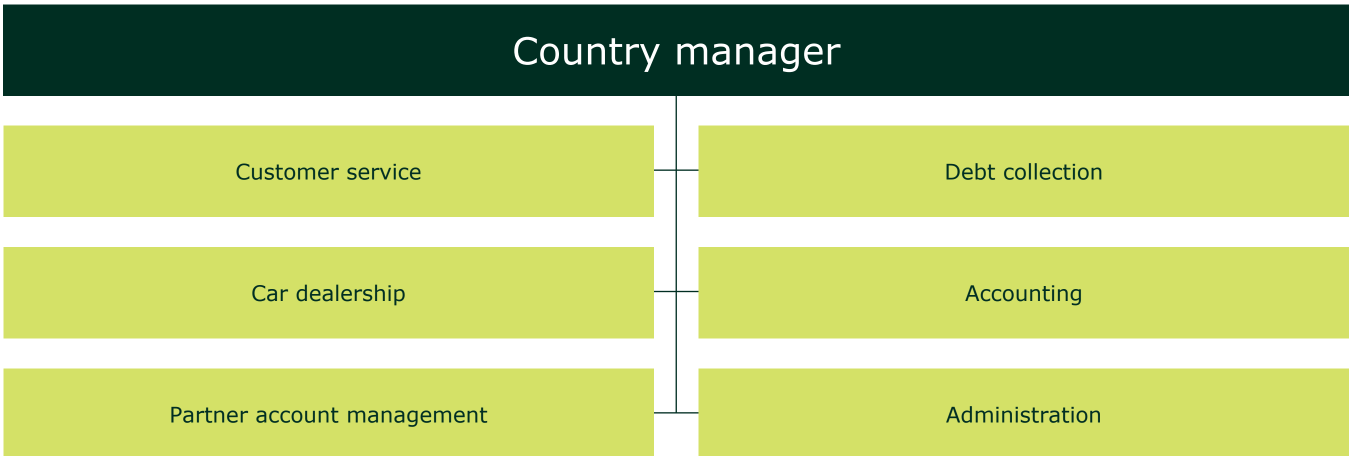
Appointed as A Director in 2018 and as CFO of the Group in 2015. Mr. Kreics spent two years in a corporate finance role at Tet (previously Lattelecom), the biggest telecommunication services company in Latvia. Before that, he spent seven years at PwC, two years in New York working exclusively on one of the largest (top 5 by market capitalization) S&P 500 Tech company's lead audit team. Mr. Kreics is a CFA charter holder and a member of ACCA, the global body for professional accountants. He holds a bachelor's and master's degree in Finance from the BA School of Business and Finance in Riga.

Sébastien François

Appointed as a B Director in 2022. Mr. Françoisis is currently also a Group Head of Corporate Services at Centralis S.A., and previously, he held a Client Service Manager position at AIB Administrative Services Luxembourg Sàrl. Mr. François holds Université Catholique de Louvain (U.C.L.) post-graduate degree in Financial Economics and Université Catholique de Louvain (U.C.L.) bachelor's degree in Business Administration.

Attila Sénig

Appointed as a B Director in 2020. Since 2011, Mr. Sénig has worked at Centralis S.A., where he currently acts as Client Services Director. Mr. Sénig is a qualified tax advisor and chartered accountant with extensive experience in accounting and outsourced corporate services in Hungary and Luxembourg. His academic credentials include a degree in Finance (specializing in taxation) and an affiliation to the Chamber of Hungarian Auditors. He is also accredited with a Luxembourg Tax Diploma.



Audit Committee

In 2019, the Group established an audit committee. The audit committee oversees the Group's financial reporting process to ensure transparency and integrity of the published financial information, the effectiveness of the Group's internal control and risk management system, the effectiveness of the internal audit function, the effectiveness of the independent audit process of the Group, including recommending the appointment and assessing the performance of the external auditor, and the effectiveness of the process for monitoring compliance with laws and regulations affecting financial reporting and the code of business conduct (where applicable).

The audit committee is set up, and its members are appointed by Eleving Group's Board of Directors. The audit committee is comprised of three members: Mārtiņš Muižnieks, Bertrand de Fays, and Franck-Oliviera Cera, each of them appointed for a period of three years. The audit committee reports directly to the Company's Board of Directors.

Risks and risk management

Risk management at Eleving Group is defined as a process of identifying, monitoring, and managing potential risks to mitigate the negative impact they may have on the Group. To ensure efficient significant risk management at all stages, Eleving Group describes the general framework and duties in its internal policies and guidelines.

Internal policies and guidelines set out the following objectives for each of the Group's operating companies:

- To establish the framework required for the identification of significant risks.
- To assess exposure to significant risks.
- To establish the techniques and indicators to be used for the management of significant risks, including with reference to the adequacy of the limits system.
- To allocate the risk management duties within the entity.
- To establish the framework required for risk reporting (reporting typology—indicators, content; frequency, users).
- To establish the entity's risk profile in line with the entity's business strategy.
- To establish the measures required for addressing the conflicts of interests at the level of the risk management function and the conditions required for the independent exercise of the risk management function.

The risk management process at Eleving Group consists of four main parts:

- Risk identification.
- Risk management.
- Risk monitoring.
- Risk control.

Eleving Group has defined the following significant risks: (i) financial risk, (ii) legal risk, (iii) operational risk, (iv) reputational risk, and (v) ESG risk.

The Group's activities are exposed to a variety of risks:

- Liquidity risk.
- Credit risk.
- Market risk (including currency risk and interest rate risk).

The 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 carried out by the central treasury department (the Group's treasury).

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

The Group is exposed to credit risk through its finance lease receivables, loans, and advances, as well as cash and cash equivalents. The key areas of credit risk policy cover the lease and loan granting process (including solvency check of the lessee or the borrower), monitoring methods, as well as decision-making principles. The Group uses financed vehicles as collateral to significantly reduce the credit risk. The Group operates by applying a clear set of finance lease and loan granting criteria. These criteria include assessing the credit history of the customer, means of lease and loan repayment and understanding the lease object. The Group takes into consideration both quantitative and qualitative factors when assessing the creditworthiness of the customer. Based on this analysis, the Group sets the credit limit for each customer. When the lease agreement has been signed, the Group monitors the lease object and the customer's solvency. The Group has developed a lease monitoring process that helps quickly spot any possible non-compliance with the provisions of the agreement. The receivable balances are monitored on an ongoing basis to ensure that the Group's exposure to bad debts is minimized and, where appropriate, sufficient provisions are made. The Group does not have a significant credit risk exposure to any single counterparty but is exposed to risks to the group of counterparties having similar characteristics.

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 the 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 is defined as the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The 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, Armenia, Uzbekistan, Kenya, Uganda, and Moldova. In most of the markets with exception of Kenya and Uganda the Group has evaluated potential hedging options but, due to the costs associated with it, has decided not to pursue a hedging strategy for now and assume potential short to mid-term currency fluctuations with retaining potential upside from strengthening of the mentioned currencies. Nevertheless, the Group has a practice of pricing in the currency risk within the cost of its products in the most volatile markets from a foreign currency perspective.

In addition, the Group is making substantial progress in issuing as many loans as possible in EUR and USD currencies. Having now a significant portfolio of USD loans and leases, mainly linked to Belarus, Kenya, and Uganda, the Group has started to proactively manage the 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 since then.

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

Legal risks are mainly derived from regulatory changes, which the Group successfully manages with the help of an in-house legal department and external legal advisors that closely follow the latest developments and the legal environment. While the majority of Eleving Group operating entities are financial institutions, the Group is not regulated as a bank, payment institution, or e-money institution in any of its operating jurisdictions. The regulatory framework applicable to the Group's operating entities varies depending on the jurisdiction in which they operate. 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.

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

Reputational risk is concerned with the exposure of Eleving Group to events that could adversely affect customers' trust in its products, could decrease its customer portfolio, or could lead to: (i) an increased difficulty in attracting new customers; (ii) difficulty raising finance; (iii) difficulty in retaining employees; (iv) non-compliance with the requirements set forth by local authorities. The Group's reputational risk monitoring is performed, e.g., by monitoring the local and central media, monitoring Eleving Group's activity with the focus on the events that could expose the Group to a reputational risk (specifically those related to customer relations and the relationships with the supervisory authority), and monitoring the number of complaints received from customers.

Scientific evidence[1] suggests that climate change, and the associated need to transition towards an environmentally sustainable economy, will lead to changes in the real economy that will, in turn, impact the financial sector through new risks and opportunities. In recent years, Eleving Group has become aware of the importance of ESG risks and has begun to work purposefully to manage them by developing its Strategic ESG Program 2022–2025 and initiating sustainability reporting. For Eleving Group, ESG risks include the following:

- Climate change—changes in the policy and regulatory context; timely development of innovative products and services, supporting the reduction of CO_2 emissions and customer preferences; business interruption due to chronic (e.g., temperature increase, etc.) or extreme (e.g., floods, etc.) events on key company assets, i.e., physical risk.
- Responsible use of natural resources—optimization of material cycles, in terms of recycling, waste, etc., management; sustainable resource (water, electricity, etc.) management.
- Human resources management—diversity, equal opportunities; health, safety, and well-being of employees; attraction, retention, and development of talent; employee training and development.
- Responsible lending—compliance with legal and voluntary regulations.
- Customers—customer relations (e.g., conduct, nondiscrimination, mislabeling products); customer data protection; evolving customer preferences regarding sustainable products; increasing use of digitalization and automation; affordable/accessible financial products.
- Impact on local communities—providing access to finance for diverse groups.
- Business ethics and integrity—prevention, detection, and countering unlawful behavior by employees, clients, and/or suppliers (incl. corruption, AML) and compliance with related international and national legislation.

Main features of internal control and risk management systems in relation to the process of consolidated financial statements

The employees involved in the accounting process meet qualitative standards and receive regular training. Duties and responsibilities are clearly assigned to different roles. Complex evaluations are assigned to specialized service providers who involve qualified in-house staff. The separation of administrative, executive, settlement, and report preparation functions reduce the possibility of fraud. Internal processes also ensure that changes in the Group's economic or legal environment are mapped and that new or amended legal provisions are applied in the Group's accounting.

The Group's accounting rules also govern specific formal requirements placed on consolidated financial statements. These include the mandatory use of a standardized and complete reporting package. The Group's Accounting Department assists the Regional units in resolving complex accounting issues. Additional data for the presentation of external information in the notes and the Group's management report is also prepared and aggregated at the Group level. Reporting packages containing errors are identified and corrected at the Regional or Group level. Impairment tests are conducted centrally for the specific cash-generating units, known as CGUs, from the Group's perspective to ensure that consistent, standardized evaluation criteria are applied.

[1] Intergovernmental Panel on Climate Change (IPCC) (2018), 'Global Warming of 1.5°C - Summary for Policymakers.

GRI standard indexes

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Consolidated financial statements

General information

Name of the Parent Company	Eleving Group	
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	8-10, Avenue de la Gare, L-1610 Luxembourg	
Major shareholders		31.12.2022
	SIA ALPPES Capital (Latvia)	43.67%
	AS Novo Holdings (Latvia)	14.56%
	SIA EMK Ventures (Latvia)	14.56%
	AS Obelo Capital (Latvia)	14.56%
	Other shareholders	12.65%
	TOTAL	**100.00%**
Directors	Māris Kreics (type A)	from 25.07.2018
	Modestas Sudnius (type A)	from 09.03.2019
	Attila Senig (type B)	from 29.04.2020
	Sébastien Jean-Jacques J. François (type B)	from 01.11.2022
	Delphine Glessinger (type B)	till 31.10.2022
Financial year	January - December 2022	
Previous financial year	January - December 2021	
Auditors	BDO AUDIT Société Anonyme Cabinet de révision agréé 1 rue Jean Piret, L-2350 Luxembourg	

Consolidated Financial Statements

Consolidated Statement of Profit and Loss and Other Comprehensive Income

Continuing operations	Notes	2022 EUR	2021 EUR (restated)
Interest revenue	**4**	170 495 222	139 857 244
Interest expense	**5**	(31 979 711)	(29 022 570)
Net interest income		**138 515 511**	**110 834 674**
Fee and commission income related to finance lease activities	**6**	8 002 643	7 317 048
Impairment expense	**7**	(43 442 576)	(40 967 132)
Net gain/(loss) from de-recognition of financial assets measured at amortized cost	**8**	1 993 591	3 750 632
Bonds refinancing expense	**9**	-	(5 667 930)
Expenses related to peer-to-peer platform services	**10**	(967 626)	(1 133 178)
Revenue from leases	**11**	5 421 567	6 549 933
Revenue from car sales	**12**	174 152	120 709
Expenses from car sales	**12**	(171 752)	(122 070)
Selling expense	**13**	(7 965 676)	(8 374 378)
Administrative expense	**14**	(59 207 103)	(50 454 918)
Other operating income	**15**	1 343 730	847 459
Other operating expense	**16**	(9 792 392)	(6 473 527)
Net foreign exchange result	**17**	(6 350 962)	1 095 031
Profit before tax		**27 553 107**	**17 322 353**
Corporate income tax	**18**	(9 617 748)	(6 932 013)
Deferred corporate income tax	**19**	2 686 438	815 335
Profit from continuing operations		**20 621 797**	**11 205 675**
Discontinued operations			
Profit/(loss) from discontinued operation, net of tax	**20**	(1 735 696)	(4 087 576)
Profit for the period		**18 886 101**	**7 118 099**
Other comprehensive income/(loss):			
Items that may be reclassified subsequently to profit or loss:			
Translation of financial information of foreign operations to presentation currency		4 943 030	2 535 681
Other comprehensive income/(loss)		**4 943 030**	**2 535 681**
Total profit and loss for the year		**23 829 131**	**9 653 780**
Profit is attributable to:			
Equity holders of the Parent Company		13 926 825	2 115 384
Non-controlling interests		4 959 276	5 002 715
Net profit for the year		**18 886 101**	**7 118 099**
Other comprehensive income/(loss) is attributable to:			
Equity holders of the Parent Company		4 699 889	2 480 567
Non-controlling interests		243 141	55 114
Other comprehensive income/(loss) for the year		**4 943 030**	**2 535 681**

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

Signed on behalf of the Group on 25 April 2023 by:

Māris Kreics
Type A director

Attila Senig
Type B director

Consolidated Statement of Financial Position

ASSETS

NON-CURRENT ASSETS	Notes	31.12.2022 EUR	31.12.2021 EUR (restated)
Intangible assets			
Goodwill	**21**	4 659 049	4 207 155
Internally generated intangible assets	**21**	8 641 438	7 530 576
Other intangible assets	**21**	2 411 258	2 734 414
Total intangible assets		**15 711 745**	**14 472 145**
Tangible assets			
Right-of-use assets	**22, 23**	9 934 629	9 095 695
Rental fleet	**22**	10 008 495	10 700 138
Property, plant and equipment	**22**	2 202 034	2 500 938
Leasehold improvements	**22**	575 721	615 310
Advance payments for assets	**22**	-	2 046
Total tangible assets		**22 720 879**	**22 914 127**
Non-current financial assets			
Finance lease receivables	**24**	72 102 729	64 417 410
Loans and advances to customers	**25**	67 832 121	54 708 877
Loans to related parties	**26, 44**	3 153 617	3 530 169
Equity-accounted investees	**27**	420 622	149 872
Other loans and receivables	**29**	267 629	723 098
Deferred tax asset	**19**	5 593 511	2 798 788
Total non-current financial assets		**149 370 229**	**126 328 214**
TOTAL NON-CURRENT ASSETS		**187 802 853**	**163 714 486**
CURRENT ASSETS			
Inventories			
Finished goods and goods for resale	**28**	2 480 988	3 763 734
Total inventories		**2 480 988**	**3 763 734**
Receivables and other current assets			
Finance lease receivables	**24**	61 875 661	49 535 164
Loans and advances to customers	**25**	81 144 183	67 946 962
Loans to related parties	**26, 44**	-	2 729 021
Other loans and receivables	**29**	697 177	2 207 045
Prepaid expense	**30**	2 108 329	1 672 422
Trade receivables	**31**	2 662 513	3 572 084
Other receivables	**32**	7 296 159	3 268 219
Cash and cash equivalents	**33**	13 834 837	10 127 087
Total receivables and other current assets		**169 618 859**	**141 058 004**
Assets of subsidiary held for sale or under liquidation	**34**	378 656	12 914 182
Assets held for sale	**35**	1 080 351	626 006
Total assets held for sale		**1 459 007**	**13 540 188**
TOTAL CURRENT ASSETS		**173 558 854**	**158 361 926**
TOTAL ASSETS		**361 361 707**	**322 076 412**

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

Signed on behalf of the Group on 25 April 2023 by:

Māris Kreics
Type A director

Attila Senig
Type B director

Consolidated Statement of Financial Position

EQUITY AND LIABILITIES

EQUITY	Notes	31.12.2022 EUR	31.12.2021 EUR (restated)
Share capital	**36**	1 000 500	1 000 000
Reserve	**36**	1 122 204	812 785
Foreign currency translation reserve		4 888 658	188 769
Retained earnings		38 478 577	22 265 753
brought forward		24 551 752	20 150 369
for the period		13 926 825	2 115 384
Total equity attributable to equity holders of the Parent Company		**45 489 939**	**24 267 307**
Non-controlling interests		8 894 339	7 122 787
TOTAL EQUITY		**54 384 278**	**31 390 094**
LIABILITIES			
Non-current liabilities			
Borrowings	**38**	212 717 106	210 614 192
Subordinated borrowings	**38**	18 477 014	17 300 238
Total non-current liabilities		**231 194 120**	**227 914 430**
Provisions	**37**	152 109	140 054
Total provisions for liabilities and charges		**152 109**	**140 054**
Current liabilities			
Borrowings	**38**	60 114 233	40 110 419
Liabilities associated with the assets held for sale or under liquidation	**34**	107 292	6 118 506
Prepayments and other payments received from customers	**39**	450 097	877 243
Trade and other payables		1 646 248	2 698 423
Current corporate income tax payable	**18**	3 934 652	3 697 322
Taxes payable	**40**	2 367 101	1 787 308
Other liabilities	**41**	1 953 236	888 273
Accrued liabilities	**42**	5 018 766	4 202 346
Other current financial liabilities	**43**	39 575	2 251 994
Total current liabilities		**75 631 200**	**62 631 834**
TOTAL LIABILITIES		**306 977 429**	**290 686 318**
TOTAL EQUITY AND LIABILITIES		**361 361 707**	**322 076 412**

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

Signed on behalf of the Group on 25 April 2023 by:

Māris Kreics
Type A director

Attila Senig
Type B director

Consolidated Statement of Changes in Equity

	Share capital EUR	Foreign currency translation reserve EUR	Retained earnings/ (Accumulated loss) EUR	Reserve EUR	**Total equity attributable to Equity holders of the Parent Company** EUR	Non-controlling interest EUR	**Total** EUR
Balance at 01.01.2021	**1 000 000**	**(2 291 798)**	**22 874 235**	**317 347**	**21 899 784**	**338 439**	**22 238 223**
Profit for the reporting year	-	-	2 115 384		**2 115 384**	5 002 715	**7 118 099**
Other comprehensive income	-	2 480 567	-	-	**2 480 567**	55 114	**2 535 681**
Total comprehensive income	-	2 480 567	2 115 384	-	**4 595 951**	5 057 829	**9 653 780**
Decrease of share capital in subsidiaries	-	-	-	-	**-**	(91 500)	**(91 500)**
Sale of shares to NCI	-	-	(2 228 428)		**(2 228 428)**	2 241 437	**13 009**
Acquisition of NCI without change in control	-	-	-	-	**-**	(35)	**(35)**
Dividends	-	-	-	-	**-**	(423 383)	**(423 383)**
Reserve (Note 36)	-	-	(495 438)	495 438	**-**	-	**-**
Balance at 31.12.2021	**1 000 000**	**188 769**	**22 265 753**	**812 785**	**24 267 307**	**7 122 787**	**31 390 094**
Balance at 01.01.2022	**1 000 000**	**188 769**	**22 265 753**	**812 785**	**24 267 307**	**7 122 787**	**31 390 094**
Profit for the reporting year	-	-	13 926 825	-	**13 926 825**	4 959 276	**18 886 101**
Other comprehensive income	-	4 699 889	-	-	**4 699 889**	243 141	**4 943 030**
Total comprehensive income	-	4 699 889	13 926 825	-	**18 626 714**	5 202 417	**23 829 131**
Change in share capital	500	-	-	-	**500**	(97 282)	**(96 782)**
Sale of shares to NCI	-	-	-	-	**-**	187 928	**187 928**
Acquisition of NCI without change in control	-	-	2 616 574	-	**2 616 574**	(2 891 719)	**(275 145)**
Dividends	-	-	-	-	**-**	(629 792)	**(629 792)**
Reserve (Note 36)	-	-	(330 575)	309 419	**(21 156)**	-	**(21 156)**
Balance at 31.12.2022	**1 000 500**	**4 888 658**	**38 478 577**	**1 122 204**	**45 489 939**	**8 894 339**	**54 384 278**

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

Signed on behalf of the Group on 25 April 2023 by:

Māris Kreics
Type A director

Attila Senig
Type B director

Consolidated Statement of Cash Flows

Cash flows to/from operating activities	Notes	2022 EUR	2021 EUR (restated)
Profit before tax		25 817 411	13 234 777
Adjustments for:			
Amortization and depreciation	**21, 22**	8 226 509	7 399 657
Interest expense	**5**	28 915 885	29 022 570
Interest income	**4**	(170 495 222)	(139 857 244)
Loss from disposal of property, plant and equipment	**14**	3 174 195	1 003 281
Impairment expense	**7**	43 442 576	40 967 132
Loss from disposal of subsidiaries		-	3 100 925
(Gain)/loss from fluctuations of currency exchange rates		1 407 932	(3 630 712)
Operating profit before working capital changes		**(59 510 714)**	**(48 759 614)**
Decrease/(increase) in inventories		1 282 746	(2 163 391)
Increase in finance lease receivables, loans and advances to customers and other current assets		(72 763 888)	(87 220 762)
(Decrease)/increase in accrued liabilities		828 475	603 577
Increase in trade payable, taxes payable and other liabilities		(1 887 222)	5 947 651
Cash generated to/from operations		**(132 050 603)**	**(131 592 539)**
Interest received		170 520 285	139 304 239
Interest paid	**38**	(29 137 634)	(25 405 774)
Corporate income tax paid		(10 188 627)	(4 499 699)
Net cash flows to/from operating activities		**(856 579)**	**(22 193 773)**
Cash flows to/from investing activities			
Purchase of property, plant and equipment and intangible assets	**21, 22**	(5 070 401)	(5 994 430)
Purchase of rental fleet	**22**	(4 978 257)	(3 541 078)
Disposal of discontinued operation, net of cash disposed of	**20**	(164 607)	(362 473)
Received payments for sale of shares in subsidiaries		-	1 268 182
Loan repayments received		5 662 807	19 339 778
Loans issued		(48 461)	(178 878)
Net cash flows to/from investing activities		**(4 598 919)**	**10 531 101**
Cash flows to/from financing activities			
Proceeds from issue of share capital	**36**	500	-
Proceeds from borrowings	**38**	189 892 932	522 098 102
Repayments for borrowings	**38**	(176 917 062)	(500 911 788)
Payments made for acquisition costs of borrowings	**38**	(932 800)	(6 874 901)
Dividends paid to non-controlling shareholders		(629 792)	(423 383)
Repayment of liabilities for right-of-use assets	**38**	(2 350 758)	(1 416 246)
Net cash flows to/from financing activities		**9 063 020**	**12 471 784**
Effect of exchange rates on cash and cash equivalents		100 228	2 545
Change in cash		**3 707 750**	**811 657**
Cash at the beginning of the year		10 127 087	9 315 430
Cash at the end of the year	**33**	**13 834 837**	**10 127 087**

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 25 April 2023 by:

Māris Kreics
Type A director

Attila Senig
Type B director

Notes to the Consolidated Financial Statements

1. Corporate information

Eleving Group S.A. (hereinafter "the Parent Company") is a Luxembourg company incorporated on December 18, 2012 as a Société Anonyme for an unlimited duration, subject to the Company Law in Luxembourg. The Parent Company is registered in Luxembourg trade register under number B174457.

