FitchRatings

Eleving Group S.A.

Ratings

Foreign Currency	
Long-Term IDR	B-
Short-Term IDR	B

Outlook	
Long-Term Foreign-Currency IDR	Stable

Applicable Criteria

Non-Bank Financial Institutions Rating Criteria (February 2020)

Corporate Rating Criteria (December 2020)

Country-Specific Treatment of Recovery Ratings Criteria (January 2021)

Related Research

Fitch Rates Eleving's Proposed Senior Secured Bonds 'B-(EXP)'/'RR4' (September 2021)

Fitch Affirms Eleving Group at 'B-'; Outlook Stable (August 2021)

Fitch Maintains Mogo's 'B-' Long-Term IDR on Rating Watch Negative (February 2021)

Mogo Finance S.A. (March 2021)

Fitch Places Mogo's 'B-' Rating on Watch Negative on Leverage Increase (November 2020)

NBFIs' Peer-to-Peer Lending Broadens Funding but Adds Refi Risk (August 2021)

Fitch Publishes Report on ESG Influences on NBFI Ratings (July 2021)

High-Cost Consumer Lender ESG Risks Rise (February 2021)

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Key Rating Drivers

Bond Refinancing on Schedule: Fitch has affirmed Eleving Group S.A.'s (Eleving) Long-Term Issuer Default Rating (IDR) at 'B-' and removed it from Rating Watch Negative (RWN). This reflects its lower leverage (7x at end-1H21) and progress in refinancing its EUR100 million bond maturing in July 2022 (45% of gross debt, excluding shareholders' loans, at end-1H21). We expect that the bond will be refinanced by end-2021, as announced in August.

Eleving was known as Mogo Finance S.A. until its rebranding in 1Q21. The name was legally changed in July 2021.

Leverage Key for Refinancing: In Fitch's view, Eleving's capitalisation is key to its continued access to external funding and the improved leverage supports Eleving's plans to refinance its July 2022 bond in 2H21. Funding flexibility is improving owing to more stable macroeconomic conditions and the refinancing a EUR30 million bond issued by Eleving's Latvian subsidiary in early March 2021. Eleving's funding profile remains concentrated, but it is supported by proven access to Mintos, a peer-to-peer funding platform (EUR80 million at end-1H21).

Lower Leverage: Eleving's leverage has decreased from the end-3Q20 peak, although it remains elevated especially in relation to credit and FX risks. Capital quality has improved owing to gradual profit retention, the conversion into cash of previously-booked revaluation gains and decreased receivables from related parties. The management has negotiated an extension of subordinated shareholders' loans (EUR17.3 million, 56% of total capital), qualifying for equity credit under Fitch's criteria, to ensure their continued inclusion in capital.

High Appetite for Credit Risk: Eleving's asset quality reflects its higher-risk clients (impaired loans ratio of 21% at end-1H21), but is mitigated by high loan yields (annualised interest income to average gross portfolio was 50% in 1H21). Asset quality has been improving since the peak at end-5M20 (impaired loans ratio of 24%) and the generation of new impaired loans should decrease to about 10% in 12M21, as pandemic risks fade. Eleving's entry in unsecured high-cost consumer loans (about 20% of the net portfolio) indicates a still above-average risk appetite.

Structural Subordination: Eleving's senior secured debt rating reflects the bonds' effective structural subordination to outstanding debt at operating entities. Despite the bonds' secured nature, this leads to only average recoveries, as reflected in the assigned 'RR4' recovery rating and in Fitch's decision to equalise the debt rating with Eleving's Long-Term IDR.

Rating Sensitivities

Limited Upgrade Potential: Upgrade potential is limited in the short-to-medium term and would stem from a combination of factors. These include a reduction in leverage to 5x, together with a lower open FX position and an improved capital quality. They also include increased scale and demonstrated stability in business model and strategy, combined with stable profitability, improved asset quality and continued access to diversified funding sources.

Funding, Leverage Key for Downgrade: Unexpected difficulties in refinancing or accessing funding sources or increasing cost of funding from peer-to-peer platforms could lead to a downgrade. This could also stem from marked deterioration in asset quality or further FX losses, ultimately threatening the company's solvency.

Bond Rating: An upgrade or downgrade of Eleving's Long-Term IDR would likely be mirrored on the company's senior secured bond rating. Lower recovery assumptions, due for instance to operating entity debt increasing in importance relative to rated debt or worse-than-expected asset quality trends (which could lead to higher asset haircuts), could lead to below-average recoveries and Fitch to notch down the rated debt from Eleving's Long-Term IDR.

Debt Rating Classes

Rating level	Rating
Senior secured debt	B-/RR4
ISIN XS1831877755	B-/RR4
ISIN XS2393240887	B-(EXP)/RR4

Source: Fitch Ratings

Outstanding EUR100 Million Bonds due 10 July 2022

Fitch assigned a Senior Secured Debt Rating of 'B-'/'RR4' to Eleving's EUR100 million bonds issued on the Frankfurt Stock Exchange, in line with the company's LT IDR. We consider that Eleving's bonds are structurally subordinated to debt at operating entities since Eleving can only service the former once it has serviced the latter, part of which is secured by ring-fenced assets (Mintos and the bank loans in Armenia, Georgia and all three Baltic States). We therefore expect average recoveries on the secured bonds, reflected in a Recovery Rating of 'RR4'.

We expect Eleving to prepay the bonds by end-2021, shortly after receiving the proceeds from its proposed bond issuance.