The consolidated financial statements of the Group include:

Subsidiary name	Country of incorporation	Registration number	Principal activities	% equity interest 2022	2021
Mogo Sp. z o.o.	Poland	7010514253	Financing	100.00%	100.00%
Mogo Balkans and Central Asia AS	Latvia	40203150045	Management services	100.00%	100.00%
Mogo Leasing d.o.o.	Bosnia	4202540500009	Financing	100.00%	100.00%
Pocco Finance sp. z o. o.	Poland	830343	Management services	100.00%	98.70%
Eleving Vehicle Finance AS	Latvia	42103088260	Management services	99.98%	98.50%
Primero Finance OU	Estonia	12401448	Financing	99.98%	98.50%
Mogo LLC	Georgia	404468688	Financing	99.98%	98.50%
Mogo UCO LLC	Armenia	42	Financing	99.98%	98.50%
Longo Georgia LLC	Georgia	402095166	Retail of motor vehicles	99.98%	98.50%
Longo LLC	Armenia	286.110.1015848	Retail of motor vehicles	99.98%	98.50%
Eleving Luna AS	Latvia	40203145805	Management services	99.98%	98.50%
Rentiplus OU	Estonia	16455100	Rent services	99.98%	0.00%
Mogo OY	Finland	3263702-2	Financing	99.98%	0.00%
Eleving Finance AS	Latvia	40203150030	Management services	98.70%	98.70%
Mogo LT UAB	Lithuania	302943102	Financing	90.42%	100.00%
Renti UAB	Lithuania	305653232	Financing	90.42%	100.00%
Mogo IFN SA	Romania	35917970	Financing	90.42%	88.65%
Eleving Stella AS	Latvia	40103964830	Management services	90.42%	88.65%
Eleving Stella LT UAB	Lithuania	305018069	Management services	90.42%	88.65%
Rocket Leasing OOO	Belarus	193553071	Financing	90.42%	88.65%
Autotrade OOO	Belarus	192846476	Other services	90.42%	88.65%
Renti AS	Latvia	40203174147	Rent services	88.61%	86.88%
Mogo AS	Latvia	50103541751	Financing	88.61%	86.88%
Mogo Loans SRL	Moldova	10086000260223	Financing	87.65%	88.65%
Eleving Solis AS	Latvia	40203182962	Management services	87.19%	86.81%
Eleving Solis UAB	Lithuania	304991028	Management services	87.19%	86.81%
MOGO LOANS SMC LIMITED	Uganda	80020001522601	Financing	87.19%	86.81%
Mogo Auto Ltd	Kenya	PVT-AJUR7BX	Financing	87.19%	86.81%
Mogo Kenya Ltd	Kenya	PVT-BEU3ZKD	Financing	87.19%	86.81%
MOGO Kredit LLC	Belarus	192981714	Financing	86.44%	88.65%
Mogo Lend LTD	Uzbekistan	305723654	Financing	86.40%	86.03%
Eleving Consumer Finance Holding, AS	Latvia	40203249386	Management services	81.72%	82.46%
TIGO Finance DOOEL Skopje	North Macedonia	7229712	Financing	79.35%	82.46%
Hima Finance	Armenia	286.110.1121811	Management services	78.62%	78.62%
Eleving Consumer Finance AS	Latvia	54103145421	Management services	78.62%	78.62%
Insta Finance LLC	Ukraine	43449827	Financing	78.62%	78.62%
Next Fin LLC	Ukraine	42273138	Financing	78.62%	78.62%
Hima UCO LLC	Armenia	53	Financing	78.62%	78.62%
Kredo Finance SHPK	Albania	L71610009A	Financing	78.24%	82.46%
OCN SE Finance SRL	Moldova	1020600028773	Financing	75.68%	75.68%
OCN Sebo Credit SRL	Moldova	1017600000371	Financing	75.46%	75.68%
SIA Spaceship	Latvia	40203300224	Car sharing services	51.00%	0.00%
Mogo Iberia (till 11.11.2022.)	Spain	B87587754	Financing	0.00%	100.00%
EL Investments OOO (till 01.11.2022.)	Russia	7707457806	Financing	0.00%	100.00%
Mogo Albania SHA (till 30.09.2022.)	Albania	NUIS L71528013A	Financing	0.00%	100.00%

Changes in equity interest percentages are mainly driven by vesting of share option plans for key management employees.

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

These Consolidated financial statements were authorized for issue by decision of the directors on 25 April 2023.
Shareholders have the financial statements' approval rights after approval by the Board of Directors.

2. Summary of significant accounting policies

a) Basis of preparation

These consolidated annual financial statements as of and for the year ended 31 December 2022 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 2022 till 31 December 2022. 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 a going concern basis. In the light of events related to the war in Ukraine and gradually increasing interest rate environment, the Group's management has assessed the impacts on the Group's ability to continue as a going concern.

The Group is following the situation in Ukraine very closely and greatly regrets the current development. With less than 1% of the total net portfolio of the Group, Eleving Group has a limited presence in Ukraine. Already in the pre-war period, the Company had significantly curtailed new issuances and stopped them completely as of 24 February 2022. Collections from the portfolio declined significantly, although considerable payments are still being made by customers daily. Given the digital-only business in Ukraine, the scale back of the local portfolio is not exposed to any material risks. The Company is not planning any new loan issues for the foreseeable future and will focus on collection activities while maintaining a lean cost structure. Eleving Group is focused on supporting its employees and their family members in Ukraine.

Although the business activity in Belarus historically shows the greatest resilience of the operating countries against crises of various kinds, Eleving Group has decided to limit issuances in Belarus as of 24 February 2022 and focus on reducing the existing exposure. The net loan portfolio in Belarus accounts for 5% of the Group's total net loan portfolio and 7% of the Group's adjusted EBITDA as of 31 December 2022. The Company is optimizing its costs structure in Belarus and is putting full focus on collection activities. At this point, collections are unaffected, and the Company is receiving a significant amount of positive cashflows, with a focus on developing several secure ways to transfer foreign currency out of Belarus. Excess cash is being repatriated to EU countries.

Eleving Group itself is not a sanctions target and does not maintain business relations with Russian banks. A subsidiary company of Eleving Group S.A. in Russia was closed in 2022 and the Group has no direct or indirect business relationships with any Russian companies and/or businesses. The proactively initiated contingency management to ensure business continuity includes real-time assessment of the situation in the affected countries of operation, liquidity management, and securing foreign exchange transfers outside the borders of sanctioned countries.

Eleving Group has been growing issuances and portfolio at a significant pace over last several years in Kenya. Launch and successful expansion of motorcycle financing as well as countrywide expansion of car financing product both were important growth drivers. Consequently, Kenya became the largest entity in the Group's portfolio making up 18% of total Group net portfolio.

In 2022 Kenyan economy faced the challenges of rising inflation, primarily driven by growing food prices that were negatively affected by the multi-season draught, as well as slowing growth. Despite the challenging global macroeconomic environment, Kenyan GDP was projected to grow 5.3% in 2022 according to International Monetary Fund.

A smooth transition of power following the August presidential elections demonstrated Kenya's increasing institutional strength and confirmed its reputation as the most politically stable democracy in the region. It also removed a significant risk factor from investors' equation setting path for long term investments that might have been hesitant to pull the trigger in anticipation of the election results. The Group expects Kenya to remain as one if its largest markets in terms of net loan portfolio and EBITDA contribution in the near future.

In management's view the Group will have sufficient resources to continue its existence for a period of at least 12 months from the approval date of the consolidated financial statements. The Group does not expect a substantial adverse effect form overall economic uncertainty on its markets of operations or the potential effects are too ambiguous to be reliably estimated as the preparation of financial statements. As of end of year 2022 the Group has not seen a structural deficiencies in terms of customer repayments as a result of increasing overall price pressure. 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.

The Group monitors its liquidity ratios on an ongoing basis. The main liquidity ratios for the Group are capitalization ratio, interest coverage ratio and net leverage. As at 31 December 2022, the Group's capitalization ratio, interest coverage ratio and net leverage were accordingly 25.8%, 2.5 and 3.2 (31 December 2021: 20.7%, 2.3 and 4.0), indicating stable liquidity situation of the Group. The Group has maintained a strong funding and liquidity position with its robust diversified funding base. As at 31 of December 2022 the Group is compliant with all financial covenants.

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 as at date of approval of these consolidated financial statements, demonstrating that investors trust in the Group, and they continue to invest in Eleving loans.

Further information provided in Note 3.

2. Summary of significant accounting policies (continued)

b) Changes in accounting policy and disclosures

The accounting policies adopted are consistent with those of the previous financial year except minor changes to expected credit loss calculation described starting from page 77.

c) New standards, interpretations and amendments adopted from 1 January 2022

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

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

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

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

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

The amendments to IAS 37.68A clarify, that the costs relating directly to the contract consist of both:

- The incremental costs of fulfilling that contract- e.g., direct labour and material; and
- An allocation of other costs that relate directly to fulfilling contracts: e.g., Allocation of depreciation charge on property, plant and equipment used in fulfilling the contract.

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

In accordance with the transitional provisions, the Group applies the amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application) and has not restated its comparative information.

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

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

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

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

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

References to Conceptual Framework (Amendments to IFRS 3)

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

d) New standards, interpretations and amendments not yet effective

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

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

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

2. Summary of significant accounting policies (continued)

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

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

The Group is currently assessing the impact of these new accounting standards and amendments. The Group does not believe that the amendments to IAS 1 will have a significant impact on the classification of its liabilities.

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

e) Reclassification of comparative indicators

As described in Note 20, in 2022 the Group has cancelled the sales agreement for sale of its subsidiary in Estonia - Primero Finance OU and has reclassified back its results to continued operations. Also a subsidiary in Albania has been disposed from the Group in 2022 and recognized as discontinued operation. This resulted in change in Consolidated Statement of Profit and Loss and Other Comprehensive Income as well as in Consolidated Statement of Cash Flows.

Consolidated Statement of Profit and Loss and Other Comprehensive Income	Balance at 31.12.2021 in annual report for 2021	Reclassifications	Balance at 31.12.2021 after restatement
Interest revenue	136 543 798	3 313 446	139 857 244
Interest expense	(28 203 219)	(819 351)	(29 022 570)
Net interest income	**108 340 579**	**2 494 095**	**110 834 674**
Fee and commission income related to finance lease activities	7 473 675	(156 627)	7 317 048
Impairment expense	(40 701 956)	(265 176)	(40 967 132)
Net gain/(loss) from de-recognition of financial assets measured at amortized cost	3 464 215	286 417	3 750 632
Bonds refinancing expense	(5 667 930)	-	(5 667 930)
Expenses related to peer-to-peer platform services	(1 041 330)	(91 848)	(1 133 178)
Revenue from leases	6 549 933	-	6 549 933
Revenue from car sales	110 659	10 050	120 709
Expenses from car sales	(112 024)	(10 046)	(122 070)
Selling expense	(8 209 741)	(164 637)	(8 374 378)
Administrative expense	(49 567 263)	(887 655)	(50 454 918)
Other operating income	859 392	(11 933)	847 459
Other operating expense	(6 323 808)	(149 719)	(6 473 527)
Net foreign exchange result	1 076 485	18 546	1 095 031
Profit before tax	**16 250 886**	**1 071 467**	**17 322 353**
Corporate income tax	(6 932 013)	-	(6 932 013)
Deferred corporate income tax	392 188	423 147	815 335
Profit from continuing operations	**9 711 061**	**1 494 614**	**11 205 675**
Discontinued operations			
Profit/(loss) from discontinued operation, net of tax	(2 592 962)	(1 494 614)	(4 087 576)
Profit for the period	**7 118 099**	**-**	**7 118 099**
Other comprehensive income/(loss):			
Items that may be reclassified subsequently to profit or loss:			
Translation of financial information of foreign operations to presentation currency	2 535 681	2 535 681	2 535 681
Other comprehensive income/(loss)	**2 535 681**	2 535 681	**2 535 681**
Total profit and loss for the year	**9 653 780**	9 653 780	**9 653 780**
Profit is attributable to:			
Equity holders of the Parent Company	2 115 384	2 115 384	2 115 384
Non-controlling interests	5 002 715	5 002 715	5 002 715
Net profit for the year	**7 118 099**	7 118 099	**7 118 099**
Other comprehensive income/(loss) is attributable to:			
Equity holders of the Parent Company			
Non-controlling interests	55 114	55 114	55 114
Other comprehensive income/(loss) for the year	**2 535 681**	2 535 681	**2 535 681**

2. Summary of significant accounting policies (continued)

Consolidated Statement of Cash Flows	Balance at 31.12.2021 in annual report for 2021	Reclassifications	Balance at 31.12.2021 after restatement
Profit before tax	13 657 924	(423 147)	13 234 777
Adjustments for:			
Amortization and depreciation	7 394 555	5 102	7 399 657
Interest expense	28 203 219	819 351	29 022 570
Interest income	(136 543 798)	(3 313 446)	(139 857 244)
Loss from disposal of property, plant and equipment	1 004 159	(878)	1 003 281
Impairment expense	40 701 956	265 176	40 967 132
Loss from disposal of subsidiaries	3 100 925	-	3 100 925
(Gain)/loss from fluctuations of currency exchange rates	(3 612 166)	(18 546)	(3 630 712)
Operating profit before working capital changes	***(46 093 226)***	***(2 666 388)***	***(48 759 614)***
Decrease/(increase) in inventories	(2 163 391)	-	(2 163 391)
Increase in finance lease receivables, loans and advances to customers and other current assets	(86 150 557)	(1 070 205)	(87 220 762)
(Decrease)/increase in accrued liabilities	603 577	-	603 577
Increase in trade payable, taxes payable and other liabilities	5 524 504	423 147	5 947 651
Cash generated to/from operations	***(128 279 093)***	***(3 313 446)***	***(131 592 539)***
Interest received	135 990 793	3 313 446	139 304 239
Interest paid	(25 405 774)	-	(25 405 774)
Corporate income tax paid	(4 499 699)	-	(4 499 699)
Net cash flows to/from operating activities	***(22 193 773)***	-	***(22 193 773)***
Cash flows to/from investing activities			
Purchase of property, plant and equipment and intangible assets	(5 994 430)	-	(5 994 430)
Purchase of rental fleet	(3 541 078)	-	(3 541 078)
Disposal of discontinued operation, net of cash disposed of	(362 473)	-	(362 473)
Received payments for sale of shares in subsidiaries	1 268 182	-	1 268 182
Loan repayments received	19 339 778	-	19 339 778
Loans issued	(178 878)	-	(178 878)
Net cash flows to/from investing activities	*10 531 101*	-	*10 531 101*
Cash flows to/from financing activities			
Proceeds from issue of share capital	-	-	-
Proceeds from borrowings	522 098 102	-	522 098 102
Repayments for borrowings	(500 911 788)	-	(500 911 788)
Payments made for acquisition costs of borrowings	(6 874 901)	-	(6 874 901)
Dividends paid to non-controlling shareholders	(423 383)	-	(423 383)
Repayment of liabilities for right-of-use assets	(1 416 246)	-	(1 416 246)
Net cash flows to/from financing activities	***12 471 784***	-	***12 471 784***
Effect of exchange rates on cash and cash equivalents	2 545	-	2 545
Change in cash	811 657	-	811 657
		-	
Cash at the beginning of the year	9 315 430	-	9 315 430
		-	
Cash at the end of the year	**10 127 087**	-	**10 127 087**

As at 31 December 2022 the Group had identified that the presentation of assets held for sale was previously misstated in its consolidated financial statements. The Group reported receivables from the 'finance lease' and 'loans and advances to customers' lending activities which were defaulted and where the pledge was repossesed as asset held for sale under IFRS 5. The Group has identified that these recevable are rather subject to IFRS 9. As a result, reclassification was made from the statement of financial position caption "Assets held for sale" to "Finance lease receivables" and "Loans and advances to customers". During 2022 the Group has identified the reclassification amounts as at 31 December 2021 and has made further correction of comparative figures in these financial statements.

Statement of financial position - Assets	Balance at 31.12.2021 in annual report for 2021	Reclassifications	Balance at 31.12.2021 after restatement
Finance lease receivables (short term)	47 942 305	1 592 859	49 535 164
Loans and advances to customers (short term)	67 783 267	163 695	67 946 962
Assets held for sale	2 382 560	(1 756 554)	626 006
TOTAL:	**118 108 132**	**-**	**118 108 132**

2. Summary of significant accounting policies (continued)

As at 31 December 2022 the Group also identified that the presentation of split of non-current and current liabilities is disclosed incorrectly in 2021. The Group has adjusted the comparative figures to correctly show these liabilities. The Group also separated the subordinated borrowings in a separate financial position to provide more detailed information also in the Statement of financial position in addition to information previoulsy already provided in Notes.

Statement of financial position - Liabilities	Balance at 31.12.2021 in annual report for 2021	Reclassifications	Balance at 31.12.2021 after restatement
Non-current liabilities			
Borrowings	229 757 374	(19 143 182)	210 614 192
Subordinated borrowings	-	17 300 238	17 300 238
Current liabilities			
Borrowings	38 267 475	1 842 944	40 110 419
TOTAL:	**268 024 849**	**-**	**268 024 849**

The consolidated financial statements comprise the financial statements of Eleving Group S.A. (Parent company) and entities controlled by the Parent Company (its subsidiaries) as at 31 December 2022. 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 consolidated 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 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.

2. Summary of significant accounting policies (continued)

Currency exchange rates used for translation of foreign operations into euros:

	31.12.2022	31.12.2021	2022 average	2021 average
	1 EUR	1 EUR	1 EUR	1 EUR
GEL	2.8844	3.5040	3.0667	3.8351
PLN	4.6808	4.5969	4.6861	4.5652
RON	4.9474	4.9490	4.9312	4.9208
ALL	114.23	120.76	118.92	122.44
MDL	20.3792	20.0938	19.8982	20.9255
BYR	2.9156	2.8826	2.7691	3.0050
UAH	38.9510	30.9226	33.9954	32.3009
UZS	11 961.85	12 224.88	11 650.09	12 533.89
AMD	420.06	542.61	459.48	595.18
MKD	61.4932	61.6270	61.6219	61.5891
BAM	1.95583	1.95583	1.95583	1.95583
KEL	131.2700	127.9900	124.1681	129.7600
UGX	3 979.15	4 022.50	3 883.09	4 243.86

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 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.

2. Summary of significant accounting policies (continued)

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.

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 recognized 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 21 for further details.

2. Summary of significant accounting policies (continued)

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 costs are 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.

Rental fleet

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

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

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 residual value unrecoverable and impairment loss may need to be recognized.

Financial assets

Financial instruments – initial recognition

Date of recognition

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

2. Summary of significant accounting policies (continued)

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.

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 2022 nor 2021.

2. Summary of significant accounting policies (continued)

Derecognition of financial assets and finance lease receivables

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

Derecognition due to substantial modification of terms and conditions

The Group derecognizes 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 (POCI).

When assessing whether or not to derecognize a financial asset, the Group evaluates whether the cash flows of the modified asset are substantially different and the Group considers the following qualitative factors:

- Change in currency of the loan
- Change in counterparty
- If the modification is such that the instrument would no longer meet the SPPI criterion for financial asset
- Whether legal obligations have been extinguished.
- Furthermore, for loans to customers and financial lease receivables the Group specifically considers the purpose of the modification for increase in 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.

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.

2. Summary of significant accounting policies (continued)

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 section on Significant increase in credit risk (Note 3).

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 12m ECL 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, Armenia, Romania, Moldova, Belarus.
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 Eleving Vehicle Finance only.