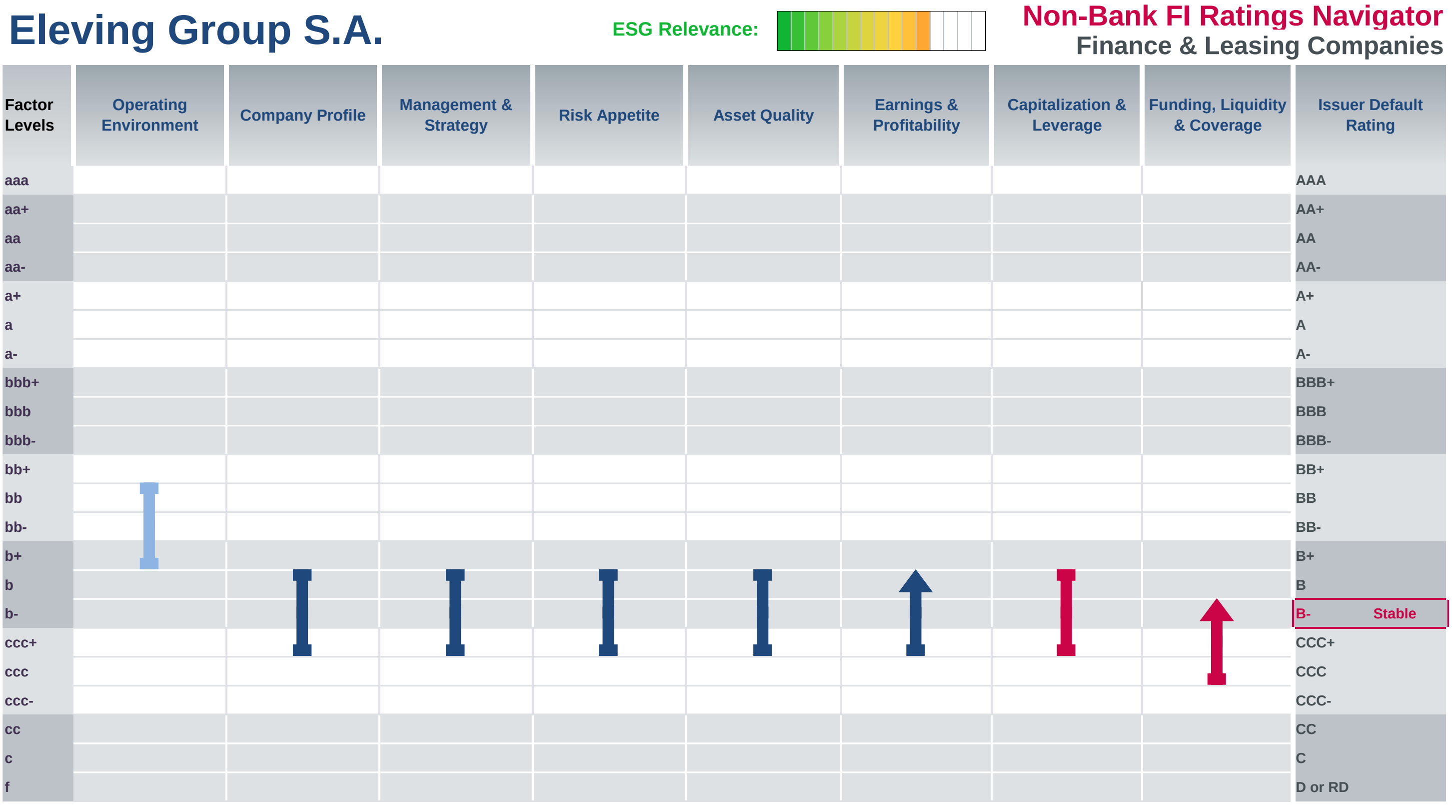
Expected New Bond due October 2026

Fitch has assigned an expected rating of B-(EXP)/'RR4' to Eleving's proposed bond issuance, which will refinance and replace the outstanding Eurobond due in July 2022. Eleving is targeting to raise in the region of EUR175 million with a five-year maturity. We do not expect any material net increase in the leverage as proceeds will be used to fully prepay Eleving's outstanding EUR100 million Eurobond and to partially refinance the funding from Mintos.

The bonds will be secured by pledges on the equity and loan portfolios of Eleving's material subsidiaries outside Sub-Saharan Africa and Uzbekistan (about 80% of Eleving's total assets), in a similar manner to Eleving's outstanding Eurobond due in July 2022. The partial refinancing of funding from Mintos will reduce the amount of structurally more senior debt relative to the new bonds, compared to the current situation. However, Eleving will retain the possibility of raising some debt at the level of its operating subsidiaries (up to an amount equivalent to 17.5% of its net loan portfolio). We therefore expect average recoveries on the secured bonds, reflected in a Recovery Rating of 'RR4'.

Fitch does not rate the EUR30 million bond due on 31 March 2024 issued by Eleving's Latvian subsidiary in early March 2021.

Ratings Navigator



Significant Changes

Lower Leverage Supports Bond Refinancing

Fitch believes that lower leverage, together with favourable market conditions, makes Eleving's refinancing plans credible. Eleving plans to issue a EUR150 million-to-EUR200 million bond in 4Q21. Eleving will then prepay its outstanding EUR100 million bond by end-2021 and reduce its funding from Mintos (EUR80 million at end-1H21). The new bond's five-year maturity and less cumbersome asset encumbrance materially reduce Eleving's liquidity risk, in our view.

Eleving's leverage (gross debt to tangible equity, with 100% equity credit to the shareholders' loans) decreased to 7.2x at end-1H21, from its peak of about 20x at end-3Q20. The reduction was supported by additional EUR5 million shareholders' loans received in 1Q21 and consistent profit retention since 4Q20 (EUR8.1 million in 1H21). Lower portfolio growth (9% in 1H21 from continuing operations) and the disposal of some subsidiaries (e.g. Kazakhstan, Albania) have also prevented further capital dilution. We now expect leverage to remain in the 6x to 8x range, in line with the covenants of Eleving's new bond issuance.

Improving Capital Quality

Eleving's lower leverage has also been met by an improved capital quality. Intangible assets are still large (EUR16 million at end-1H21) compared to equity (EUR31 million). However, Eleving has largely accrued in cash the fair-value revaluation of the consumer loans portfolio bought in 3Q20 (EUR1.4 million still not accrued by end-1H21, from EUR6.1 million at end-2020). It has also materially reduced its exposures to related parties (EUR2.9 million at end-1H21, from EUR11.2 million at end-2020). Exposures to related parties have to be fully repaid by end-1Q22, but are being repaid ahead of schedule.