2. Summary of significant accounting policies (continued)

Finance lease receivables and secured loans (non-mature countries*):
1) Not past due
2) Days past due up to 25 days (up to 30 days for Africa region)
3) Days past due 26 up to 34 days (31 - 34 days for Africa region)
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 Kenya, Uganda and Uzbekistan. Refer to Eleving Vehicle Finance only.

Loans and advances to customers (unsecured loans, refer to Eleving Vehicle Finance only):
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

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

* - Businesses acquired during 2020 – 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 Eleving 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.

Based on the above process, the Group groups its leases and loans into Stage 1, Stage 2, and Stage 3, as described below:

The Group defines staging predominantly based on DPD and aligns it with the debt collections processes. For more accurate ECL assessment, split by stages is enhanced by healing bucket concept to reflect on cases when DPD is not a sufficient indicator of credit risk. This is applicable to lease portfolios and car loans (unsecured consumer loan where clients borrow a sum of money in order to purchase a car).

The Group's experience in lending suggests that DPD is a strong predictor of a credit default, thus DPD is the main quantitative factor for the backstop identification for Stage 2. Data from the Groups active vehicle operations (active 3+ years) shows that probability to reach default status over the next 12 months horizon is quite low for accounts which have 0 DPD and merely low for accounts with delay up to 30 DPD. Respective probabilities are higher for immature markets due to very strict default definition at 35 DPD. Additionally, debt collection process is structured in such way that the Group actively works with delaying clients at least 30 days. Recovery results show ~90% cure rate within 30 days for regular invoices. However, accounts with DPD 30 and more demonstrate probability to default within the next 12 months above 50% and thus based on the Group's management judgement clearly have signs of SICR.

The Group applies the rule that not more than 30 DPD should trigger backstop and transfer to Stage 2. It is set 30 DPD for matured countries lease portfolios, for African countries lease portfolios and consumer loan portfolios. For the sake of alignment with default definition for immature countries lease portfolios backstop is 25 DPD. Additionally, to reflect on significant increase in credit risk (SICR) in the case when DPD is not a sufficient indicator the Group have introduced Healing state.

Healing state concept is applied for lease assets and car loans, and it is applied in the case of:

- Lease contract recoveries during middle DC stage – after 30 delay days for matured counties and after 26 delay days for immature (2 months period from reporting date is observed).
- Lease contract delaying 26-30 days for immature countries.
- Lease contract renewal after termination or theoretical renewal (returning to active portfolio without terminating the agreement) after default (including countries without termination functionality). In these cases, 2 months period from reporting date is observed.
- Only for immature Africa's countries – restructurings due to credit reasons. In 2021 year, the Group decided to supplement healing bucket definition for Africa's countries as a reaction on massive usage of such amendments as an effective DC tool. At current stage the Group cannot evaluate increase in credit risk for such cases due to insufficient history, therefor uses more prudent approach for balance staging.

In such cases the exposures are included in Stage 2 for a period of two months. Afterwards SICR related to the event is settled and exposure is allocated to the stage based on DPD.

2. Summary of significant accounting policies (continued)

- 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 applicable to lease portfolios and car loans. Exposures are classified out of Stage 1 if they no longer meet the criteria above.
- Stage 2: When a loan/lease has shown a significant increase in credit risk since origination, the Group records an allowance for the LTECLs. The Group generally considers leases, secured loans and car 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, secured loan and car loans 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 91 days past due for acquired businesses on its contractual payments.

The difference in default definition for unsecured consumer 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.

Macroeconomic shocks, geopolitical crisis, and other unpredictable situations: business adoption and reflection in Impairment, impact on SICR.

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

Analysing and evaluating Group's responses to such non-standard situations in past, management decided to keep and maintain introduced during Covid-19 pandemic so-called TDR (temporary debt restructuring) program. Forbearance tools (TDR and restructuring, i.e., change of the original payment schedule) is almost the only feasible solution to reduce financial burden on customers crisis circumstances, thus fact of the forbearance as such does not lead to the recognition of SICR if customer pays according to new terms and later returns to the original schedule or close to it.
Following the crisis situation Group's management might decide to activate TDR program for certain market for defined period (from 3 to 6 months). In mentioned situation – cases where the Group has sound grounds to expect customer to return to the regular discipline not longer than in 12-month time should not be classified as SICR even if customer has been granted forbearance tool.

Temporary debt restructuring (TDR) and other forbearance tools:

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

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

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

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

The calculation of ECLs

The Group calculates ECLs based on probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR.
A cash shortfall is the difference between the cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive.
Key elements of the model are, as follows:
- PD The Probability of Default is an estimate of the likelihood of default over a 12 month or lifetime horizon (time horizon depends on ECL type - i.e. 12mECL or LTECL);
- the Default distribution vector (DDV) is the estimate of the time to default, more specifically it provides distribution of PD over the course of a 12 month or lifetime horizon; Specifically, how many defaulted loans during 12 months/ lifetime defaulted during 1st, 2nd, 3rd etc. month started from certain moment of time (evaluation starting point);
- 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 isntead 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.

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

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

Given that DDV is a multidimensional vector (generally 12 or 13 dimensions, but can be shorter if representative historical data is available for s 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.

2. Summary of significant accounting policies (continued)

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 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 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 type 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.

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 recognized on the net amount.

2. Summary of significant accounting policies (continued)

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 as well as subordinated borrowings.

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.

Subordinated borrowings
The Group recognizes liabilities as subordinated borrowings if it is an unsecured loan or bond that ranks below other, more senior loans or securities, and have lower payment priority than more senior debt. Accordingly, the claims of more senior debt holders must be satisfied before the holders of subordinated debt can be paid. In the case of default, creditors who own subordinated debt will not be paid out until after more senior creditors are paid in full.

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.

Equity - accounted investees

The Group interests in equity-accounted investees comprise investment in associate. 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.

2. Summary of significant accounting policies (continued)

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.

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.

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

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.

2. Summary of significant accounting policies (continued)

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

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.

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

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

The Group has performed SPPI test for its sale and leaseback arrangements. Vehicle serves as a collateral to secure all of such loans. Sale and leaseback contracts include contractual terms that can vary the contractual cash flows in a way that is unrelated to a basic lending arrangement. Such cash flows arise in the case or borrowers' default and are related to repossessed car sales for which any excess gains can be retained by the Group 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 circumsances 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.

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.

There are government imposed restrictions in Ukraine in terms of transactions with non-local entities. This affects the amount of funds that can be used to repay liabilities of subsidiary in Ukraine to other group companies. However due to relatively low amounts involved, there is no immediate need from the Group's perspective to access all current assets from Ukraine.

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.

Macedonian 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. Reserve may be increased above 5% in order to meet capital adequacy ratio.

Romanian 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 20% 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.

Receivable is arising from assignments made through P2P platform where the related investment is not yet transferred to the Group (Note 32).

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

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 statement of financial position caption Funding attracted through peer-to-peer platform (Note 38) 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 38) 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 Eleving Group 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.

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 in 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 12)

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 15)

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 client acquisition services with the variable component of the contract on 26 September, 2019.

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

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

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

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 2022 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 31).

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 2022 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
Estonia*	20%
Latvia*	20%
Lithuania	15%
Georgia*	15%
Poland	19%
Romania	16%
Kenya	30%
Uganda	30%

Country	Tax rate
Moldova	12%
Albania	15%
Belarus	18%
Ukraine	18%
Uzbekistan	7.5%
North Macedonia	10%
Bosnia&Herzegovina	10%

* - as described further below corporate income tax in these countries is paid on distributed profits and deemed profit distributions only.

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.

2. Summary of significant accounting policies (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 consolidated financial statements. Post-period-end events that are not adjusting events are disclosed in the notes when material.

3. Significant accounting judgments, estimates and assumptions

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses, and disclosure of contingencies. The most significant 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, Determination of fair values and judgements around Going concern and military conflict in Ukraine impact assessment. They are described below among 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 15) the Group has assessed that it does not obtain control of these services before they are transferred to customers, as these services or goods are acquired on their behalf. Therefore, it is considered agent in these transactions.

The Group is also acting as an agent 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).

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

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.

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 35.

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 (FVLCOD) - for assets with inactive lease agreements.

VIU is the present value of the future cash flows expected to be derived from an asset or cash generating unit, both from its continuing use and ultimate disposal. In assessing VIU, the estimated future cash flows are discounted to their present value using WACC. 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 FVLCOD method. Assumptions applied for determination of the FVLCOD of assets are based on making a reliable estimate of the price at which a transaction to sell the asset would take place between market participants at the measurement date under current market conditions and on available data from historical sales transactions. 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 2021. 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 in come 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 Company 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 2022 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.

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

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, car loans)
4. 91 DPD Loans and advances to customers (unsecured loans, acquired businesses).

In order to estimate PDs the Group utilizes 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.

Forward-looking macroeconomic indicators model for portfolio

Guided by IFRS 9, the Group assesses forward looking information and incorporates it into impairment model. Impairment change is modelled given expected future changes of macroeconomic factors' (hereinafter macro model). In 2021 the Group changed Hierarchical Bayes model approach to simplified approached based on relation analysis between changes in input variables and changes in PD and the Group expert's opinion. Macro model uses several assumptions which were agreed by group of experts. Model assumptions and historical periods for macroeconomic factors are reviewed and analyzed once per year considering available macroeconomic outlooks.

General description of the model

Macro model uses expected changes in macroeconomic indicators and assumes the same or similar change to Stage 1 PD. Model incorporates three macro indicators – unemployment rate, inflation rate and GDP annual growth rate, as more relevant for private individuals' financial stability evaluation. The model is based on actual and forecasted data points. Recalculated in December 2022 model includes macroeconomic indicators as of 2022 Q4 and average of all four 2023 quarter forecasts to predict the effect on Stage 1 PD. Data points average is taken to avoid significant indicator fluctuations due to forecast volatility. The Group built macroeconomic models for each country and business (vehicle/consumer) individually – LV, LT, EE, GE, AM, UZ, KE, UG, BIH, MD, RO, BY, MK, AL. Data for all cases is taken from the source: https://tradingeconomics.com/indicators. Forecasts are validated by National Banks forecasts.

For each macro indicator three scenarios are obtained – base, best and worse. Base scenario is based on actual data and forecasts. Worse and best scenario is obtained from base scenario increasing or decreasing base scenario by confidence interval of given macro indicator forecast. For each scenario is applied probability of occurring. The impact on PD from each macro indicator is calculated as weighted output across all three scenarios. As for all input macro indicators are applied weights according to their significance to the default rates of the Group customers then the final model output is obtained as sum of weighted output across all macro indicators.

Model's variables and assumptions

The model includes indicators which, based on the Group experts' opinion and used practice in industry, might have a significant impact on finance products default rates. Such indicators are also widely used by banking and non-banking industry across the world:

1. GDP growth
2. unemployment rate (UR) change
3. inflation rate (IR) change.

There are several assumptions made in the model to accommodate the Group customer specifics.

Assumption 1. UR is one of the main variables in the model, and it significantly affects Stage 1 PD.

Assumption 2. Okun's law holds in macro environment affected by macro-economic shocks.

Assumption 3. Typically, reasonably increasing inflation rate positively affects consumption and economy in general, and therefore reduces PD. However, the Groups customers rather suffers from increase in prices than benefit from income increase. Thus, the Group arrived at the assumption 3: increase in inflation in will affect customers negatively.

Determination of impact on PD based on macro indicator change

The model assumes relation between changes in macro indicators and Stage 1 PD change. If there is strong correlation between Stage 1 PD and macro indicator change then used linear regression equation to determine the impact on PD due to macro indicator changes. If there is no visible correlation between Stage 1 PD and macro indicators change then impact on PD is evaluated based on qualitative analysis of available data and reasonable experts' assumptions:

1. For each macro indicator chosen 25 data points, one 0 point and another 24 points that reflects indicator change – 12 points with negative change and 12 data points with positive change. The distance between 2 adjacent points is the same for all 24 points and is evaluated considering historical changes in macro indicators.

2. For PD impact determination relational table is built that describes linear or piecewise smooth function and its direction changes at 0 point. At 0 point assumed 0 PD impact. For other macro indicator change points impact on PD is evaluated individually based on historical PD rates and PD change in time, as well taking into account each country and product specifics. Then evaluated PD impacts on each macro indicator change point are summarized in table. This table remains fixed until the next year when impact on PD will be reviewed.

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

Weighted scenarios approach

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

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

Worse and best scenario is obtained from base scenario increasing or decreasing base scenario by confidence interval of given macro indicator forecast. Confidence intervals are available for each macroeconomic indicator forecast.

Each scenario also has a specific probability of occurring, which is configurable for each country separately to account for potential differences in macroeconomic outlooks.
The Group's experts analyse Europe and World macroeconomic projections and opinions (for example [1], [2], [3]). The global economy is experiencing several turbulent challenges. Inflation higher than seen in several decades, tightening financial conditions in most regions, Russia's invasion of Ukraine, and the lingering COVID-19 pandemic all weigh heavily on the outlook. Normalization of monetary and fiscal policies that delivered unprecedented support during the pandemic is cooling demand as policymakers aim to lower inflation back to target. But a growing share of economies are in a growth slowdown or outright contraction. The global economy's future health rests critically on the successful calibration of monetary policy, the course of the war in Ukraine, and the possibility of further pandemic-related supply-side disruptions.
Considering mentioned information, the Group applies at least 15% probability for worst-case scenario and only 5% for best-case. Last updated forecasts for macroeconomic indicators already reflect actual trends, for example – increase in inflation rate. At this stage base-case scenario is considered as a most possible but should be reviewed for Q2. Sensitivity test was done to evaluate impact from scenarios probability change. Changing worst-case scenario probability till 50%, no major effect on macro coefficient noticed. But, considering uncertainty in projections, macro coefficient was increased by 2pp for Eurozone countries.

Macro model results

To obtain final effect on PD from macro indicator change, applied weights for each macro indicator and the final result is taken as a weighted average of macro indicator PD effect. Weights are changed based on their significance in affecting default rate overall. Considering model main assumptions, the Group's experts evaluate historical relationship and chooses weights for each country individually. In most of the countries UR (unemployment rate) and IR (inflation rate) chosen as main macro indicators and higher weights are applied for them.

To account for future uncertainty in case the model yields positive PD correction, the Group decided to be prudent and not to apply improving PD effect for impairment correction.

Illustration of example: UR impact evaluation on PD:

Scenarios	Current rate	2Y forecast	Difference (p.p.)	Likelihood of the scenario	Impact on PD
Worst case scenario	7.400%	8.50%	1.1pp	15%	109.6%
Base case scenario	7.400%	7.40%	0pp	80%	100.0%
Best case scenario	7.400%	6.30%	-1.1pp	5%	93.7%
Final macroeconomic correction				**100%**	**101.1%**

Loss Given Default

Group closely following 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 2022 impairment purposes recovery rate for renewed cases were applied in range of 66% to 96% depending on the market. Above described LGD rate is used for all portfolio groups except for unsecured portfolio part. For unsecured portfolio part 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 higher than for other buckets – as of 31 December 2022 Group average LGD unsecured for portfolios with DPD less than 360 DPD was 59%, respective LGD for portfolio older than 360 DPD was 94%.

Loans and advances to customers (unsecured loans, car loans)

For unsecured loans LGD is determined based on debt sales market activity and offered prices (LV, EE) or based on historical recoveries (AM). For the later stages (DPD 360 for LV, EE) LGD is set to 100%.

Loans and advances to customers (unsecured loan, businesses acquired in 2020)

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%.

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

Exposure at default (EAD) modelling

Exposure at default is modelled by adjusting the unpaid balance of lease and loan receivables as at the reporting date by expected future repayments during the next 12 months. As of 31 December 2022, it is applied for Stage 1 exposures only. This is performed based on contractual repayment schedules, adjusted for historical prepayment rate observed.

Historical prepayment patterns are assumed to be a reliable estimate for future prepayment activity.

Impairment for loans to and receivables from related parties

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 future taxable profit of 2023-2024 has been approved by the Management Board, while 2025 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 19).

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.

Separation of embedded derivatives from the host contract

The Group has certain call and put option arrangements that can accelerate repayment of the issued bonds. These options arise out of bond (host contract) prospectus 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. There is also a put option possibility in case (i) certain financial covenants are breached (ii) Interest and/or Nominal Amount payments have not been missed and (iii) the Issuer has been declared insolvent or has submitted an application for liquidation, then each bondholder has the right to request that all, or only some, of its Latvian bonds are repurchased at the nominal amount plus accrued unpaid interests and Default Interest.

There are also call and put options included in Eurobond prospectus. The Group may redeem all of the outstanding Eurobonds in full prior to the their maturity date, at the make whole amount if the call is exercised before 18 October 2023; 104.75 percent of the nominal amount if such redemption right is exercised after the first call date up to 18 October 2024; at 102.375 percent of the nominal amount if is exercised after the second call date up to up to 18 October 2025; and 100% of the Nominal Amount if the call option is exercised after 18 October 2025. 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, 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.

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

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 fair value for the share option the most appropriate valuation model would depend on the terms and conditions of the grant. In 2019 fair value of 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 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 48), 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 48) effectively indicate that fair value of the employee options would not be material.

Fair value measurement of contingent consideration

As disclosed in Note 43 the Group acquired an additional 2% interest in the shares of 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 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 financial results of Mogo LLC.

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 2022 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 18.

Provisions

Significant management judgement is used for estimating provisions in relation to tax amounts disputed with tax authorities.
For more details see Note 37.

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.

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

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.

Going concern and Ukraine-Russia military conflict impact assessment

In the light of events related to military conflict in Ukraine, the Group's management has assessed the impacts on the Group's ability to continue as a going concern. The Group has performed a quantitative analysis with a set of critical scenarios of Group's operations assuming ceasing of operational activities in Ukraine and Belarus.

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

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.

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

Measurement of fair values

Trademarks acquired in business combinations during 2020

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 trademars 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 Intangiable assets acquired (excluding Trademarks). Depreciated replacement cost reflects adjustments for functional and economic obsolescence of assets acquired.

Please refer to Note 47 for disclosure of and relevant inputs for fair value techniques applied to financial assets and liabilities.

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.

Disposal groups and discontinued operations

At the end of 2021 the Group made a decision to fully exit the Balkan region with its car financing business as well as exit Poland while earlier during the year the same decision was made for exiting from Kazakhstan.

As a result of these decisions some entities have been sold, but for some entities the process of liquidation has been initiated with a plan to complete the liquidation by the end of 2023. Due to these reasons all of the following group subsidiaries as at 31 December 2022 are classified as subsidiaries held for sale or under liquidation and discontinued operations:

- Mogo Sp. z o.o. (Poland) – under liquidation;
- Mogo Bulgaria EOOD (Bulgaria) – sold during 2021;
- Mogo Kazakhstan TOO (Kazakhstan) – sold during 2021;
- Avtopark-Slezheniye LLP (Kazakhstan) – sold during 2021;
- FD Mogo krediti DOOEL (North Macedonia) – sold during 2021;
- Mogo DOOEL (North Macedonia) – sold during 2021;
- Mogo Albania SHA;
- Mogo Leasing d.o.o. (Bosnia&Herzegovina) – under liquidation.

Mogo Albania SHA was not recognized as disposal group and discontinued operation in 2021 due to the fact that although the sales process of this subsidiary was ongoing, the regulator approval was required, but the Group was uncertain if the process of obtaining the approval would be completed by end of 2022. Regulator approval was obtained by the end of September 2022.

In 2022 statements Mogo Albania SHA has been presented as discontinued operation and comparative figure of income statement have been changed.

4. Interest revenue

	2022 EUR	2021 EUR
Interest income from finance lease receivables*	110 208 279	92 561 246
Interest income from loans and advances to customers according to effective interest rate method	*59 688 711*	*46 185 901*
Other interest income according to effective interest rate method	*598 232*	*1 110 097*
Total interest income calculated using effective interest method for financial assets that are measured at amortised cost	60 286 943	47 295 998
TOTAL:	**170 495 222**	**139 857 244**

* Interest income contains earned interest on portfolio derecognized from Group's assets due to being listed on P2P platform and having no buy back obligation (see Note 24).

Gross and net earned interest are as follows:	2022 EUR	2021 EUR
Gross interest income	170 500 278	139 905 806
Interest derecognized due to derecognition of portfolio from Group's assets	(5 056)	(48 562)
TOTAL NET INTEREST:	**170 495 222**	**139 857 244**

Interest income has increased due to further development of the Group in existing markets.

Interest income from impaired Stage 3 finance lease receivables/loans amounts to EUR 1 204 467.

5. Interest expense

	2022 EUR	2021 EUR
Interest expenses on financial liabilities measured at amortised cost:		
Interest expenses for loans from P2P platform investors	7 330 372	8 661 781
Interest expense on issued bonds	21 648 273	16 590 958
Interest expenses for bank liabilities and related parties	2 453 885	3 400 238
Interest expenses for lease liabilities	547 181	369 593
TOTAL:	**31 979 711**	**29 022 570**

6. Fee and commission income related to finance lease activities

Revenue from contracts with customers recognized point in time:	2022 EUR	2021 EUR
Income from penalties received	7 392 889	6 921 876
Income from commissions	3 099 174	1 980 495
TOTAL:	**10 492 063**	**8 902 371**
Revenue from contracts with customers recognized point in time related to debt collection activities:	2022 EUR	2021 EUR
Gross income from debt collection activities	2 176 407	1 697 697
Gross expenses from debt collection activities	(4 665 827)	(3 283 020)
TOTAL:	**(2 489 420)**	**(1 585 323)**
Total fees and commissions income:	**8 002 643**	**7 317 048**

7. Impairment expense

	2022 EUR	2021 EUR
Change in impairment in finance lease (Note 24)	6 138 501	(5 040 755)
Change in impairment in loans and advances to customers (Note 25)	10 566 588	15 874 178
Change in impairment in rental fleet (Note 22)	(524 996)	201 381
Change in impairment in other financial assets (Notes 26, 29 and 31)	(937 568)	713 875
Impairment of intangible assets (Notes 21)	365 033	-
Written off debts	27 835 018	29 218 453
TOTAL:	**43 442 576**	**40 967 132**

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

	2022 EUR	2021 EUR
Financial lease		
Income arising from cession of financial lease receivables to non related parties	5 366 232	1 635 727
Loss arising from cession of financial lease receivables to non related parties	(4 340 974)	(1 611 708)
TOTAL:	**1 025 258**	**24 019**
Loans and advances to customers		
Income arising from cession of loans and advances to customers receivables to non related parties	3 302 359	4 790 158
Loss arising from cession of loans and advances to customers receivables to non related parties	(2 446 820)	(1 113 787)
TOTAL:	**855 539**	**3 676 371**
Receivables from rent contracts		
Income arising from cession of customers receivables to non related parties	244 099	171 767
Loss arising from cession of customers receivables to non related parties	(131 305)	(121 525)
TOTAL:	**112 794**	**50 242**
Net gain/(loss) arising from cession of financial lease receivables, loans and advances to customers and rent contracts	**1 993 591**	**3 750 632**

During 2021 and 2022 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 of recovering of doubtful debts.

When 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. Bonds refinancing expense

	2022 EUR	2021 EUR
Expenses incurred due to accelerated depreciation of acquisition costs of refinanced Eurobonds	-	3 292 930
Expenses incurred due to exercising call option of refinanced Eurobonds	-	2 375 000
TOTAL:	**-**	**5 667 930**

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

	2022 EUR	2021 EUR
Service fee for using P2P platform	967 626	1 133 178
TOTAL:	**967 626**	**1 133 178**

11. Revenue from leases

	2022 EUR	2021 EUR
Revenue from operating lease	5 421 567	6 549 933
TOTAL:	**5 421 567**	**6 549 933**

12. Revenue from car sales

Revenue from contracts with customers recognized point in time:	2022 EUR	2021 EUR
Income from sale of vehicles	174 152	120 709
TOTAL:	**174 152**	**120 709**

Expenses from contracts with customers recognized point in time:	2022 EUR	2021 EUR
Expenses from sale of vehicles	(171 752)	(122 070)
TOTAL:	**(171 752)**	**(122 070)**
Total Net revenue from contracts with customers recognized point in time	**2 400**	**(1 361)**

13. Selling expense

	2022 EUR	2021 EUR
Online marketing expenses	1 567 020	1 980 530
TV advertising	745 826	1 533 673
Radio advertising	195 641	235 655
Affiliate fees	64 393	1 255 778
Other marketing expenses	1 637 960	1 298 049
Total marketing expenses	*4 210 840*	*6 303 685*
Customer insurance expenses	2 799 492	1 660 261
Other selling expenses	955 344	410 432
TOTAL:	**7 965 676**	**8 374 378**

14. Administrative expense

	2022 EUR	2021 EUR
Employees' salaries	33 246 777	27 197 409
Amortization and depreciation	8 226 509	7 399 657
Professional services	2 742 528	2 687 246
Office and branches' maintenance expenses	2 712 496	2 059 656
IT services	2 307 610	1 700 421
GPS tracking service expenses	2 041 581	1 376 995
Communication expenses	1 267 678	932 140
Bank commissions	1 124 759	1 443 764
Credit database expenses	813 455	1 412 765
Expenses from disposal of rental fleet and other fixed assets	755 614	1 003 281
Business trip expenses	706 548	461 451
Insurance expenses	457 431	144 740
Transportation expenses	433 224	233 164
Other personnel expenses	388 461	258 913
Low value equipment expenses	187 894	282 419
Employee recruitment expenses	186 097	96 608
Donations	163 834	14 785
Real estate tax	10 499	9 250
Other administration expenses	1 434 108	1 740 254
TOTAL:	**59 207 103**	**50 454 918**

Audit fees for Group's entities' 2022 financial statements audit amounts to 350 100 EUR, the Parent Company - 76 600 EUR (2021: EUR 590 291; the Parent Company – 87 410 EUR).

No other permitted non-audit-services were provided to the Company and its subsidiaries by the auditor and member firms of its network during the year.

Amounts included in 'Professional services' line.

Key management personnel compensation

Members of the Management	2022 EUR	2021 EUR
Remuneration*	4 219 850	4 378 423
Social security contribution expenses	657 152	650 652
TOTAL:	**4 877 002**	**5 029 075**

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 2022 with members of the Group's Management (none at 31 December 2021) 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.

15. Other operating income

	2022 EUR	2021 EUR
Income from management services	430 661	457 815
Income from associates accounted under equity method	76 098	17 127
Other operating income	836 971	372 517
TOTAL:	**1 343 730**	**847 459**

*Revenue from contracts with customers recognized point in time where the Group acted as an agent **	2022 EUR	2021 EUR
Gross revenue from agency services	635 297	649 828
Gross expenses from agency services	(635 297)	(649 828)
TOTAL:	**-**	**-**

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

16. Other operating expense

	2022 EUR	2021 EUR
Withholding tax expenses	4 380 443	2 078 115
Non-deductible VAT from management services	2 775 457	2 330 825
Credit default swap expenses*	1 063 634	993 985
Other operating expenses	1 572 858	1 070 602
TOTAL:	**9 792 392**	**6 473 527**

* - a subsidiary of the Parent company - Mogo LT UAB, has signed a credit default swap agreement with a former company of the Group - Risk Management Services OU. Based on this contract the Group incurs credit default swap expenses in return for an insurance of the default of Mogo LT UAB finance lease receivables and loans and advances to customers portfolio.

17. Net foreign exchange result

	2022 EUR	2021 EUR
Currency exchange gain	(7 319 725)	(7 468 998)
Currency exchange loss	13 670 687	6 373 967
TOTAL:	**6 350 962**	**(1 095 031)**

18. Corporate income tax

	2022 EUR	2021 EUR
Current corporate income tax charge for the reporting year	9 617 748	6 932 013
Deferred corporate income tax due to changes in temporary differences	(2 686 438)	(815 335)
Corporate income tax charged to the income statement:	**6 931 310**	**6 116 678**

Unrecognized deferred tax liability for undistributed dividends as described in Note 3 comprises 8 781 299 EUR. (2021: 7 430 982 EUR)

	31.12.2022 EUR	31.12.2021 EUR
Current corporate income tax liabilities	3 934 652	3 697 322
TOTAL:	**3 934 652**	**3 697 322**

19. Deferred corporate income tax

	Balance sheet		Income statement	
	31.12.2022 EUR	31.12.2021 EUR	2022 EUR	2021 EUR
Deferred corporate income tax liability				
Accelerated depreciation for tax purposes	59 502	112 632	(57 061)	(40 250)
Other	46 615	347 327	(303 396)	173 557
Gross deferred tax liability	**106 117**	**459 959**	**(360 457)**	**133 307**
Deferred corporate income tax asset				
Tax loss carried forward	(1 414 026)	(1 780 220)	616 387	(462 702)
Unused vacation accruals	(228 881)	(126 014)	(102 423)	(68 727)
Impairment	(5 585 574)	(2 486 624)	(3 148 926)	(1 515 700)
Currency fluctuation effect	-	-	(108 285)	(181 562)
Other	1 528 853	1 134 111	308 981	1 098 487
Gross deferred tax asset	**(5 699 628)**	**(3 258 747)**	**(2 434 266)**	**(1 130 204)**
Net deferred tax liability/ (asset)	**(5 593 511)**	**(2 798 788)**	**(2 794 723)**	**(996 897)**
Increase in net deferred tax asset:				
In the statement of profit and loss	-	-	(2 686 438)	(815 335)
Net deferred corporate income tax assets	(5 593 511)	(2 798 788)		
Net deferred corporate income tax expense/ (benefit)			(2 686 438)	(815 335)

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

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

Recognition of deferred taxes mainly is driven from accumulated tax losses from entities in Armenia, Kenya and Uganda as well as temporary differences in taxable impairment in Belarus, Uganda and Kenya.

Deferred tax assets have not been recognized mainly in respect to tax losses arisen in Luxembourg and Ukraine as there may be no future taxable profits available in the foreseeable future. Subsidiaries in Ukraine have been loss-making and there are no other tax planning opportunities or other evidence of recoverability in the near future. Recoverability of deferred tax asset in Luxembourg in nearest future is also unlikely.

Deferred tax asset not recognized due to the above reason in amount of 10 098 530 EUR. (2021: 10 413 879 EUR).

The potential income tax consequence attached to the payment of dividends in 2022 amounts to 1 350 317 EUR. (2021: 1 796 544 EUR.)

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 2017 and before	296 971	2023
Tax loss for 2018	1 290 799	2023-2024
Tax loss for 2019	3 852 603	2024-2025
Tax loss for 2020	7 209 710	2025-2026
Tax loss for 2021	25 520 140	2026-2027
Tax loss for 2022	3 981 800	2027-2028
TOTAL:	**42 152 024**	

Tax losses for which no deferred tax assets were recognized by the Group for previous reporting period consisted of EUR 38 170 224.

Actual corporate income tax charge for the reporting year, if compared with theoretical calculations:	2022 EUR	2021 EUR
Profit before tax	**27 553 107**	**17 322 353**
Tax at the applicable tax rate*	**6 871 745**	**4 320 195**
Undistributed earnings taxable on distribution**	(2 460 093)	(3 345 815)
Unrecognized deferred tax asset	1 439 233	46 899
Effect of different tax rates of subsidiaries operating in other jurisdictions	(3 253 805)	(2 716 479)
Non-temporary differences:		
Business not related expenses (donations, penalties and similar expenses)	(649 702)	127 834
Other	4 983 932	7 684 044
Actual corporate income tax for the reporting year:	**6 931 310**	**6 116 678**
Reversal of deferred tax	-	**-**
Corporate income tax charged to the statement of profit and loss:	**6 931 310**	**6 116 678**
Effective income tax rate	25.16%	35.31%

* - Tax rate for the Parent company for year 2022 - 24,94% (2021 - 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.

20. Discontinued operations

As of end of 2021 the Group had either sold or was in active negotiation process of selling its vehicle business operations in the Balkan region. The Group had decided to fully exit from the Balkan region as a geographical market with its vehicle financing business line while retaining its consumer financing business lines in the region. Due to this reason the Group had decided to classify the vehicle financing operations in Bulgaria, Bosnia-Herzegovina, North Macedonia and Albania as well as Poland as discontinued operation and present their results separately. Entities in Bulgaria and North Macedonia had been disposed before 31 December 2021 and the sales process of subsidiary in Albania was completed by end of September 2022. The subsidiary in Bosnia-Herzegovina will be liquidated. Also the Group has decided to start the liquidation process of its subsidiaries in Poland. The Group also was in a sale process of its subsidiary in Estonia, but that process was cancelled and Estonian entity is considered as continued operation.

All following entities are classified as discontinued operations in these consolidated financial statements:
- Mogo Bulgaria EOOD (Bulgaria)
- Mogo Sp. z o.o. (Poland)
- FD Mogo krediti DOOEL (North Macedonia)
- Mogo DOOEL (North Macedonia)
- Pocco Finance sp. z o. o. (Poland)
- Mogo Leasing d.o.o. (Bosnia&Herzegovina)
- Mogo Albania SHA

Results of discontinued operation	2022 EUR	2021 EUR
Interest income	379 997	3 588 877
Other debt collection income/(expense)	182 293	280 110
External revenue	562 290	3 868 987
Expenses	(2 495 026)	(5 902 205)
Elimination of expenses related to inter-segment sales	875 676	1 555 728
External expenses	(1 619 350)	(4 346 477)
Results from operating activities	**(1 057 060)**	**(477 490)**
Income tax	-	(509 161)
Results from operating activities, net of tax	**(1 057 060)**	**(986 651)**
Gain on sale of discontinued operation/(loss) on measurement to fair value less costs to sell of the disposal group	(678 636)	(3 100 925)
Profit (loss) from discontinued operations, ne	**(1 735 696)**	**(4 087 576)**

The loss from the discontinued operation of -1 735 696 EUR (2021: loss of -4 087 576 EUR) is attributable entirely to the owners of the Group.

Cash flows from discontinued operation	2022 EUR	2021 EUR
Net cash used in operating activities	1 864 140	44 473 216
Net cash from investing activities	(191 407)	(163 298)
Net cash from financing activities	(2 067 781)	(45 066 555)
Net cash flows for the year	**(395 048)**	**(756 637)**

Effect of disposal on the financial position of the Group	2022 EUR	2021 EUR
Intangible assets	-	(3 262)
Tangible assets	(6 307)	(565 434)
Loans and advances to customers	(24 836)	(3 574 249)
Finance Lease Receivables	(161 974)	(8 265 907)
Other receivables	(20 932)	(142 857)
Cash and cash equivalents disposed of	(164 607)	(362 473)
Total disposed assets	**(378 656)**	**(12 914 182)**
Other liabilities	107 292	6 118 506
Net assets and liabilities	**107 292**	**(6 795 676)**
Net cash outflows	**(164 607)**	**(362 473)**

21. Intangible assets

	Goodwill	Internally generated intangible assets	Trademarks	Other intangible assets	Other intangible assets *SUBTOTAL*	**TOTAL**
	EUR	EUR	EUR	EUR	EUR	EUR
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 1 January 2021	**6 603 307**	**5 868 613**	**2 151 085**	**187 413**	**2 338 498**	**14 810 418**
2021						
Additions	-	3 322 851	-	478 926	478 926	**3 801 777**
Reclassified to assets held for sale (cost)	(2 325 262)	-	-	(11 320)	(11 320)	**(2 336 582)**
Disposals (cost)	(70 890)	(310 499)	-	(82 574)	(82 574)	**(463 963)**
Exchange difference, net	-	129 955	-	6 740	6 740	**136 695**
Amortization charge	-	(1 335 423)	-	(30 390)	(30 390)	**(1 365 813)**
Disposals (amortization)	-	(73 180)	-	29 642	29 642	**(43 538)**
Reclassified to assets held for sale (amortization)	-	-	-	8 057	8 057	**8 057**
Exchange difference, net	-	(71 741)	-	(3 165)	(3 165)	**(74 906)**
Cost	4 207 155	11 796 382	2 151 085	718 310	2 869 395	**18 872 932**
Accumulated amortization	-	(4 265 806)	-	(134 981)	(134 981)	**(4 400 787)**
As at 31 December 2021	**4 207 155**	**7 530 576**	**2 151 085**	**583 329**	**2 734 414**	**14 472 145**
2022						
Additions	-	3 882 908	-	(63 105)	(63 105)	**3 819 803**
Reclassified from assets held for sale (cost)	451 894	21 005	-	4 691	4 691	**477 590**
Disposals (cost)	-	(726 938)	-	(256 248)	(256 248)	**(983 186)**
Exchange difference, net	-	(183 725)	-	6 345	6 345	**(177 380)**
Amortization charge	-	(1 883 396)	-	(44 274)	(44 274)	**(1 927 670)**
Disposals (amortization)	-	344 032	-	36 125	36 125	**380 157**
Reclassified from assets held for sale (amortization)	-	(21 005)	-	(1 428)	(1 428)	**(22 433)**
Impairment	-	(365 033)	-	-	-	**(365 033)**
Exchange difference, net	-	43 014	-	(5 262)	(5 262)	**37 752**
Cost	4 659 049	14 789 632	2 151 085	409 993	2 561 078	**22 009 759**
Accumulated amortization	-	(6 148 194)	-	(149 820)	(149 820)	**(6 298 014)**
As at 31 December 2022	**4 659 049**	**8 641 438**	**2 151 085**	**260 173**	**2 411 258**	**15 711 745**

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

Split of goodwill per cash generating unit:	31.12.2022	31.12.2021
Name	EUR	EUR
TIGO Finance DOOEL Skopje (North Macedonia)	3 000 276	3 000 276
UAB mogo (Lithuania)	646 063	646 063
OU Primero Finance (Estonia)	451 894	-
AS mogo (Latvia)	298 738	298 738
Mogo UCO (Armenia)	182 028	182 028
Mogo LLC (Georgia)	80 050	80 050
	4 659 049	**4 207 155**

Each cash generating unit represents a subsidiary of the Group.

Goodwill and trademarks impairment test

As at 31 December 2022, 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 subsidiaries are estimated to be:	
Name	Amount
AS mogo (Latvia)	2.5 million EUR
UAB mogo (Lithuania)	28.7 million EUR
Mogo UCO (Armenia)	7.3 million EUR
OU Primero Finance (Estonia)	19.8 million EUR
Mogo LLC (Georgia)	15.8 million EUR
TIGO Finance DOOEL Skopje (North Macedonia)	16.5 million EUR

2022 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.

Five 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)	13.2%
UAB mogo (Lithuania)	12.8%
Mogo UCO (Armenia)	39.5%
OU Primero Finance (Estonia)	12.0%
Mogo LLC (Georgia)	37.0%
TIGO Finance DOOEL Skopje (North Macedonia)	41.6%

Sensitivity analysis was performed 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%.

The recoverable amounts exceed the carrying amounts for:	
Name	Amount
AS mogo (Latvia)	1.4 million EUR
UAB mogo (Lithuania)	18.8 million EUR
Mogo UCO (Armenia)	6.2 million EUR
OU Primero Finance (Estonia)	12.6 million EUR
Mogo LLC (Georgia)	13.6 million EUR
TIGO Finance DOOEL Skopje (North Macedonia)	11.7 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:

	Currently applied values		Adjusted values	
Name	Terminal growth rate	Discount rate	Terminal growth rate	Discount rate
AS mogo (Latvia)	1.0%	13.2%	0.0%	184.0%
UAB mogo (Lithuania)	1.0%	12.8%	0.0%	415.1%
Mogo UCO (Armenia)	1.0%	39.5%	0.0%	1298.7%
OU Primero Finance (Estonia)	1.0%	12.0%	0.0%	416.7%
Mogo LLC (Georgia)	1.0%	37.0%	0.0%	6680.6%
TIGO Finance DOOEL Skopje (North Macedonia)	1.0%	41.6%	0.0%	237.0%

* Other intangible assets mainly consist of Group's developed ERP systems. Carrying amount of ERP systems at reporting year end was EUR 8 577 559. Expected amortization period is 7 years with year 2029 end date.

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

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

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

	Right-of-use premises	Right-of-use motor vehicles	*SUBTOTAL Right-of-use assets*	Rental fleet	Other property, plant and equipment	TOTAL
	EUR	EUR	*EUR*	EUR	EUR	EUR
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 1 January 2021	**7 404 064**	**96 053**	***7 500 117***	**14 549 784**	**2 583 979**	**24 633 880**
2021						
Revaluation surplus						
Additions	5 676 274	153 859	*5 830 133*	3 541 078	2 192 653	**11 563 864**
Disposals (cost)	(3 186 156)	(42 004)	*(3 228 160)*	(6 129 129)	(836 266)	**(10 193 555)**
Reclassified to assets held for sale (cost)	(122 872)	(27 840)	*(150 712)*	-	(186 111)	**(336 823)**
Exchange difference, net	376 019	1 251	*377 270*	-	227 012	**604 282**
Depreciation charge	(2 409 361)	(59 181)	*(2 468 542)*	(2 300 180)	(1 263 543)	**(6 032 265)**
Disposals (depreciation)	1 408 116	30 970	*1 439 086*	1 239 966	373 394	**3 052 446**
Reclassified to assets held for sale (amortization)	64 240	6 116	-	-	152 926	**152 926**
Impairment	-	-	-	(201 381)	-	**(201 381)**
Exchange difference, net	(273 512)	(341)	*(273 853)*	-	(125 750)	**(399 603)**
Cost	13 062 785	248 210	*13 310 995*	14 993 423	6 254 610	**34 559 028**
Accumulated depreciation	(4 125 973)	(89 327)	*(4 215 300)*	(4 293 285)	(3 136 316)	**(11 644 901)**
As at 31 December 2021	**8 936 812**	**158 883**	***9 095 695***	**10 700 138**	**3 118 294**	**22 914 127**
2022						
Additions	5 391 457	146 069	*5 537 526*	4 978 257	1 250 598	**11 766 381**
Disposals (cost)	(3 618 915)	(93 616)	*(3 712 531)*	(5 964 303)	(768 485)	**(10 445 319)**
Reclassified from assets held for sale (cost)	104 970	27 840	*132 810*	-	78 400	**211 210**
Exchange difference, net	157 315	(1 118)	*156 197*	-	132 100	**288 297**
Depreciation charge	(2 909 860)	(76 177)	*(2 986 037)*	(1 925 938)	(1 386 864)	**(6 298 839)**
Disposals (depreciation)	1 762 935	88 418	*1 851 353*	1 695 345	524 328	**4 071 026**
Reclassified to assets held for sale (amortization)	(49 321)	(6 116)	*(55 437)*	-	(61 406)	**(116 843)**
Impairment	-	-	-	524 996	-	**524 996**
Exchange difference, net	(85 211)	264	*(84 947)*	-	(109 210)	**(194 157)**
Cost	15 097 612	327 385	*15 424 997*	14 007 377	6 947 223	**36 379 597**
Accumulated depreciation	(5 407 430)	(82 938)	*(5 490 368)*	(3 998 882)	(4 169 468)	**(13 658 718)**
As at 31 December 2022	**9 690 182**	**244 447**	***9 934 629***	**10 008 495**	**2 777 755**	**22 720 879**

Operating leases maturity analysis		Contractual cash flows			
	Carrying value	Up to 1 year	1-5 years	More than 5 years	Total
	EUR	EUR	EUR	EUR	EUR
Rental fleet	**10 008 495**	4 479 507	8 846 727	818	**13 327 052**

Impairment test of non-financial assets (rental fleet)

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

Out of total rental fleet with the acquisition cost of EUR 14 007 377, impairment was identified for the total rental fleet with a acquisition cost of EUR 769 375. For those cars recoverable amount is estimated to EUR 358 907. The recoverable amount was estimated based on the value in use method discounting the cash-flow using a WACC of 13.52%. WACC is calculated by averaging the rate of all of the company's sources of capital (both debt and equity), weighted by the proportion of each component. The cash-flow was projected based on rental agreements probabilities of default and early repayments. As a result, impairment loss was recognised in amount of EUR 137 445.
For the remaining rental fleet with the acquisition value of EUR 13 203 199, the recoverable amount was estimated as EUR 12 285 713.