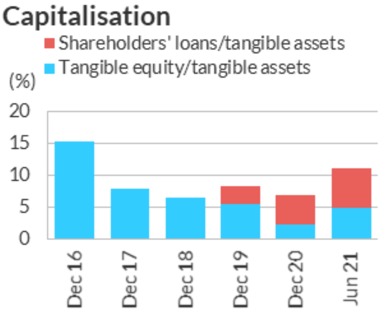
Eleving has renegotiated its shareholders' loans (EUR17.3 million at end-1H21, 57% of tangible capital) to prolong their maturity to end-2026 (from July 2022). This materially reduces cliff risk for leverage, but shareholders' loans will remain a large proportion of tangible capital vis-à-vis tangible equity, constraining our assessment in the medium term.

Bar Chart Legend

Vertical bars – VR range of Rating Factor
Bar Colors – Influence on final VR
- Higher influence
- Moderate influence
- Lower influence

Bar Arrows – Rating Factor Outlook
- ⇧ Positive
- ⇩ Negative
- ⇳ Evolving
- ▫ Stable

Capitalisation



Note: Tangible equity is defined as common equity minus intangibles and the portion of deferred tax assets for the tax loss carried forward. Tangible capital is defined as the sum of tangible equity and shareholders' loans
Source: Fitch Ratings, Eleving

Company Summary

Niche Lender in Used Vehicle Financing

Eleving is a niche lender, financing used vehicles (lending up to EUR15,000 for a vehicle) for borrowers with an above-average risk profile. Cars financed by Eleving are on average 13 years old at the transaction date and are almost fully depreciated. Eleving's clients have just below median creditworthiness in their countries. Riskier sale-and-lease-back products (to release equity from clients' vehicles) are about 20% of the portfolio, while a premium car financing solution in Latvia is being developed in partnership with a local bank (Signet Bank AS, not rated).

Expansion in Unsecured High-Cost Consumer Lending

In 3Q20 Eleving bought three small high-cost unsecured lenders in Moldova, Albania and North Macedonia. The management believes that these acquisitions will support Eleving's profitability in the medium term, with their expected annualised loan yield of over 100% (compared to about 40% on Eleving's core car loans). Eleving expanded its consumer lending to Ukraine in 1H21.

In Fitch's view, these bolt-on acquisitions reflect the company's intrinsically high appetite for inorganic growth and a degree of opportunism in its strategy. Fitch sees as credit-positive that Eleving plans to cap its unsecured loan portfolio at 25% of net loans, as credit risk in this segment is materially higher than in Eleving's core car loans.

Regional Scale in a Competitive Niche

Eleving has a nominal franchise in a niche defined by low incomes that banks generally do not serve. Several non-bank lenders cater this market, leading to high competition, but Eleving is the only regional player while competitors focus on one or a few countries. In our view, Eleving is sufficiently large to sustain investments (e.g. automated scoring), but has not yet reached a critical mass to be a price-setter in any single market. Eleving's expertise in valuation, collection and monetisation of cars is adequate, owing to its scale and centralised back-office, but we expect continued competition given the low barriers to entry and low client loyalty.

Multi-layered Holding Structure

Eleving is a Luxembourg-registered holding company that owns local operating entities through three regional sub-holdings. Fitch views this structure with sub-holdings cautiously due to the possibility for structural subordination of debt raised at holding level relative to that raised at operating entities and sub-holdings level. Eleving is owned by four Latvian citizens who invested the proceeds from the sale of a previous venture. The four partners own 91% of Eleving with employees and executives holding the remaining 9%.