Sensitivity analysis was performed to assess changes to key assumptions that could influence whether the carrying value of the rental fleet assets exceeded their recoverable amounts. If WACC would have increased by 2%, all other assumptions remaining the same including the rental income, acquisition cost would increase to EUR 779 961 and the recoverable amount of impaired assets would equal to EUR 363 961, additional impairment of EUR 2 267 would need to be recognized.

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

		31.12.2022 EUR	31.12.2021 EUR
ASSETS			
Non-current assets			
Right-of-use assets - premises		9 690 182	8 936 812
Right-of-use assets - motor vehicles		244 447	158 883
	TOTAL:	**9 934 629**	**9 095 695**
EQUITY AND LIABILITIES			
Non-current liabilities			
Lease liabilities		7 293 992	6 706 190
Current liabilities			
Lease liabilities		2 802 500	2 501 190
	TOTAL:	**10 096 492**	**9 207 380**

	2022 EUR
Leases in the statement of profit and loss	
Revenue from contracts with customers	
Operating lease income	5 421 567
Total cash inflow from leases	**5 421 567**
Administrative expense	
Expense relating to leases of low-value assets and short-term leases	(394 233)
Depreciation	(3 065 542)
Net finance costs	
Interest expense on lease liabilities	(484 185)
Total cash outflow from lease liabilities	
Principal payments for finance lease liabilities	(1 866 573)
Interest payments for lease liabilities	(484 185)
Total cash outflow from leases	**(2 350 758)**

In 2022 the Group incurred expenses for lease agreements which did not qualify for recognition of Right-of-use assets in total amount of EUR 394 233.

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

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.

Finance lease receivables	Stage 1 EUR	2022 Stage 2 EUR	Stage 3 EUR	TOTAL EUR	2021 TOTAL EUR
Not past due	86 776 105	11 392 383	279 281	98 447 769	93 106 497
Days past due up to 30 days	18 218 588	11 570 698	154 056	29 943 342	20 858 358
Days past due up to 60 days	-	1 328 648	4 209 849	5 538 497	2 986 853
Days past due over 60 days	-	3 212	20 475 117	20 478 329	13 408 524
TOTAL, GROSS:	**104 994 693**	**24 294 941**	**25 118 303**	**154 407 937**	**130 360 232**

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:

Finance lease receivables	Stage 1 EUR	Stage 2 EUR	Stage 3 EUR	Total EUR
Balance at 1 January 2022	101 093 644	13 160 564	16 106 024	130 360 232
Transfer to Stage 1*	8 071 713	(2 886 331)	(5 185 382)	-
Transfer to Stage 2*	(11 648 163)	12 578 895	(930 732)	-
Transfer to Stage 3*	(12 178 977)	(4 258 878)	16 437 855	-
New financial assets acquired	59 402 686	13 286 549	10 555 641	83 244 876
Receivables settled	(21 049 639)	(1 550 502)	(2 820 970)	(25 421 111)
Receivables partly settled	(14 414 791)	(1 941 731)	(3 079 835)	(19 436 357)
Receivables written off	(14 677 471)	(3 915 378)	(6 074 623)	(24 667 472)
Reclassified from assets held for sale	7 427 721	333 818	315 520	8 077 059
Foreign exchange movements	2 967 970	(512 065)	(205 195)	2 250 710
Balance at 31 December 2022	**104 994 693**	**24 294 941**	**25 118 303**	**154 407 937**

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

Impairment allowance	Stage 1 EUR	Stage 2 EUR	Stage 3 EUR	Total EUR
Balance at 1 January 2022	2 281 465	1 721 067	9 812 283	13 814 815
Transfer to Stage 1*	451 450	(340 099)	(111 351)	-
Transfer to Stage 2*	(371 779)	479 950	(108 171)	-
Transfer to Stage 3*	(442 282)	(632 782)	1 075 064	-
Impairment for new financial assets acquired	2 009 776	1 446 942	5 309 726	8 766 444
Reversed impairment for partly settled receivables	(302 837)	(185 277)	(2 073 196)	(2 561 310)
Reversed impairment for written off receivables	(160 835)	(186 379)	(4 361 730)	(4 708 944)
Net remeasurement of loss allowance	(640 459)	240 611	4 855 111	4 455 263
Reclassified from assets held for sale	120 780	45 206	137 180	303 166
Foreign exchange movements	32 174	(43 171)	(105 121)	(116 118)
Balance at 31 December 2022	**2 977 453**	**2 546 068**	**14 429 795**	**19 953 316**

* - 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 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. During 2021 also Renti LT UAB signed the same type of agreement with the same conditions.
As of 1 January 2022 'Risk Management Services OU' is no longer considered a related party since it has been disposed from the group in 2020.

The total estimated amount of impairment not recognized in finance lease receivables as at 31 December 2022 as a result of CDS was 731 106 EUR.

The Group performed sensitivity analysis on LGD rates changes (simplified scenarios of 3% and 5% increase were tested) indicated that finance lease receivable loss impairment would increase respectively by EUR 1 241 830 and by EUR 2 068 945 across the Group.

24. Finance Lease Receivables (continued)

Finance lease receivables	Minimum lease payments EUR 31.12.2022	Net investment in the lease EUR 31.12.2022	Minimum lease payments EUR 31.12.2021	Net investment in the lease EUR 31.12.2021
Up to one year	130 897 899	78 542 316	115 327 894	62 198 748
Years 2 through 5 combined	119 795 107	72 348 120	117 067 370	64 663 157
More than 5 years	3 985 791	3 517 501	4 113 874	3 498 327
TOTAL, GROSS:	**254 678 797**	**154 407 937**	**236 509 138**	**130 360 232**

Unearned finance income	31.12.2022 EUR	31.12.2021 EUR
Up to one year	52 355 583	53 129 146
Years 2 through 5 combined	47 446 987	52 404 213
More than 5 years	468 290	615 547
TOTAL, GROSS:	**100 270 861**	**106 148 906**

Finance lease receivables, net	Non-Current 31.12.2022 EUR	Current 31.12.2022 EUR	Non-Current 31.12.2021 EUR	Current 31.12.2021 EUR
Finance lease receivables	75 865 620	68 550 352	68 161 485	57 221 570
Accrued interest and handling fee	-	9 991 965	-	4 977 177
Fees paid and received upon lease disbursement	(250 177)	(226 054)	(1 439 763)	(1 153 080)
Impairment allowance	(3 512 714)	(16 440 602)	(2 304 312)	(11 510 503)
	72 102 729	**61 875 661**	**64 417 410**	**49 535 164**

Transactions with peer-to-peer platforms

From year 2016 the Group started placing lease agreement receivables on 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 client default the Group has the liability to repay the whole remaining principal and accrued interest to P2P investor. By using the same platform the Group also 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:

	31.12.2022 EUR	31.12.2021 EUR
Non-current		
Finance lease receivable	15 618	24 323
Associated liabilities	(15 618)	(24 323)
NET POSITION:	**-**	**-**
Current	EUR	EUR
Finance lease receivable	16 169	21 256
Associated liabilities	(16 169)	(21 256)
NET POSITION:	**-**	**-**
Total gross portfolio derecognized from Group's financial assets	31 787	45 579
Total associated liabilities	(31 787)	(45 579)
TOTAL NET POSITION:	**-**	**-**

Information about liabilities for attracted funding through P2P platform where derecognition of portfolio was not applicable are disclosed in Note 38.

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.

Loans and advances to customers	2022 Stage 1 EUR	Stage 2 EUR	Stage 3 EUR	TOTAL EUR	2021 TOTAL EUR
Not past due	131 139 203	2 547 914	231 876	133 918 993	112 864 915
Days past due up to 30 days	12 907 373	2 577 645	77 352	15 562 370	13 835 361
Days past due up to 60 days	-	5 286 628	904 307	6 190 935	8 026 189
Days past due over 60 days	-	664 932	59 897 511	60 562 443	43 567 757
TOTAL, GROSS:	**144 046 576**	**11 077 119**	**61 111 046**	**216 234 741**	**178 294 222**

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:

Loans and advances to customers	Stage 1 EUR	Stage 2 EUR	Stage 3 EUR	Total EUR
Balance at 1 January 2022	116 350 735	14 269 200	47 674 287	178 294 222
Transfer to Stage 1	4 352 050	(1 491 375)	(2 860 675)	-
Transfer to Stage 2	(4 882 514)	5 248 300	(365 786)	-
Transfer to Stage 3	(12 461 556)	(7 197 681)	19 659 237	-
New financial assets acquired	127 292 676	6 517 142	13 230 028	147 039 846
Receivables settled	(66 077 544)	(1 530 861)	(3 167 029)	(70 775 434)
Receivables written off	(7 571 892)	(4 354 586)	(12 189 604)	(24 116 082)
Receivables partially settled	(20 697 896)	(85 886)	477 995	(20 305 787)
Reclassified from assets held for sale	3 381 431	189 494	183 566	3 754 491
Foreign exchange movements	4 361 086	(486 628)	(1 530 973)	2 343 485
Balance at 31 December 2022	**144 046 576**	**11 077 119**	**61 111 046**	**216 234 741**

Impairment allowance	Stage 1 EUR	Stage 2 EUR	Stage 3 EUR	Total EUR
Balance at 1 January 2022	6 748 046	8 200 009	39 118 178	54 066 233
Transfer to Stage 1	541 270	(220 358)	(320 912)	-
Transfer to Stage 2	(445 157)	511 426	(66 269)	-
Transfer to Stage 3	(1 910 344)	(505 123)	2 415 467	-
Impairment for new financial assets acquired	5 772 386	2 172 462	5 683 709	13 628 557
Reversed impairment for settled receivables	(2 756 426)	(407 906)	(1 832 667)	(4 996 999)
Reversed impairment for written off receivables	(466 548)	(1 069 318)	(7 283 195)	(8 819 061)
Net remeasurement of loss allowance	626 363	(4 172 235)	16 085 228	12 539 356
Reclassified from assets held for sale	59 945	36 809	91 690	188 444
Foreign exchange movements	13 591	(497 631)	(1 489 669)	(1 973 709)
Balance at 31 December 2022	**8 183 126**	**4 048 135**	**52 401 560**	**64 632 821**

* - 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.

The total estimated amount of impairment excluded from loans and advances to customers as at 31 December 2022 as a result of CDS was 53 369 EUR.

The Group performed sensitivity analysis on LGD rates changes (simplified scenarios of 3% and 5% increase were tested) indicated that loans and advances to customers loss impairment would increase respectively by EUR 1 551 111 and by EUR 2 585 185 across the Group.

Loans and advances to customers, net	Non-Current 31.12.2022 EUR	Current 31.12.2022 EUR	Non-Current 31.12.2021 EUR	Current 31.12.2021 EUR
Loans and advances to customers	75 784 960	124 304 596	58 979 625	103 639 378
Accrued interest	-	16 145 185	-	15 675 219
Fees paid and received upon loan disbursement	(994 466)	(1 631 150)	(572 071)	(1 000 079)
Impairment allowance	(6 958 373)	(57 674 448)	(3 698 677)	(50 367 556)
	67 832 121	**81 144 183**	**54 708 877**	**67 946 962**

26. Loans to related parties

Non current	*Interest rate per annum (%)*	*Maturity*	31.12.2022 EUR	31.12.2021 EUR
Loans to related parties	10.5%	2027	3 203 344	3 197 903
Loans to related parties recognized at fair value*			-	427 038
Impairment allowance			(49 727)	(94 772)
		TOTAL:	**3 153 617**	**3 530 169**

* - On 21 March 2021, a share purchase agreement between Eleving Group S.A. and a private person in Kazakhstan was signed for sale of Group's subsidiaries in Kazakhstan. Part of the sales price contains an option arrangement. Therefore, part of the receivable for the sale of the subsidiary is recognized 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 receivable repayment due date and discounted using market refinancing rates adjusted for the country and credit risk. During 2022 these receivables were settled.

Current	31.12.2022 EUR	31.12.2021 EUR
Loans to related parties	-	446 318
Loans to related parties (including loans as a result of sale of Longo Group entities)	-	2 259 304
Accrued interest	-	23 399
TOTAL:	**-**	**2 729 021**

An analysis of Loans to related parties staging and the corresponding ECL allowances at the year end are as follows:

31.12.2022	Stage 1	Stage 2	Stage 3	Total
Loans to related parties	3 203 344	-	-	3 203 344
Accrued interest	-	-	-	-
Total	**3 203 344**	**-**	**-**	**3 203 344**
Total ECL calculated	**(49 727)**	**-**	**-**	**(49 727)**

31.12.2021	Stage 1	Stage 2	Stage 3	Total
Loans to related parties (including	6 330 563	-	-	6 330 563
Accrued interest	23 399	-	-	23 399
Total	**6 353 962**	**-**	**-**	**6 353 962**
Total ECL calculated	**(94 772)**	**-**	**-**	**(94 772)**

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 3rd party lender linked to the borrower.

27. Equity-accounted investees

	31.12.2022 EUR	31.12.2021 EUR
Investments in associates	420 622	149 872
TOTAL:	**420 622**	**149 872**

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 recognizes this investment in the statement of financial position as equity-accounted investees. During 2021 the Group established a new holding company - Primero Holding AS together with majority shareholder of Primero Finance AS. Group's shareholding also is 49% in the new entity. At the same time ownership of Primero Finance AS was transferred to Primero Holding AS. Through 49% shareholding in Primero Holding AS, the Group continues to have investment in Primero Finance AS at the same level. Also during 2021 Primero Holding AS established a new company in Lithuania - Primero Finance UAB and plans to expand its activities in this market. In 2022 Primero Holding AS also established a subsidiary 'Primero SV1 OU' and also will expand its activities in Estonia.

Further information on entities performance disclosed below:

		31.12.2022			
Name of the company	Country	Share capital EUR	Total Equity EUR	Interest in affiliate equity %	Net value according to equity method EUR
Primero Holding AS (Latvia)	Latvia	550 000	867 020	49	420 622

		31.12.2021			
Name of the company	Country	Share capital EUR	Total Equity EUR	Interest in affiliate equity %	Net value according to equity method EUR
Primero Holding AS (Latvia)	Latvia	550 000	709 039	49	149 872

27. Equity-accounted investees (continued)

Changes in investments in associates	2022 EUR	2021 EUR
Balance as at 1 January	149 872	91 585
Elimination of unrealised gain	193 339	-
Income/(loss) from associates accounted under equity method	77 411	58 287
Balance as at 31 December	420 622	149 872

Consolidated statement of profit and loss of affiliate (unaudited)	2022 EUR
Interest revenue	3 826 015
Interest expense	(377)
Net interest income	**3 825 638**
Fee and commission income	77 158
Impairment expense	(326 161)
Net loss from de-recognition of financial assets measured at amortized cost	(1 384 076)
Selling expense	(113 806)
Administrative expense	(846 818)
Other operating income	110 775
Other operating expense	(1 176 120)
Profit before tax	**166 590**
Corporate income tax	(9 237)
Deferred income tax	628
Net profit	**157 981**

Consolidated statement of financial position at year end of affiliate

	31.12.2022 EUR
ASSETS	
Goodwill	119 000
Other intangible assets	26 313
Right-of-use assets	8 175
Property, plant and equipment	2 290
Deferred tax assets	628
Loans and advances to customers	9 931 567
Finance lease receivables	3 373 329
TOTAL NON-CURRENT ASSETS	**13 461 302**
Loans and advances to customers	3 336 447
Finance lease receivables	704 754
Prepaid expense	64 515
Trade receivables	357 137
Other receivables	36 914
Cash and cash equivalents	1 214 906
Assets held for sale	67 905
TOTAL CURRENT ASSETS	**5 782 578**
TOTAL ASSETS	**19 243 880**
EQUITY	
Share capital	550 000
Retained earnings/(losses)	317 020
brought forward	159 039
for the period	157 981
TOTAL EQUITY	**867 020**
LIABILITIES	
Non-current liabilities	
Borrowings	139 173
Total non-current liabilities	**139 173**
Current liabilities	
Borrowings	16 504 419
Trade and other payables	1 575 590
Taxes payable	22 551
Other liabilities	35 180
Accrued liabilities	99 947
Total current liabilities	**18 237 687**
TOTAL LIABILITIES	**18 376 860**
TOTAL EQUITY AND LIABILITIES	**19 243 880**

28. Finished goods and goods for resale

	31.12.2022 EUR	31.12.2021 EUR
Advance payments to vehicle dealerships	2 069 211	3 071 359
Acquired vehicles for purpose of selling them to customers	196 808	213 075
Other inventory	214 969	479 300
TOTAL:	**2 480 988**	**3 763 734**

Expenses from sale of vehicles during the reporting year were EUR 171 752 (2021: EUR 122 070).
There were no inventory write downs to net realizable value as of 31.12.2022 (31.12.2021: 0 EUR).

29. Other loans and receivables

Non-current	*Interest rate per annum (%)*	*Maturity*	31.12.2022 EUR	31.12.2021 EUR
Long term receivable for sold finance lease portfolio to associated entities	-	February 2027	267 629	723 098
		TOTAL:	**267 629**	**723 098**

Current	*Interest rate per annum (%)*	*Maturity*	31.12.2022 EUR	31.12.2021 EUR
Receivable for sold finance lease portfolio to associated entities	-	February 2027	377 177	111 229
Deposit in bank in Albania	0.03%	December 2023	320 000	-
Deposit in bank in Armenia			-	585 182
Loans to non-related parties as a result of sale of subsidiaries			-	1 182 992
Purchase consideration paid for cancelled business			-	331 556
Accrued interest			-	1 665
Impairment allowance			-	(5 579)
		TOTAL:	**697 177**	**2 207 045**

An analysis of Loans to non-related parties staging and the corresponding ECL allowances at the year end are as follows:

31.12.2022	Stage 1	Stage 2	Stage 3	Total
Receivable for sold finance lease portfolio to associated entities	644 806	-	-	644 806
Deposit in bank in Albania	320 000	-	-	320 000
Total	**964 806**	**-**	**-**	**964 806**
Total ECL calculated	-	-	-	-

31.12.2021	Stage 1	Stage 2	Stage 3	Total
Deposit in bank in Armenia	585 182	-	-	585 182
Receivable for sold finance lease portfolio to associated entities	834 327	-	-	834 327
Loans to non-related parties as a result of sale of subsidiaries	1 182 992	-	-	1 182 992
Purchase consideration paid for cancelled business	331 556	-	-	331 556
Accrued interest	1 665	-	-	1 665
Total	**2 935 722**	**-**	**-**	**2 935 722**
Total ECL calculated	**(5 579)**	**-**	**-**	**(5 579)**

30. Prepaid expense

	31.12.2022 EUR	31.12.2021 EUR
Advances paid for services	260 363	318 931
Prepaid insurance expenses	206 612	388 097
Prepaid Mintos service fee	2 500	-
Other prepaid expenses	1 638 854	965 394
TOTAL:	**2 108 329**	**1 672 422**

31. Trade receivables

	31.12.2022 EUR	31.12.2021 EUR
Receivables for ceased financial assets	1 909 152	2 787 321
Receivables for rent services	808 230	1 148 886
Receivables for provided management services	180 899	482 710
Receivables for insurance services	152 282	99 661
Receivables for other services provided	126 423	125 928
Receivables for sold ERP system	-	334 574
Impairment allowance	(514 473)	(1 406 996)
TOTAL:	**2 662 513**	**3 572 084**

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

31.12.2022	Current	1-30 DPD	31-90 DPD	>90 DPD	**Total**
Receivables for ceased financial assets	-	-	-	1 909 152	1 909 152
Receivables for rent services	808 230	-	-	-	808 230
Receivables for provided management services	180 899	-	-	-	180 899
Receivables for insurance services	152 282	-	-	-	152 282
Receivables for other services provided	126 423	-	-	-	126 423
Total	**1 267 834**	**-**	**-**	**1 909 152**	**3 176 986**
Total ECL calculated	**-**	**-**	**-**	**(514 473)**	**(514 473)**

31.12.2021	Current	1-30 DPD	31-90 DPD	>90 DPD	**Total**
Receivables for ceased financial assets	-	-	-	2 787 321	2 787 321
Receivables for rent services	1 148 886	-	-	-	1 148 886
Receivables for sold ERP system	334 574	-	-	-	334 574
Receivables for provided management services	482 710	-	-	-	482 710
Receivables for insurance services	99 661	-	-	-	99 661
Receivables for other services provided	125 928	-	-	-	125 928
Total	**2 191 759**	**-**	**-**	**2 787 321**	**4 979 080**
Total ECL calculated	**-**	**-**	**-**	**(1 406 996)**	**(1 406 996)**

The Group does not have contract assets and contract liabilities at 31.12.2022 (EUR 0 at 31.12.2021).

32. Other receivables

	31.12.2022 EUR	31.12.2021 EUR
Other receivables		
Overpaid VAT from subsidiary in Latvia	447 134	434 594
Impairment allowance for overpaid VAT	(447 134)	(434 594)
Net overpaid VAT*	-	-
CIT paid in advance	4 174 686	1 106 080
Disputed tax audit measurement in Georgia***	940 041	510 421
Overpaid VAT in other subsidiaries	689 126	462 531
Accrued income from currency hedging transactions**	434 696	8 082
Security deposit for office lease (more information in Note 23).	364 348	304 430
Receivables for payments received from customers through online payment systems	255 909	150 389
Advances to employees	19 461	-
Receivables from P2P platform for attracted funding	-	75 434
Other debtors	1 205 291	713 425
Impairment allowance	(787 399)	(62 573)
TOTAL:	**7 296 159**	**3 268 219**

32. Other receivables (continued)

* - 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 full settlement of payable VAT and recognition of VAT overpayment. Considering the uncertainty disclosed in Note 37, 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 37).