Qualitative Assessment Factors

Operating Environment

Small, Volatile Markets

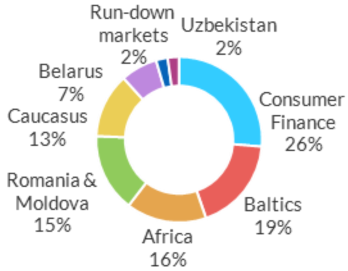
Legally domiciled in Luxembourg (where it has no credit exposure), Eleving is based in Riga, the Latvian capital, and actively operates in 14 countries in eastern Europe, central Asia and sub-Saharan Africa. Fitch takes a positive view of Eleving's geographic breadth which achieves scale, but sees limited risk diversification benefits to its assessment of the operating environment. Its countries of operations are small open economies relying on capital inflows and exposed to external shocks, resilience to which is limited due to low average incomes and wealth levels.

EU membership supports macroeconomic stability and convergence in some countries (28% of the gross portfolio at end-1H21, down from 62% at end-1H19). Further expansion in riskier markets outside Easter Europe could lead to a downgrade of the operating environment score.

Moderate Prudential Regulation, but Stringent Customer Protection

Eleving's operating entities are moderately prudentially regulated in most countries compared to banks, but minimum capital amounts/capital adequacy ratios are enforced in some jurisdictions, limiting capital fungibility. Consumer protection, rather than prudential regulation, affects Eleving more directly through interest rate caps (e.g. 25% per annum in Latvia) and operational requirements (data protection, information collection for anti-money laundering), which are aligned with banks.

International Presence



Data: Percentages by gross loans in each location at end-1H21. Core markets are in total 54% of total exposure (Baltics, Caucasus, Romania & Moldova, Belarus)
Source: Fitch Ratings, Eleving

Management and Strategy

Improving Record, Changing Strategy

The management has a good degree of depth and experience, while its record is growing, but the chief risk officer left in 1H21 and was replaced internally. The reaction to the pandemic was prompt and adequate, focusing on cost controls and disposals of assets.

Fitch's assessment of this factor is constrained by frequent revisions of medium-term strategy and opportunistic moves. The revisions highlight that the founders still play a material role in strategy, limiting the autonomy of Eleving's management in implementing its strategy.

Developing Corporate Governance

Eleving's corporate governance framework is still developing after its bonds were listed in 2018, and is in line with similarly-rated peers. The board of directors comprises the chief executive, the chief financial officer and two independent directors seconded by a Luxembourgish company for corporate and trust services. Eleving's largest shareholder (Aigars Kesenfelds) is a key shareholder in Mintos, the peer-to-peer lending platform on which Eleving raises over a third of its debt funding (about EUR80 million at end-1H21).

Risk Appetite

High Business Model Risk

Eleving is willing to operate with high FX risk, which, together with other factors, constrains the rating. The open FX position has halved over the last 12 months after large FX losses in 2020 (EUR13 million), but remains large at about 2x tangible capital at end-1H21. Eleving reduced its open FX position by lending partly in hard currencies outside the Baltics and hedging its exposure to USD. Currently, euro-denominated funding is on-lent in local currencies in Georgia, Armenia, Uzbekistan and Moldova, but Eleving has raised some funding in local currency in Georgia and Armenia and begun lending in EUR in Moldova (about half of the local portfolio).

Underwriting Standards

Eleving's underwriting standards are based on country-specific credit scorecards, but it explicitly targets a risky segment to maximise its profitability. There is some volatility in underwriting standards, since the score below which new loans are rejected depends on local interest and recovery rates, as reflected in the increasing maturity of new consumer loans. Eleving's maximum payment-to-income (PTI) and loan-to-value (LTV) ratios are adequate for the rating level given the more conservative approach for sale-and-lease-back contracts and its operations in countries where payment discipline is generally lower.

Financial Metrics

Asset Quality

Intrinsically High Impairements

Eleving's business model assumes high credit risks, partly balanced by high-yielding lending and a granular portfolio by borrower and country. In Fitch's view, Eleving's asset quality metrics are broadly in line with those of similar portfolios in its local markets. The secured nature of most lending, adequate monetisation of repossessed collateral, and limited additional depreciation in leased assets serve as further supporting factors.