** - 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. Additional audit has been initiated for financial years 2019 and 2020. Audit decisions have been issued for respective year. The Georgian tax administration has challenged that interest rate applied by Eleving Group S.A. on loan issued to Mogo LLC complies with arm's lengths principle. According to the decisions additional tax amount of EUR 940 041 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 tax audit decisions for have been appealed within Tbilisi City Court.

Group's management has made a decision to apply for a mutual agreement procedure according to the double tax treaty concluded between Georgia and Luxembourg. In 2022 the Group has submitted the application within the Luxembourg tax administration to initiate mutual agreement procedure. The tax administration is assessing the application.

The management of the Group considers that the interest rate applied by Eleving Group S.A. (called Mogo Finance S.A. at time of the respective transactions) 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 Eleving Group 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 Eleving Group S.A. The interest rate applied by the Georgian tax administration in the decisions is significantly lower than the borrowing costs of Eleving Group 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 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 management expects to fully recover paid tax.

33. Cash and cash equivalents

	31.12.2022 EUR	31.12.2021 EUR
Cash at bank	13 132 865	9 533 727
Cash on hand*	701 972	593 360
TOTAL:	**13 834 837**	**10 127 087**

* - 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:

31.12.2022	Stage 1 EUR	Stage 2 EUR	Stage 3 EUR	Total EUR
Cash at bank	13 132 865	-	-	13 132 865
Cash on hand	701 972	-	-	701 972
Total	**13 834 837**	**-**	**-**	**13 834 837**
Total ECL calculated	**-**	**-**	**-**	**-**

31.12.2021	Stage 1 EUR	Stage 2 EUR	Stage 3 EUR	Total EUR
Cash at bank	9 533 727	-	-	9 533 727
Cash on hand	593 360	-	-	593 360
Total	**10 127 087**	**-**	**-**	**10 127 087**
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 (2021: EUR 0).

The Group cooperates with banks with credit ratings no less than BBB-.

The Group also does not keep large amounts of funds in one specific bank to limit concentration risk and high exposure to small amount of banks.

34. Disposal groups held for sale

In latter part of 2021, management committed to a plan to sell parts of its vehicle finance business operations in Balkan countries and liquidate subsidiary in Bosnia&Herzegovina. Accordingly, several entities were presented as a disposal group held for sale. In 2021 management decided to also initiate the liquidation of several additional entities in Poland. As well the Group decided to change the strategy in Estonia and sell its Estonian subsidiary Primero Finance OU to Primero Holding AS - a subsidiary where the Group holds 49% of shares, but this decision was aborted and Estonian subsidiry is not considered as disposal group as at 31 December 2022. Effect from recognizing Primero Finance OU as continued operation increased profit from continued operations from EUR 9 711 061 reported in 2021 to EUR 11 205 675 shown in comparative figures in these Consolidated Financial Statements.

As at 31 December 2022 three companies were classified as under liquidation:

- Mogo Sp. z o.o., Poland
- Mogo Leasing d.o.o., Bosnia&Herzegovina
- Pocco Finance Sp. z o.o., Poland

Assets and liabilities of disposal groups held for sale	31.12.2022 EUR	31.12.2021 EUR
ASSETS		
Mogo Leasing d.o.o., Bosnia&Herzegovina	362 262	733 597
Mogo Sp. z o.o., Poland	16 173	181 410
Pocco Finance Sp. z o.o., Poland	221	2 256
Primero Finance OU (formerly known as Mogo OU), Estonia	-	11 545 025
TOTAL	**378 656**	**12 462 288**
Goodwill arising from Primero Finance OU, Estonia	-	451 894
TOTAL ASSETS OF DISPOSAL GROUPS HELD FOR SALE	**378 656**	**12 914 182**
LIABILITIES	**EUR**	**EUR**
Mogo Sp. z o.o., Poland	94 698	82 124
Mogo Leasing d.o.o., Bosnia&Herzegovina	12 515	42 382
Pocco Finance Sp. z o.o., Poland	79	80
Primero Finance OU, Estonia	-	5 993 920
TOTAL LIABILITIES DIRECTLY ASSOCIATED WITH THE ASSETS HELD FOR SALE	**107 292**	**6 118 506**

Mogo Sp. z o.o., Poland

At 31 December 2022, the entity was stated at fair value less costs to sell and comprised the following assets and liabilities.

	31.12.2022 EUR	31.12.2021 EUR
ASSETS		
Property, plant and equipment	641	8 793
Finance lease receivables	-	433
TOTAL NON-CURRENT ASSETS	**641**	**9 226**
Loans and advances to customers	-	45 380
Finance lease receivables	-	79 415
Prepaid expense	479	1 099
Other receivables	11 152	14 224
Cash and cash equivalents	3 825	29 292
Assets held for sale	76	2 774
TOTAL CURRENT ASSETS	**15 532**	**172 184**
TOTAL ASSETS	**16 173**	**181 410**
LIABILITIES		
Current liabilities		
Advances received	8 164	7 579
Trade and other payables	1 649	4 373
Taxes payable	3 978	7 717
Other liabilities	15	-
Accrued liabilities	80 892	62 455
Total current liabilities	**94 698**	**82 124**
TOTAL LIABILITIES	**94 698**	**82 124**

Efforts to liquidate the company have started and process is expected to be completed by end of 2023.

34. Disposal groups held for sale (continued)

Mogo Leasing d.o.o., Bosnia&Herzegovina

At 31 December 2022, the entity was stated at fair value less costs to sell and comprised the following assets and liabilities.

	31.12.2022 EUR	31.12.2021 EUR
ASSETS		
Right-of-use assets	5 288	2 984
Property, plant and equipment	378	7 398
Loans and advances to customers	4 250	9 206
Finance lease receivables	63 032	266 566
TOTAL NON-CURRENT ASSETS	**72 948**	**286 154**
Loans and advances to customers	20 586	14 564
Finance lease receivables	-	190 531
Prepaid expense	7 896	9 738
Other receivables	100 271	46 557
Cash and cash equivalents	160 561	179 289
Assets held for sale	-	6 764
TOTAL CURRENT ASSETS	**289 314**	**447 443**
TOTAL ASSETS	**362 262**	**733 597**
LIABILITIES		
Borrowings	2 025	-
Total non-current liabilities	**2 025**	**-**
Current liabilities		
Borrowings	3 538	3 048
Advances received	1 482	-
Trade and other payables	40	3 697
Other liabilities	-	30 159
Accrued liabilities	5 430	5 478
Total current liabilities	**10 490**	**42 382**
TOTAL LIABILITIES	**12 515**	**42 382**

Efforts to liquidate the company have started and process is expected to be completed by end of 2023.

Pocco Finance Sp. z o.o., Poland

At 31 December 2022, the entity was stated at fair value less costs to sell and comprised the following assets and liabilities.

	31.12.2022 EUR	31.12.2021 EUR
ASSETS		
Other receivables	-	238
Cash and cash equivalents	221	2 018
TOTAL CURRENT ASSETS	**221**	**2 256**
TOTAL ASSETS	**221**	**2 256**
LIABILITIES		
Current liabilities		
Trade and other payables	79	80
Total current liabilities	**79**	**80**
TOTAL LIABILITIES	**79**	**80**

Efforts to liquidate the company have started and process is expected to be completed by end of 2023.

35. Assets held for sale

Other assets held for sale	31.12.2022 EUR	31.12.2021 EUR
Repossessed collateral	1 080 351	626 006
	1 080 351	**626 006**

Changes in other assets held for sale	31.12.2021	Net changes during the year	31.12.2022
Repossessed collateral	626 006	454 345	1 080 351
TOTAL:	**626 006**	**454 345**	**1 080 351**

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 Group's clients. The Group usually sells the repossessed vehicles within 90 days after repossession. There are no balances left unsold from previous reporting period.

36. Share capital and reserves

Share capital

The subscribed share capital of the Group amounts to EUR 1 000 500 and is divided into 100 050 000 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 2021	**1 000 000**	**100 000 000**	**100 000 000**
Subscriptions	-	-	-
Redemptions	-	-	-
Closing balance as at 31 December 2021	**1 000 000**	**100 000 000**	**100 000 000**
Opening balance as at 1 January 2022	**1 000 000**	**100 000 000**	**100 000 000**
Subscriptions	500	50 000	50 000
Redemptions	-	-	-
Closing balance as at 31 December 2022	**1 000 500**	**100 050 000**	**100 050 000**

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.

Reserves

	31.12.2022 EUR	31.12.2021 EUR
Mandatory reserves in TIGO Finance DOOEL Skopje (North Macedonia)*	700 555	214 884
Mandatory reserves in OCN Sebo Credit SRL (Ukraine)*	258 187	253 790
Mandatory reserves in Eleving Group S.A. (Luxembourg)*	100 050	25 290
Mogo IFN SA (Romania)*	52 940	35 621
Mandatory reserves in Mogo Loans SRL (Moldova)*	4 733	30 375
Mandatory reserves in Mogo LT UAB (Lithuania)*	2 897	249 983
Mandatory reserves in Next Fin LLC (Ukraine)*	2 842	2 842
TOTAL:	**1 122 204**	**812 785**

* - further information disclosed in Note 2.

37. Provisions

Non-current	31.12.2022 EUR	31.12.2021 EUR
Provision for VAT liabilities in Latvia*	130 824	108 422
Provision for taxes and duties in Latvia*	21 285	31 632
TOTAL:	**152 109**	**140 054**

* Provision for taxes and duties in Latvia are calculated based on rates applied by tax body of Republic of Latvia and discounted with rate of 0.42% for estimated litigation process period of 2 years.

See Note 32 for more information.

Changes in provisions	01.01.2022	Additional provisions recognized	Unused provisions reversed	Provisions used	Unwinding of discount	31.12.2022
Provision for VAT liabilities in Latvia	108 422	19 323	-	-	3 079	130 824
Provision for taxes and duties in Latvia	31 632	-	-	(11 245)	898	21 285
	140 054	**19 323**	**-**	**(11 245)**	**3 977**	**152 109**

38. Borrowings

Non-current

Subordinated loans	31.12.2022 EUR	31.12.2021 EUR
Loan from related parties (Note 44)	-	17 300 238
TOTAL:	**-**	**17 300 238**

Subordinated borrowings	*Interest rate per annum (%)*	*Maturity*	31.12.2022 EUR	31.12.2021 EUR
Eleving Group S.A. subordinated bonds nominal value[3]	12%+6m Euribor	29.12.2031	18 956 000	-
Bonds acquisition costs			(478 986)	-
		TOTAL:	**18 477 014**	**-**

Bonds	*Interest rate per annum (%)*	*Maturity*	31.12.2022 EUR	31.12.2021 EUR
Eleving Group S.A. bonds nominal value[1]	9.5%	18.10.2026	149 680 000	142 241 000
Mogo AS 20m bonds nominal value[2]	11%	31.03.2024	29 196 000	29 859 000
Bond additional interest accrual			86 833	29 753
Bonds acquisition costs			(4 831 596)	(5 790 824)
		TOTAL:	**174 131 237**	**166 338 929**
Other borrowings				
Long term loan from banks[4]	7.8%-12.75%	February 2024	1 191 007	3 772 887
Lease liabilities for rent of premises[5]	2%-12%	up to 10 years	7 115 543	6 612 744
Lease liabilities for rent of vehicles[5]	2%-12%	up to 3 years	178 449	93 446
Financing received from P2P investors[6]	8.5% - 17.5%	up to 30.12.2027.	27 727 346	33 884 556
Lease liabilities for acquired rental fleet	2.9%-5.4%	up to 5 years	2 307 245	-
Other borrowings	9.5%-15%	2024-2025	198 184	-
Loan acquisition costs			(131 905)	(88 370)
		TOTAL:	**38 585 869**	**44 275 263**
		TOTAL NON CURRENT BORROWINGS:	**231 194 120**	**227 914 430**

Current

Other borrowings	*Interest rate per annum (%)*	*Maturity*	31.12.2022 EUR	31.12.2021 EUR
Financing received from P2P investors[6]	8.5% - 17.5%	up to 30.12.2027.	39 919 916	28 123 751
Accrued interest for bonds			2 930 892	2 747 127
Lease liabilities for rent of premises[5]	2%-12%	up to 10 years	2 659 706	2 443 778
Accrued interest for financing received from P2P investors			489 376	265 480
Lease liabilities for rent of vehicles[5]	2%-12%	up to 3 years	142 794	57 412
Short term loans from banks[4]	4.68%-12.75%	December 2023	4 304 951	3 711 349
Accrued interest for loans from banks			60 914	66 895
Short term loans from non related parties	16%-22%	July 2023	1 462 811	1 818 887
Accrued interest for loans from non related parties			32 516	42 255
Short term borrowings in Kenya[7]	8.3%-9.3%	December 2023	7 289 026	-
Accrued interest for short term borrowings in Kenya			188 268	-
Lease liabilities for acquired rental fleet	2.9%-5.4%	up to 5 years	633 063	-
Other borrowings			-	833 485
		TOTAL:	**60 114 233**	**40 110 419**

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. On 18 October 2021 the bond was refinanced and amount increased totaling the new bond amount of EUR 150 million (ISIN: XS2393240887). The Bond is listed in open market while the Group is in process of listing it on regulated market.
A waiver is obtained by the Group for the listing of the bond in regulated market by December 2023. The bond will mature in October 2026.

2) On 11 February 2021 subsidiary in Latvia - Mogo AS registered with the Latvian Central Depository a bond facility through which it can raise up to EUR 30 million. With the purpose to refinance the previous bond issuance. The notes are issued at par, have a maturity at 31 of March, 2024 and carry a fixed coupon of 11% per annum, paid monthly in arrears. The note type on 11 March 2021 was changed to "publicly issued notes" and were listed on the regulated market of NASDAQ OMX Baltic.

3) On 29 December 2021 Eleving Group S.A. registered with the Latvian Central Depository a bond facility through which it can raise up to EUR 25 million (XS2427362491). The notes are issued at par, have a maturity at 29 of December, 2031 and carry a coupon of 12% + 6 month Euribor per annum, paid monthly in arrears. On 7 March 2022 the bonds were listed on the First North unregulated bond market of NASDAQ OMX Baltic.

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.
Kredo Finance SHPK received a loan from local bank in amount of ALL 98 500 000 with an interest rate of 4,68% maturing on December 2023.
Mogo Belarus received a bank loan of USD 1 000 000 with 11% interest rate, maturing in 30.09.2022, plus a short term 2month credit line for USD 200 000, also 1 900 000 BYN credit line with 25% maturing in 14.07.2024

38. Borrowings (continued)

5) 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) In June 2022, Mogo Auto Limited entered into an agreement for short term note program with Dry Associates Limited, where the later was to manage the placement of funds. The average rate of interest is 15.5% for notes issued in local currency (KES), while EUR and USD notes are issued at 8.3% and 9.3% respectively.

Subordinated loans	01.01.2022	Cash flows	Foreign exchange effect	Other	31.12.2022
Loan from related parties	17 300 238	(17 300 238)	-	-	-
TOTAL SUBORDINATED BORROWINGS PRINCIPAL:	**17 300 238**	**(17 300 238)**	**-**	**-**	**-**

Subordinated borrowings	01.01.2022	Cash flows	Foreign exchange effect	Other	31.12.2022
Eleving Group S.A. subordinated bonds nominal value	-	18 956 000	-	-	18 956 000
Bonds acquisition costs		(428 262)	-	(50 724)	(478 986)
TOTAL SUBORDINATED BORROWINGS PRINCIPAL:	**-**	**18 956 000**	**-**	**-**	**18 956 000**

Other borrowings	01.01.2022	Cash flows	Foreign exchange effect	Other	31.12.2022
Bonds nominal value	172 100 000	6 776 000	-	-	178 876 000
Financing received from P2P investors	62 008 307	4 278 100	1 360 855	-	67 647 262
Loans from banks	7 484 236	(3 041 825)	1 053 547	-	5 495 958
Short term borrowings in Kenya	-	7 705 929	(416 903)	-	7 289 026
Lease liabilities for acquired rental fleet	-	(3 367 670)	171	6 307 807	2 940 308
Other borrowings	833 485	(658 985)	23 684	-	198 184
Short term loans from non related parties	1 818 887	(371 441)	15 365	-	1 462 811
Lease liabilities	9 207 380	(2 350 758)	55 517	3 184 353	10 096 492
TOTAL OTHER BORROWINGS PRINCIPAL:	**253 452 295**	**8 969 350**	**2 092 236**	**9 492 160**	**274 006 041**
TOTAL BORROWINGS PRINCIPAL:	**270 752 533**	**10 625 112**	**2 092 236**	**9 492 160**	**292 962 041**

Total cash flow of borrowings of EUR 10 625 112 consists of cash inflows EUR 189 892 932, cash outflows of EUR 176 917 062 and payments for lease liabilities in amount of EUR 2 350 758.

	01.01.2022	Cash flows	Foreign exchange effect	Other	31.12.2022
Bonds acquisition costs	(5 790 824)	(825 096)	-	1 305 338	(5 310 582)
Loan acquisition costs	(88 370)	(107 704)	(1 485)	65 654	(131 905)
Acquisition costs of borrowings	(5 879 194)	(932 800)	(1 485)	1 370 992	(5 442 487)
Accrued interest for loans from non related parties	42 255	(419 325)	306	409 280	32 516
Accrued interest for financing received from P2P investors	265 480	(5 611 045)	5 831 782	3 159	489 376
Accrued interest for short term borrowings in Kenya	-	199 036	(10 768)	-	188 268
Additional bond interest accrual	2 776 880	(22 223 458)	-	22 464 303	3 017 725
Accrued interest for loan from bank	66 895	(861 093)	10 772	844 340	60 914
Accrued interest	**3 151 510**	**(28 915 885)**	**5 832 092**	**23 721 082**	**3 788 799**
TOTAL BORROWINGS:	**268 024 849**	**(19 223 573)**	**7 922 843**	**34 584 234**	**291 308 353**

38. Borrowings (continued)

Subordinated loans	01.01.2021	Cash flows	Foreign exchange effect	Other	31.12.2021
Loan from related parties	12 126 467	5 173 771	-	-	17 300 238
TOTAL SUBORDINATED BORROWINGS PRINCIPAL:	**12 126 467**	**5 173 771**	**-**	**-**	**17 300 238**

Other borrowings	01.01.2021	Cash flows	Foreign exchange effect	Other	31.12.2021
Bonds nominal value	120 374 840	51 725 160	-	-	172 100 000
Financing received from P2P investors	86 724 926	(27 411 423)	2 694 804	-	62 008 307
Loans from banks	12 578 116	(6 073 265)	979 385	-	7 484 236
Lease liabilities	7 795 311	(4 729 813)	230 814	5 911 068	9 207 380
Long term loan from non-related parties	1 420 011	286 115	112 761	-	1 818 887
Other borrowings	-	799 523	33 962	-	833 485
TOTAL OTHER BORROWINGS PRINCIPAL:	**228 893 204**	**14 596 297**	**4 051 726**	**5 911 068**	**253 452 295**
TOTAL BORROWINGS PRINCIPAL:	**241 019 671**	**19 770 068**	**4 051 726**	**5 911 068**	**270 752 533**

Total cash flow of borrowings of EUR 19 770 068 consists of cash inflows EUR 522 098 102, cash outflows of EUR 500 911 788 and payments for lease liabilities in amount of EUR 1 416 246.

Acquisition costs and accrued interest	01.01.2021	Cash flows	Foreign exchange effect	Other	31.12.2021
Bonds acquisition costs	(3 129 846)	(6 814 296)	-	4 153 318	(5 790 824)
Loan acquisition costs	(121 241)	(60 605)	(2 955)	96 431	(88 370)
Acquisition costs of borrowings	**(3 251 087)**	**(6 874 901)**	**(2 955)**	**4 249 749**	**(5 879 194)**
Accrued interest for loans from non related parties	25 988	(368 297)	306 330	78 234	42 255
Accrued interest for financing received from P2P investors	528 275	(7 976 903)	12 411	7 701 697	265 480
Additional bond interest accrual	4 853 846	(15 724 480)	-	13 647 514	2 776 880
Accrued interest for loan from bank	57 235	(1 336 094)	9 109	1 336 645	66 895
Accrued interest	**5 465 344**	**(25 405 774)**	**327 850**	**22 764 090**	**3 151 510**
TOTAL BORROWINGS:	**243 233 928**	**(12 510 607)**	**4 376 621**	**32 924 907**	**268 024 849**

* - 'Other' mainly contains movement due to accrued interest expenses and incurred bonds acquisition costs.

39. Prepayments and other payments received from customers

	31.12.2022 EUR	31.12.2021 EUR
Received deposits from customers	202 401	29 660
Unallocated payments received*	200 851	125 933
Overpayments from historical customers	37 239	298 562
Advances for sold cars	4 285	2 770
Payments received from ceased receivables	5 321	20 318
Advance received for sale of subsidiary in Albania	-	400 000
TOTAL:	**450 097**	**877 243**

* - 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 2022.

40. Taxes payable

	31.12.2022 EUR	31.12.2021 EUR
Withholding tax	961 040	500 886
Value added tax	753 111	563 351
Social security contributions	458 259	401 491
Personal income tax	165 579	106 976
Other taxes	29 112	214 604
TOTAL:	**2 367 101**	**1 787 308**

41. Other liabilities

	31.12.2022 EUR	31.12.2021 EUR
Liabilities against employees for salaries	669 062	615 662
Deferred income	635 631	-
Liabilities for unpaid dividends to minority interest holders	94 269	-
Other liabilities	554 274	272 611
TOTAL:	**1 953 236**	**888 273**

42. Accrued liabilities

	31.12.2022 EUR	31.12.2021 EUR
Accrued unused vacation	1 658 599	1 602 905
Accruals for bonuses	1 425 036	870 767
Other accrued liabilities for received services	1 935 131	1 728 674
TOTAL:	**5 018 766**	**4 202 346**

43. Other financial liabilities

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, 2021 and 2022 the Group settled part of the liabilities. Value of remaining amount was reassessed and additional income was recognized in 2022.

The significant unobservable inputs used in the fair value measurement of the contingent consideration are disclosed in Note 3.

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:

	31.12.2022 EUR	31.12.2021 EUR
Current		
Forward exchange contracts*	-	2 113 689
Current contingent consideration liability	39 575	138 305
TOTAL OTHER FINANCIAL LIABILITIES:	**39 575**	**2 251 994**

* - The Group enters into currency exchange transactions where it tries to limit its foreign currency rate fluctuation loss. At year end the Group recognizes accrued income or expenses based on year end currency rates versus agreed currency transaction rates and recognizes income or expenses if the estimated result is expected to be profit or loss.

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 2022 using a simplified scenario of a 10% change in estimated future profits would result in change of liabilities for 3 958 EUR.

Changes in liabilities

	01.01.2022	Cash flows	Reassessment	Reclass	31.12.2022
Non-current contingent consideration liability	-	-	-	-	-
Current contingent consideration liability	138 305	(56 908)	(41 822)	-	39 575
TOTAL BORROWINGS PRINCIPAL:	**138 305**	**(56 908)**	**(41 822)**	**-**	**39 575**

Reassessment took place due to signing of additional share repurchase agreement of Mogo LLC (Georgia) during 2020.

	01.01.2021	Cash flows	Reassessment	Reclass	31.12.2021
Non-current contingent consideration liability	66 508	-	-	(66 508)	-
Current contingent consideration liability	98 949	(27 152)	-	66 508	138 305
TOTAL BORROWINGS PRINCIPAL:	**165 457**	**(27 152)**	**-**	**-**	**138 305**

44. 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 2022 and 31 December 2021 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 36 and 38.
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 14.

The income and expense items with related parties for 2022 were as follows:

Related party	Shareholder controlled companies EUR	Other related parties EUR
Interest income	331 650	-
Interest expenses	(7 776)	-
Sale of finance lease receivables to associated entities	-	1 643 137
Management services provided to associated entities	-	219 599

The income and expense items with related parties for 2021 were as follows:

Related party	Shareholder controlled companies EUR	Other related parties EUR
Interest income	738 421	-
Interest expenses	(1 719 044)	-
Management services received from related parties	(343 481)	-
Sale of finance lease receivables to associated entities	-	1 544 805
Management services provided to associated entities	-	292 947

The receivables and liabilities with related parties as at 31.12.2022 and 31.12.2021 were as follows:

	31.12.2022 EUR	31.12.2021 EUR
Amounts owed by related parties		
Loans to related parties*	3 153 617	6 259 190
Trade receivables**	180 899	475 823
Amounts owed to related parties		
Subordinated loans from shareholders of the Parent Company	-	17 300 238
Unpaid dividends	94 269	-
Payables to related parties	350 625	305 856

* 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.

Movement in amounts owed by related parties	Amounts owed by related parties EUR
Amounts owed by related parties as of 01 January 2021	15 962 308
Receivables repaid in period	(9 227 295)
Amounts owed by related parties as of 31 December 2021	6 735 013
Amounts owed by related parties as of 01 January 2022	6 735 013
Receivables repaid in period	(3 400 497)
Amounts owed by related parties as of 31 December 2022	3 334 516

44. Related party disclosures (continued)

Movement in amounts owed to related parties	Amounts owed to related parties EUR
Amounts owed to related parties as of 01 January 2021	12 442 033
Loans received in period	8 500 000
Loans repaid/settled in period	(5 045 273)
Interest calculated in period	1 719 044
Interest repaid in period	-
Management services received in period	343 481
Management services paid in period	(343 481)
Change in other payables	(9 710)
Dividends calculated for minority shareholders	423 383
Dividends paid to minority shareholders	(423 383)
Amounts owed to related parties as of 31 December 2021	17 606 094
Amounts owed to related parties as of 01 January 2022	17 606 094
Loans received in period	1 777 816
Loans repaid/settled in period	(19 078 054)
Interest calculated in period	7 776
Interest repaid in period	(7 776)
Change in other payables	44 769
Dividends calculated for minority shareholders	629 792
Dividends paid to minority shareholders	(535 523)
Amounts owed to related parties as of 31 December 2022	444 894

45. 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.

The Group is subject to externally imposed capital requirements in several countries. The main requirements are listed below:

Albania

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

Acquired license on performing financing activities require:
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.

Romania

Acquired license on performing financing activities require 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 l if needed to satisfy this requirement.

North Macedonia

Loan portfolio limit is set as Share capital multiplied with 10.

Bosnia&Herzegovina

Acquired license on performing financing activities requires to maintain amount of equity at all times not lower that 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 Albania, Armenia, Estonia, Georgia, Kenya, Latvia, Lithuania, Moldova, North Macedonia and Romania. 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 2022 and 31 December 2021 and during the years.

45. Commitments and contingencies (continued)

Eleving Group S.A. bonds

There are restrictions in the prospectus for the bonds issued on the Frankfurt Stock exchange (ISIN (XS2393240887)). These financial covenants are the following:
(a) the Interest Coverage Ratio for the Relevant Period is at least 1.25;
(b) the Capitalization Ratio for the Relevant Period is at least 15%; and
(c) the Consolidated Net Leverage Ratio for the Relevant Period does not exceed 6.00x.

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), namely, until the date of repayment thereof, Eleving Group shall undertake to maintain the following financial covenants:
(a) The Capitalization Ratio shall in any case be at least 15.00 per cent;
(b) The Interest Coverage Ratio shall be at least 1.25, calculated on twelve (12) consecutive calendar months.

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

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 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.

4) 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.

5) Starting from 14 October 2021 Eleving Group and certain of its Subsidiaries entered into several pledge agreements with TMF Trustee Services GmbH, establishing pledge over shares of those Subsidiaries, pledge over present and future loan receivables of those Subsidiaries, pledge over trademarks of those Subsidiaries, general business pledge over those Subsidiaries, pledge over primary bank accounts if feasible, in order to secure Eleving Group obligations towards bondholders deriving from Eleving Group bonds (ISIN: XS2393240887). Subsequently additional pledgors were added who became material (subsidiaries with net portfolio of more than EUR 7 500 000 and represents at least 3% of the Net Loan Portfolio) according to terms and conditions of the bonds.

6) Starting from 14 October 2021 Eleving Group as Issuer and certain of its Subsidiaries (subsidiaries with net portfolio of more than EUR 7 500 000 and represents at least 3% of the Net Loan Portfolio) as Guarantors have entered into a guarantee agreement dated 14 October 2021 (as amended and restated from time to time) according to which the guarantors unconditionally and irrevocably guaranteed by way of an independent payment obligation to each holder of the Eleving Group bonds (ISIN: XS2393240887) the due and punctual payment of principal of, and interest on, and any other amounts payable under the Eleving Group bonds (ISIN: XS2393240887) offering memorandum.

7) 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.

8) 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.

9) On 12 December 2018 the subsidiary in Latvia - mogo AS issued guarantee letters for the benefit of SIA Skanste City (previously SWH Grupa JSC) to secure other Subsidiary Eleving Vehicle Finance JSC (previously Mogo Group JSC) obligations from the secured office space lease agreements concluded on 12 December 2018. According to the guarantee letters the Company undertook to fulfil Eleving Vehicle Finance JSC obligations towards SIA Skanse 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 the Company and is effective for the entire duration of the respective lease agreements. At the beginning of 2020 both lease agreements were amended and the Company provided the new guarantee to secure only obligations of Eleving Vehicle Finance JSC.

45. Commitments and contingencies (continued)

10) On 15 April 2019 Eleving Group 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.

11) 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.

12) 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.

13) 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.

14) On 17 September 2019 the subsidiary in Belarus - Mogo Kredit LLC entered into a pledge agreement over right of claim with CJSC Bank Resenije, establishing a pledge over certain receivables of Mogo Kredit LLC in favour of CJSC Bank Resenije, in order to secure Mogo Kredit LLC obligations towards CJSC Bank Resenije deriving from 2 credit contracts dated 17 September 2019.

15) On 26 September 2019 the subsidiary in Armenia - Mogo UCO LLC entered into a pledge agreement over right of claim with Ardshinbank CJSC, establishing a pledge over certain receivables 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.

16) 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.

17) On 26 January 2021, Eleving Group S,A. signed a guarantee whereby Eleving Group 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.

18) The Group has signed Covenant Agreements with P2P platform companies AS Mintos Marketplace and Mintos Finance OU according to which the Group secures 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.

19) The Group has signed Guarantee Agreements with P2P platform companies AS Mintos Marketplace, SIA Mintos Finance No.1 and Mintos Finance Estonia OU according to which the Group secures 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.

20) Certain subsidiaries of the Group have entered into a commercial pledge agreements with SIA Mintos Finance No.1 and/or Mintos Finance Estonia OU, in order to secure those Group subsidiary obligations towards AS Mintos Marketplace, SIA Mintos Finance No.1 and Mintos Finance Estonia OU deriving from cooperation agreements entered into between the respective subsidiary and AS Mintos Marketplace, SIA Mintos Finance No.1 and/or Mintos Finance Estonia OU.

21) The Group has signed Guarantee Agreement with AS Citadele Banka according to which the Group secures AS Mogo, Primero Finance OU, and UAB Mogo LT liabilities towards AS Citadele Banka under Credit Line Agreement entered into with AS Citadele Banka on 8 July 2019 (as amended from time to time).

22) The Group's subsidiaries AS Renti (Latvia) and UAB Renti LT (Lithuania) have entered into commercial pledge agreements and guarantee agreements with AS Citadele Banka in order to secure AS Mogo, Primero Finance OU and UAB Mogo LT liabilities towards AS Citadele Banka under Credit Line Agreement entered into with AS Citadele Banka on 8 July 2019 (as amended from time to time).

23) The Group's subsidiary AS Eleving Vehicle Finance (Latvia) has entered into a put option agreement with Ropat Trust Company Limited according to which AS Eleving Vehicle Finance undertakes to purchase Mogo Auto Limited (Kenya) secured revolving loan notes up to one billion Kenya Shillings in case of default of Mogo Auto Limited under the terms and conditions of the notes programme.

24) The Group's subsidiary AS Eleving Stella (Latvia) has entered into a guarantee agreement with SIA Citadele Leasing in order to secure SIA Citadele Leasing claims towards AS Renti under several financial leasing agreements entered between AS Renti and SIA Citadele Leasing.

25) The Group's subsidiary Mogo Auto Limited (Kenya) has entered into a deed of assignment and Ropat Trust Company Limited (acting on behalf of the noteholders) in order to secure Mogo Auto Limited (Kenya) liabilities towards the noteholders under the terms and conditions of Mogo Auto Limited (Kenya) secured revolving loan notes programme.

46. 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 45.

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.

46. Financial risk management (continued)

The most significant foreign currency exposure comes from Armenia, Georgia, Moldova, Kenya, Uganda, and Uzbekistan, 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 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.
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 and 2022.

Assets and liabilities exposed to foreign currencies fluctuation risk as at 31 December 2022:

Currency	Assets	Equity and liabilities	Foreign exchange contracts	Net assets exposed to currency risk
	in EUR	in EUR	in EUR	in EUR
ALL (Albania)*	31 573 312	(15 204 155)	-	16 369 158
AMD (Armenia)	15 115 672	(12 906 484)	-	2 209 188
BYR (Belarus)	16 619 293	(8 007 645)	-	8 611 648
GEL (Georgia)	18 689 407	(16 831 163)	-	1 858 244
KEL (Kenya)	69 745 542	(26 386 391)	-	43 359 152
MDL (Moldova)	38 935 104	(22 531 954)	-	16 403 151
MKD (North Macedonia)*	19 534 993	(10 465 986)	-	9 069 007
PLN (Poland)	16 394	(16 394)	-	-
RON (Romania)*	34 689 264	(19 644 449)	-	15 044 815
UAH (Ukraine)	4 071 403	(703 796)	-	3 367 607
UGX (Uganda)	26 286 660	(3 883 660)	-	22 403 000
USD (Group)	45 925 246	(3 193 334)	(79 183 826)	(36 451 914)
UZS (Uzbekistan)	9 391 474	(3 505 474)	-	5 886 000
	330 593 765	(143 280 885)	(79 183 826)	108 129 056
excluding currencies with currency rate fluctuations below 5% over the last three years	244 796 196	(97 966 294)	(79 183 826)	67 646 076

Assets and liabilities exposed to foreign currencies fluctuation risk as at: 31 December 2021:

Currency	Assets	Equity and liabilities	Foreign exchange contracts	Net assets exposed to currency risk
	in EUR	in EUR	in EUR	in EUR
ALL (Albania)*	23 808 980	2 802 876	-	26 611 856
AMD (Armenia)	12 790 219	(6 578 133)	-	6 212 086
BYR (Belarus)	1 513 796	(2 836 024)	-	(1 322 228)
GEL (Georgia)	16 720 363	(10 880 512)	-	5 839 851
KEL (Kenya)	34 594 929	(20 188 609)	-	14 406 320
MDL (Moldova)	42 965 717	(18 900 931)	-	24 064 786
MKD (North Macedonia)*	12 810 393	(8 012 254)	-	4 798 138
PLN (Poland)	183 665	6 926 843	-	7 110 508
RON (Romania)*	30 650 979	(19 969 968)	-	10 681 011
UAH (Ukraine)	9 995 477	(3 468 987)	-	6 526 491
UGX (Uganda)	14 019 373	(427 856)	-	13 591 517
USD (Group)	40 350 836	(2 142 499)	(48 560 833)	(10 352 495)
UZS (Uzbekistan)	7 634 597	(2 999 597)	-	4 635 000
	248 039 324	(86 675 650)	-	112 802 842
excluding currencies with currency rate fluctuations below 5% over the last three years	180 768 973	(61 496 304)	-	70 711 835

* - currency has not fluctuated more than 5% during last 3 years.

46. Financial risk management (continued)

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 2022 and 31 December 2021 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	31.12.2022 in EUR	31.12.2021 in EUR
ALL currency	+/- 818 458	+/- 1 330 593
AMD currency*	+/- 220 919	+/- 621 209
BYR currency*	+/- 861 165	+/- 132 223
GEL currency*	+/- 185 824	+/- 583 985
KEL currency	+/- 2 167 958	+/- 720 316
MDL currency	+/- 820 158	+/- 1 203 239
MKD currency	+/- 453 450	+/- 239 907
PLN currency	-	+/- 355 525
RON currency	+/- 752 241	+/- 534 051
UAH currency*	+/- 336 761	+/- 652 649
UGX currency	+/- 1 120 150	+/- 679 576
USD currency	+/- 1 822 596	+/- 517 625
UZS currency*	+/- 588 600	+/- 463 500
TOTAL:	**+/- 10 148 280**	**+/- 8 034 398**

* - During 2022 the currency rates of majority of countries have remained stable. Nevertheless, due to historical fluctuations and higher risk of future significant fluctuations a higher sensitivity rate of 10% has been used for those currencies.

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 2022 and 31 December 2021 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	31.12.2022 in EUR	31.12.2021 in EUR
ALL currency	+/- 448 651	+/- 178 829
AMD currency	+/- 106 203	+/- 37 678
BYR currency	+/- 194 513	+/- 162 292
GEL currency	+/- 201 016	+/- 117 953
KEL currency	+/- 77 528	+/- 158 774
KZT currency	-	+/- 170 897
MDL currency	+/- 188 867	+/- 349 005
MKD currency	+/- 234 138	+/- 57 215
PLN currency	+/- 54 196	+/- 109 793
RON currency	+/- 75 068	+/- 58 708
UAH currency	+/- 160 591	+/- 94 317
UGX currency	+/- 102 425	+/- 54 260
UZS currency	+/- 81 535	+/- 46 178
TOTAL:	**+/- 1 924 732**	**+/- 1 595 900**

The Group is not exposed to currency risk in Bosnia&Herzegovina since currency rate is fixed by national bank.

Interest rate risk

The Company is exposed to interest rate risk through its issued subordinated bond which carries a coupon of 12% plus 6 month Euribor. However, due to its relatively low size in terms of total borrowings (6.5% from total borrowings as at end of 2022), which in turn are fixed rate, the Company believes its revenue will be susfficient to cover the increased borrowings costs from subordinated bonds.

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 45.

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.

46. 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.

As at 31.12.2022	Carrying value EUR	Contractual cash flows On demand	Up to 1 year EUR	1-5 years EUR	More than 5 years EUR	Total EUR
Assets						
Cash in bank	13 834 837	13 834 837	-	-	-	**13 834 837**
Loans and advances to customers	148 976 304	-	164 614 790	139 622 939	3 398 383	**307 636 112**
Loans to related parties	3 153 617	-	68 386	3 425 653	-	**3 494 039**
Loans to non-related parties	-	-	-	-	-	**-**
Trade receivables	2 662 513	-	2 662 513	-	-	**2 662 513**
Other loans and receivables	964 807	-	977 100	134 987	-	**1 112 087**
Finance lease receivables	133 978 390	-	124 597 759	118 383 869	3 985 790	**246 967 418**
Total undiscounted financial assets	303 570 468	13 834 837	292 920 548	261 567 448	7 384 173	**575 707 006**
Liabilities						
Borrowings*	(272 831 339)	-	(86 431 807)	(263 873 080)	(25 724 272)	**(376 029 159)**
Other current liabilities	(9 107 922)	-	(9 107 922)	-	-	**(9 107 922)**
Total undiscounted financial liabilities	(281 939 261)	-	(95 539 729)	(263 873 080)	(25 724 272)	**(385 137 081)**
Net undiscounted financial assets/ (liabilities)	21 631 207	13 834 837	197 380 819	(2 305 632)	(18 340 099)	**190 569 925**

* - borrowings contain balances from P2P lenders which might require earlier repayment due to 'buy back' guarantee. Carrying amount of such liabilities is 67 647 262 EUR. See Note 2 for further information on 'buy back' guarantee.

As at 31.12.2021	Carrying value EUR	Contractual cash flows On demand EUR	Up to 1 year EUR	1-5 years EUR	More than 5 years EUR	Total EUR
Assets						
Cash in bank	10 127 087	10 127 087	-	-	-	**10 127 087**
Loans and advances to customers	122 492 144	-	120 148 229	108 622 296	4 220 686	**232 991 211**
Loans to related parties	6 259 190	-	3 156 059	4 654 830	-	**7 810 889**
Trade receivables	3 572 084	-	3 572 084	-	-	**3 572 084**
Other loans and receivables	2 930 143	-	2 720 625	512 141	23	**3 232 789**
Finance lease receivables	112 359 714	-	106 113 759	99 555 727	3 390 665	**209 060 151**
Total undiscounted financial assets	257 740 362	10 127 087	235 710 756	213 344 994	7 611 374	**466 794 211**
Liabilities						
Borrowings*	(268 024 849)	-	(60 226 784)	(255 437 237)	(6 586 208)	**(322 250 229)**
Other current liabilities	(10 918 277)	-	(10 918 277)	-	-	**(10 918 277)**
Total undiscounted financial liabilities	(278 943 126)	-	(71 145 061)	(255 437 237)	(6 586 208)	**(333 168 506)**
Net undiscounted financial assets/ (liabilities)	(21 202 764)	10 127 087	164 565 695	(42 092 243)	1 025 166	**133 625 705**

* - borrowings contain balances from P2P lenders which might require earlier repayment due to 'buy back' guarantee. Carrying amount of such liabilities is 62 008 307 EUR. See Note 2 for further information on 'buy back' guarantee.

46. 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.

	31.12.2022 EUR	31.12.2021 EUR
Finance lease receivables	154 407 937	130 360 232
Loans and advances to customers	216 234 741	178 294 222
Loans to related parties	3 203 344	6 353 962
Trade and other receivables	5 088 519	7 441 475
Cash and cash equivalents	13 834 837	10 127 087
TOTAL:	**392 769 378**	**332 576 978**

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:	31.12.2022 EUR	31.12.2021 EUR
Kenya	52 293 365	40 364 406
Moldova	36 714 279	38 888 744
Albania	30 055 233	21 640 977
Romania	29 900 672	24 565 077
Lithuania	29 074 031	27 539 598
Uganda	23 881 155	13 952 611
North Macedonia	17 490 859	11 238 873
Georgia	17 102 117	14 685 922
Belarus	15 185 708	20 902 192
Armenia	13 042 253	10 341 370
Estonia	12 021 428	11 385 936
Latvia	8 875 241	10 454 220
Uzbekistan	8 726 296	6 764 502
Luxembourg	5 587 316	7 275 781
Ukraine	3 522 776	9 106 003
Finland	97 738	-
Russia	-	17 084
Spain	-	3 000
TOTAL:	**303 570 468**	**269 126 298**

Climate-related risk

'Climate-related risks' are potential negative impacts on the Group arising from climate change. Climate-related risks have an impact on the principal risk categories discussed above (i.e. credit, liquidity, market and operational risks), but due to their pervasive nature have been identified and managed by the Group on an overall basis.

The Group distinguishes between physical risks and transition risks. Physical risks arise as the result of acute weather events such as hurricanes, floods and wildfires, and longer-term shifts in climate patterns, such as sustained higher temperatures, heat waves, droughts and rising sea levels. Transition risks arise as a result of measures taken to mitigate the effects of climate change and transition to a low-carbon economy – e.g. changes to laws and regulations, litigation due to failure to mitigate or adapt, and shifts in supply and demand for certain commodities, products and services due to changes in consumer behavior and investor demand.

The Group has incorporated Climate related risks into a broader ESG policy that aims to assess the materiality of focus areas as well as defines future goals for 2025 (including climate related ones). The Group also reports on the extent to which its portfolio is associated with economic activities that are eligible to qualify as environmentally sustainable under the EU Taxonomy regulation.

47. 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. Bonds fair value is observable in Frankfurt Stock Exchange public information. 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 2022 to determine the cash flows expected to be received net of impairment losses. The pre-tax weighted average cost of capital (WACC) of the entity holding the respective financial assets is used as the basis for the discount rate. The WACC is based on the actual estimated cost of equity and cost of debt that reflect any other risks relevant to the leases and loans that have not been taken into consideration by the impairment loss adjustment described above and also includes compensation for the opportunity cost of establishing a similar lease or loan. An additional 1.5 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 31.12.2022 EUR	Fair value 31.12.2022 EUR	Carrying value 31.12.2021 EUR	Fair value 31.12.2021 EUR
Assets for which fair value is disclosed				
Loans to related parties	3 153 617	3 153 617	6 259 190	6 259 190
Finance lease receivables	133 978 390	182 498 425	113 952 574	159 528 661
Loans and advances to customers	148 976 304	200 197 412	122 655 839	169 884 463
Other loans and receivables	964 806	964 806	2 930 143	2 930 143
Trade receivables	2 662 513	2 662 513	3 572 084	3 572 084
Other receivables	7 296 159	7 296 159	3 268 219	3 268 219
Cash and cash equivalents	13 834 837	13 834 837	10 127 087	10 127 087
Total assets for which fair value is disclosed	**310 866 626**	**410 607 769**	**262 765 136**	**355 569 847**
Liabilities for which fair value is disclosed				
Borrowings				
Loan from related parties	-	-	17 300 238	17 300 238
Eleving Group S.A. bonds	147 875 287	136 875 000	139 293 294	146 038 127
Mogo AS bonds	29 282 833	30 177 500	29 888 753	31 229 753
Lease liabilities for right-of-use assets	10 096 492	10 096 492	9 207 380	9 207 380
Long term loan from banks	5 495 958	5 495 958	7 484 236	7 484 236
Financing received from P2P investors	67 515 357	67 515 357	61 919 937	61 919 937
Other borrowings	12 565 412	12 565 412	(14 369 227)	2 931 011
Trade payables	1 646 248	1 646 248	2 698 423	2 698 423
Other liabilities	1 953 236	1 953 236	888 273	888 273
Total liabilities for which fair value is disclosed	**276 430 823**	**266 325 203**	**254 311 307**	**279 697 378**
Liabilities measured at fair value				
Other financial liabilities	39 575	39 575	2 251 994	2 251 994
Total liabilities measured at fair value and liabilities for which fair value is disclosed	**276 470 398**	**266 364 778**	**256 563 301**	**281 949 372**

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

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

	Level 1 31.12.2022 EUR	Level 2 31.12.2022 EUR	Level 3 31.12.2022 EUR	Level 1 31.12.2021 EUR	Level 2 31.12.2021 EUR	Level 3 31.12.2021 EUR
Assets for which fair value is disclosed						
Loans to related parties	-	-	3 153 617	-	-	6 259 190
Finance lease receivables	-	-	182 498 425	-	-	159 528 661
Loans and advances to customers	-	-	200 197 412	-	-	169 884 463
Other loans and receivables	-	-	964 806	-	-	2 930 143
Trade receivables	-	-	2 662 513	-	-	3 572 084
Other receivables	-	-	7 296 159	-	-	3 268 219
Cash and cash equivalents	13 834 837	-	-	10 127 087	-	-
Total assets for which fair value is disclosed	**13 834 837**	**-**	**396 772 932**	**10 127 087**	**-**	**345 442 760**
Liabilities for which fair value is disclosed						
Borrowings						
Loan from related parties	-	-	-	-	-	17 300 238
Eleving Group S.A. bonds	-	136 875 000	-	-	146 038 127	-
Mogo AS bonds	-	-	30 177 500	-	-	31 229 753
Lease liabilities for right-of-use assets	-	-	10 096 492	-	-	9 207 380
Long term loan from banks	-	-	5 495 958	-	-	7 484 236
Financing received from P2P investors	-	-	67 515 357	-	-	61 919 937
Other borrowings	-	-	12 565 412	-	-	2 931 011
Trade payables	-	-	1 646 248	-	-	2 698 423
Other liabilities	-	-	1 953 236	-	-	888 273
Total liabilities for which fair value is disclosed	**-**	**136 875 000**	**129 450 203**	**-**	**146 038 127**	**133 659 251**
Liabilities measured at fair value						
Other financial liabilities	-	-	39 575	-	-	2 251 994
Total liabilities measured at fair value and liabilities for which fair value is disclosed	**-**	**136 875 000**	**129 489 778**	**-**	**146 038 127**	**135 911 245**

Bonds issued by Eleving Group 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.

There have been no transfers between fair value hierarchy levels during 2022 and 2021.

48. 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.

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 Eleving Group 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.

48. Share-based payments (continued)

The following table illustrates the number and weighted average exercise prices of the General Employee share option plan:

	2022		2021	
	Number	Weighted average exercise price, EUR	Number	Weighted average exercise price, EUR
Outstanding at 1 January	**85**	**0.1**	**79**	**0.1**
Granted during the year	27	0.1	25	0.1
Fully vested during the year	-30	0.1	-9	0.1
Terminated due to failed vesting conditions	-16	-	-10	-
Outstanding at 31 December	**66**	**0.1**	**85**	**0.1**
Exercisable at the end of the period	-	-	-	-

Several employee share options have been exercised, expired and/or forfeited in accordance with the terms and conditions of the General Share Option plan, while a several other employee share options remain outstanding and may be exercised, expired and/or forfeited in the future. The table above does not include employee share options that have been granted during the year and exercised during the year or shares provided to the employees. Refer to note 1 for Eleving Group equity Interest percentage in the Group subsidiaries.

The exercise price for options outstanding at the end of the year was 0.1 EUR (2021: 0.1 EUR). The weighted average remaining contractual life for the share options outstanding as at 31 December 2022 is 1 year (2021: 2).

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.

49. 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 ahve been change. These consolidated financial statements provide information on the following operating segments. Comparative figures reflect segments according to previous years structure.

- Eleving Luna. This is the major segment of the Group representing entities performing car financing activities in Georgia, Estonia and Armenia.

- Eleving Stella. This is the major segment of the Group representing entities performing car financing activities in Latvia, Lithuania, Romania, Moldova and Belarus.

- Eleving Solis. This is the major segment of the Group representing entities performing car financing activities in 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.

- Discontinued operations. This group includes entities from countries where the group has decided to exit from geographical markets. Countries include Bosnia-Herzegovina, Albania and Poland.

- 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".

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 2021 or 2022.

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.

49. Segment information (continued)

Segment information for the period ended on 31 December 2022 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
Eleving Luna	17 415 966	(2 125 014)	(1 846 290)	1 725 491	(6 814 332)	(556 928)	7 798 893	58 043 485	33 111 320
Eleving Stella	37 795 016	(10 829 874)	(3 389 274)	7 559 891	(22 503 754)	(1 717 826)	6 914 179	124 402 945	96 259 253
Eleving Solis	60 058 372	(11 554 301)	(14 033 572)	2 007 801	(32 162 136)	(2 201 246)	2 114 918	105 008 164	106 171 884
Entities performing consumer loan financing	57 056 572	(5 517 390)	(21 817 413)	1 996 930	(20 709 909)	(2 446 095)	8 562 695	84 750 466	52 203 107
Discontinued operations	379 996	(482 770)	231 945	(120 883)	(1 925 737)	-	(1 917 449)	1 727 252	1 285 107
Other segments	(108 514)	(3 743 296)	(421 145)	8 852 658	(8 011 183)	(4 400)	(3 435 880)	44 378 729	41 407 825
Total segments	172 597 408	(34 252 645)	(41 275 749)	22 021 888	(92 127 051)	(6 926 495)	20 037 356	418 311 041	330 438 496
Other	20 601 038	(20 184 534)	(288 513)	2 031 859	(2 015 362)	(4 815)	139 673	167 039 960	168 935 518
Total	**193 198 446**	**(54 437 179)**	**(41 564 262)**	**24 053 747**	**(94 142 413)**	**(6 931 310)**	**20 177 029**	**585 351 001**	**499 374 014**
Adjustments and eliminations	(22 703 224)	22 457 468	115 277	(9 111 655)	9 686 902	-	444 768	(223 989 294)	(192 396 585)
Consolidated	**170 495 222**	**(31 979 711)**	**(41 448 985)**	**14 942 092**	**(84 455 511)**	**(6 931 310)**	**20 621 797**	**361 361 707**	**306 977 429**

* - 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.

Revenue	2022 EUR
External customers (interest income and other income)	162 804 417
Inter-segment (interest income and other income)	31 814 879
TOTAL:	**194 619 296**

Reconciliation of profit	2022 EUR
Segment profit	20 037 356
Profit from other	*139 673*
Elimination of inter-segment revenue	*(31 814 879)*
Elimination of intragroup interest income	(22 447 811)
Elimination of intragroup income from dividends	(921 845)
Elimination of intragroup management services	(6 866 107)
Elimination of intragroup other income	(1 584 726)
Elimination of intragroup income from dealership commissions	5 610
Elimination of inter-segment expenses	*32 259 647*
Elimination of intragroup interest expenses	22 457 468
Elimination of intragroup management services	7 208 923
Elimination of intragroup other expenses	2 477 979
Elimination of impairment expenses	115 277
Consolidated profit for the period	20 621 797

Reconciliation of assets	31.12.2022 EUR
Segment operating assets	418 311 041
Loans to subsidiaries (assets of Other)	161 319 003
Loans to non related parties (assets of Other)	3 114 230
Other short term receivables (assets of Other)	2 606 727
Elimination of intragroup loans	(191 634 833)
Elimination of other intragroup receivables	(32 354 461)
Total assets	361 361 707

49. Segment information (continued)

Reconciliation of liabilities	31.12.2022 EUR
Segment operating liabilities	330 438 496
Borrowings (liabilities of Other)	150 235 344
Other liabilities (liabilities of Other)	18 700 174
Elimination of intragroup borrowings	(191 640 390)
Elimination of other intragroup accounts payable	(756 195)
Total liabilities	306 977 429

Segment information for the period ended on 31 December 2021 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
Eleving Luna	15 478 954	(3 715 498)	(1 764 593)	8 968 350	(7 589 391)	382 360	11 760 182	77 128 934	25 431 054
Eleving Stella	42 107 998	(15 630 365)	(1 565 454)	12 960 570	(24 210 816)	(2 060 991)	11 600 942	196 596 186	172 697 705
Eleving Solis	33 186 260	(7 961 595)	(5 960 807)	453 974	(15 244 816)	(2 242 013)	2 231 003	92 882 027	93 444 891
Entities performing consumer loan financing	65 174 891	(4 211 119)	(28 228 728)	8 179 842	(21 008 993)	(2 614 149)	17 291 744	76 657 845	55 618 365
Discontinued operations	2 978 264	(1 379 695)	(1 260 681)	(171 238)	(2 417 131)	(86 014)	(2 336 495)	2 263 604	7 794 706
Other segments	(456 313)	(649 715)	-	6 469 524	(5 096 050)	(208)	267 238	42 772 739	52 774 446
Total segments	158 470 054	(33 547 987)	(38 780 263)	36 861 022	(75 567 197)	(6 621 015)	40 814 614	488 301 335	407 761 167
Other	12 844 196	(19 516 453)	(16 484 461)	38 266 294	(7 702 817)	(4 822)	7 401 937	169 581 061	182 352 866
Total	**171 314 250**	**(53 064 440)**	**(55 264 724)**	**75 127 316**	**(83 270 014)**	**(6 625 837)**	**48 216 551**	**657 882 396**	**590 114 033**
Adjustments and eliminations	(31 457 006)	24 041 870	18 048 224	(60 292 167)	12 139 044	509 159	(37 010 876)	(335 805 984)	(299 427 715)
Consolidated	**139 857 244**	**(29 022 570)**	**(37 216 500)**	**14 835 149**	**(71 130 970)**	**(6 116 678)**	**11 205 675**	**322 076 412**	**290 686 318**

* - includes net gain/(loss) from de-recognition of financial assets measured at amortized cost.

Revenue	2021 EUR
External customers (interest income and other income)	103 581 903
Inter-segment (interest income and other income)	91 749 173
TOTAL:	**195 331 076**

Reconciliation of profit	2021 EUR
Segment profit	40 814 614
Profit from other	*7 401 937*
Elimination of inter-segment revenue	*(91 749 173)*
Elimination of intragroup interest income	(23 851 111)
Elimination of intragroup income from dividends	(10 829 491)
Elimination of intragroup management services	(6 564 129)
Elimination of intragroup income from sale of subsidiaries	(33 887 140)
Elimination of intragroup other income	(16 617 302)
Elimination of inter-segment expenses	*54 738 297*
Elimination of intragroup interest expenses	24 041 870
Elimination of intragroup other expenses	12 648 203
Elimination of impairment expenses	18 048 224
Consolidated profit for the period	11 205 675

49. Segment information (continued)

Reconciliation of assets	31.12.2021 EUR
Segment operating assets	488 301 335
Loans to subsidiaries (assets of Other)	117 545 088
Loans to non related parties (assets of Other)	6 585 740
Other short term receivables (assets of Other)	45 450 233
Elimination of intragroup loans	(178 442 304)
Elimination of other intragroup receivables	(157 363 680)
Total assets	322 076 412
Reconciliation of liabilities	
Segment operating liabilities	407 761 167
Borrowings (liabilities of Other)	157 331 136
Other liabilities (liabilities of Other)	25 021 730
Elimination of intragroup borrowings	(246 506 832)
Elimination of other intragroup accounts payable	(52 920 883)
Total liabilities	290 686 318

50. Events after balance sheet date

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

1) In January 2023, Mogo Auto Limited (Kenya) expanded its revolving Multicurrency Short-Term Loan Notes program from Kenya Shillings One Billion (KES 1,000,000,000.00) to Kenya Shillings Two Billion (KES 2,000,000,000.00), or equivalent in foreign currency.

2) On 17 January 2023 the Parent company of the Group paid out dividends in amount of EUR 5 147 691.

3) On 17 February 2023, Eleving Group signed and published an addendum to its floating rate subordinated unsecured bonds due 2031, with ISIN XS2427362491, in order to clarify the manner that the floating interest rate will be calculated, namely the determination date of the applicable 6-month EURIBOR being 29 December and 29 June of each year.

4) On 7 April 2023 the Group has established a new company in Uzbekistan - Mogo Finance MFO. The company has not yet started any economic activities.

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

51. Alternative performance measures

This Integrated annual report provides, as incorporated in these consolidated financial statements, alternative performance measures (APMs) which are not defined or specified under the requirements of International Financial Reporting Standards as adopted by the EU. We believe these APMs provide readers with important additional information on our business. To support this, we have included, a reconciliation of the APMs we use where relevant and a glossary indicating the APMs that we use, an explanation of how they are calculated.

APM	Definition
Capitalization ratio	Total equity (incl. subordinated loans/bonds)/net loan portfolio (excl. rental fleet)
EBITDA	Profit from continuing operations for the period before corporate income tax and deferred corporate income tax, interest expense, amortization and depreciation, and net foreign exchange result
Interest coverage ratio	Last twelve-month Adjusted EBITDA/interest expense less Eurobonds acquisitions costs and subordinated loans/bonds interest expense
Net leverage	Sum of non-current and current borrowings (excl. lease liabilities for rent of vehicles and premises and subordinated debt/bonds) less cash and cash equivalents / last twelve-month Adjusted EBITDA
Net loan portfolio	Sum of rental fleet, non-current and current finance lease receivables and loans and advances to customers
Net profit before FX	Net profit for the period before net foreign exchange result
Revenue	Sum of interest revenue, fee and commission income related to financing activities and revenue from leases

Capitalization ratio	2022	2021	2020	2019
Total Equity	54 384 278	31 390 094	22 238 223	20 469 430
Subordinated loans/bonds	18 477 014	17 300 238	12 126 467	6 782 061
Net loan portfolio	282 954 694	234 851 859	186 890 484	180 086 142
Capitalization ratio	**25.8%**	**20.7%**	**18.4%**	**15.1%**

EBITDA	2022	2021	2020	2019
Profit from continuing operations	20 621 797	11 205 675	1 647 029	487 970
Corporate income tax	(9 617 748)	(6 932 013)	(709 012)	(1 331 785)
Deferred corporate income tax	2 686 438	815 335	1 012 121	679 531
Net foreign exchange result	(6 350 962)	1 095 031	(11 061 815)	(275 386)
Amortization and depreciation	8 226 509	7 399 657	5 347 054	3 295 383
Interest expense	(31 979 711)	(29 022 570)	(24 877 404)	(19 795 373)
EBITDA	**74 110 289**	**52 649 549**	**42 630 193**	**24 506 366**
(Gain)/Loss from subsidiary sale	805 957	-	(2 270 197)	-
Loss from cancelled acquisition in Kosovo	-	960 237	-	-
Amortization of acquisitions' fair value gain	-	3 183 838	3 365 103	-
Bonds refinancing expense	-	5 667 930	-	-
Warrant repurchase from Mezzanine Management	-	-	2 546 353	-
Gain from acquisitions	-	-	(11 473 296)	-
Non-controlling interests	(4 959 276)	(5 002 715)	426 199	(222 254)
Adjusted EBITDA	**69 956 970**	**57 458 839**	**35 224 355**	**24 284 112**

Interest coverage ratio	2022	2021	2020	2019
Interest expense	31 979 711	29 022 570	24 877 404	19 795 373
Interest expense from subordinated loans/bonds	2 233 276	1 735 481	344 406	229 978
Bonds issuance costs	1 079 908	2 142 668	1 938 791	1 323 571
Interest coverage ratio	**2.4**	**2.3**	**1.6**	**1.3**

Net leverage	2022	2021	2020	2019
Non-current borrowings, less:	212 717 106	229 757 374	166 696 463	187 478 935
Subordinated loans/bonds	*18 477 014*	*17 300 238*	*12 126 467*	*6 782 061*
Non-current lease liabilities for rent of premises	*7 115 543*	*6 612 744*	*5 682 880*	*6 520 497*
Non-current lease liabilities for rent of vehicles	*178 449*	*93 446*	*42 135*	*78 085*
Current borrowings, less:	60 114 233	38 267 475	76 537 465	34 770 910
Current lease liabilities for rent of premises	*2 659 706*	*2 443 778*	*2 013 871*	*1 263 024*
Current lease liabilities for rent of vehicles	*142 794*	*57 412*	*56 425*	*83 937*
Cash and cash equivalents	*13 834 837*	*10 127 087*	*9 315 430*	*8 656 530*
Net leverage	**3.3**	**4.0**	**6.1**	**8.2**

51. Alternative performance measures (continued)

Net loan portfolio	2022	2021	2020	2019
Rental fleet	10 008 495	10 700 138	14 549 784	13 492 048
Non-current finance lease receivables	72 102 729	64 417 410	60 433 229	78 213 431
Non-current loans and advances to customers	67 832 121	54 708 877	37 935 401	40 077 725
Current finance lease receivables	61 875 661	47 942 305	34 025 363	37 938 035
Current loans and advances to customers	81 144 183	67 783 267	54 496 491	23 856 951
Net loan portfolio	**292 963 189**	**245 551 997**	**201 440 268**	**193 578 190**

Net profit after FX	2022	2021	2020	2019
Profit from continuing operations	20 621 797	11 205 675	1 647 029	487 970
Net profit after FX	**20 621 797**	**11 205 675**	**1 647 029**	**487 970**
(Gain)/Loss from subsidiary sale	805 957	960 237	(2 270 197)	-
Amortization of acquisitions' fair value gain	-	3 183 838	3 365 103	-
Bonds refinancing expense	-	5 667 930	-	-
Warrant repurchase from Mezzanine Management	-	-	2 546 353	-
Gain from acquisitions	-	-	(11 473 296)	-
Adjusted Net profit after FX	**21 427 754**	**21 017 680**	**(6 185 008)**	**487 970**

Net profit before FX	2022	2021	2020	2019
Profit from continuing operations	20 621 797	11 205 675	1 647 029	487 970
Net foreign exchange result	(6 350 962)	1 095 031	(11 061 815)	(275 386)
Net profit before FX	**26 972 759**	**10 110 644**	**12 708 844**	**763 356**
(Gain)/Loss from subsidiary sale	805 957	960 237	(2 270 197)	-
Amortization of acquisitions' fair value gain	-	3 183 838	3 365 103	-
Bonds refinancing expense	-	5 667 930	-	-
Warrant repurchase from Mezzanine Management	-	-	2 546 353	-
Gain from acquisitions	-	-	(11 473 296)	-
Adjusted Net profit before FX	**27 778 716**	**19 922 649**	**4 876 807**	**763 356**

Revenue	2022	2021	2020	2019
Interest revenue	170 495 222	139 857 244	73 685 522	57 513 922
Fee and commission income related to financing activities	8 002 643	7 317 048	5 040 256	3 788 912
Revenue from leases	5 421 567	6 549 933	6 247 484	3 992 485
Revenue	**183 919 432**	**153 724 225**	**84 973 262**	**65 295 319**
Amortization of acquisitions' fair value gain	-	3 183 838	3 365 103	-
Adjusted revenue	**183 919 432**	**156 908 063**	**88 338 365**	**65 295 319**

Signed on behalf of the Group on 25 April 2023 by:

Māris Kreics
Type A director

Attila Senig
Type B director

Report of the réviseur d’entreprises agréé

Tel. +352 45 123-1
www.bdo.lu

1, rue Jean Piret
Boîte Postale 351
L-2013 Luxembourg

REPORT OF THE REVISEUR D'ENTREPRISES AGREE

To the Shareholders of
Eleving Group
Société anonyme
8-10, Avenue de la Gare
L - 1610 Luxembourg

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Eleving Group and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated income statement, consolidated statement of profit and loss and other 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 2022, 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 Law of 23 July 2016 on the audit profession (Law of 23 July 2016) and with International Standards on Auditing ("ISAs") as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" ("CSSF"). Our responsibilities under 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.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information stated in the Integrated annual report including the "Our Group" section and the consolidated management report but does not include the consolidated financial statements and our report of "*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.

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 *"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 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.

As part of an audit in accordance with the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

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

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

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

Report on Other Legal and Regulatory Requirements

The consolidated management report is consistent with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.

Luxembourg, 27 April 2023

BDO Audit
Cabinet de révision agréé
represented by

Anke Schelling

info@eleving.com
www.eleving.com

eleving-group

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