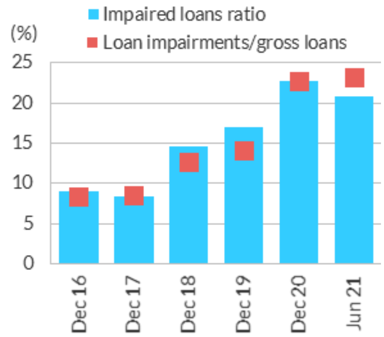
We expect Eleving's impaired loans ratio to remain above its pre-pandemic levels (average 12% between 2015 and 2019) following the entry into unsecured consumer loans and increasing exposure to more volatile countries.

Earnings and Profitability

Lower FX Risk Supports Profitability

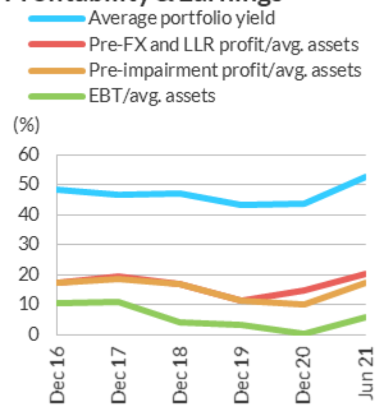
Eleving's high profitability reflects its risky, high-yield business model and should stabilise after Eleving reduced its FX exposure (net FX gains of EUR0.2 million in 1H21). Eleving's high-yielding portfolio earns a stable pre-impairment profit over average assets (16% a year in 2017-2020), but this is largely consumed by volatile impairment costs (about 60% of pre-impairment profit on average in that period) and still includes some unhedged FX risk. Operating expenses are high in relation to the gross lease portfolio, limiting Eleving's price flexibility.

Asset Quality



Source: Fitch Ratings, Eleving

Profitability & Earnings



Abbreviations: LLR are loan loss reserves, EBT is earnings before taxes
Source: Fitch Ratings, Eleving

We expect profitability to increase in the short term due to the new high-cost consumer lending which will represent about half of gross interest income (the yield on consumer loans is about 100% per annum, while that on car finance is about 50%). Revamped underwriting standards and staffing optimisation should support profitability in the medium term.

Capitalisation and Leverage

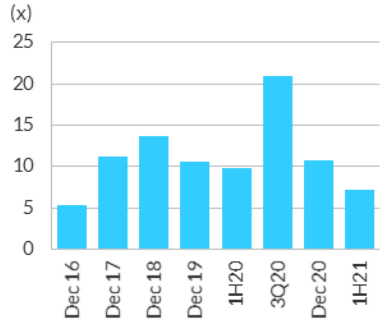
Leverage and Capital Quality Key Rating Constraints

Eleving's key rating constraint is its elevated leverage, despite material improvements in the last 12 months, including halving the open FX position and fully provisioning Stage 3 loans. In Fitch's view, leverage will largely remain stable by end-2021 owing to retained earnings and lower exposure to FX losses. However, it should remain over 6x in 2022 driven by subsequent portfolio growth and capital optimisation.

Fitch assigns 100% equity credit to the shareholders' loans under its Corporate Rating Criteria. This reflects their subordination to all other Eleving's debt (at both holding and operating levels), their lack of security and their payment-in-kind-for-life feature with a single bullet repayment at maturity (end-2026). The shareholders' loans cannot be accelerated, but Eleving can replace them with common equity or other subordinated loans or prepay them if, after the such prepayment, the ratio of equity to net loan portfolio stays above 20% (about 22% at end-1H21).

Crucially, to assign equity credit, the shareholders' loans must be longer-dated than any other of Eleving's debt. Fitch would remove the equity credit if Eleving was to raise new debt at holding level maturing after the shareholders' loans. The prolongation of Eleving's shareholders' loans until end-2026 significantly reduces this cliff risk.

Gross Debt/Tangible Equity



Source: Fitch Ratings, Eleving

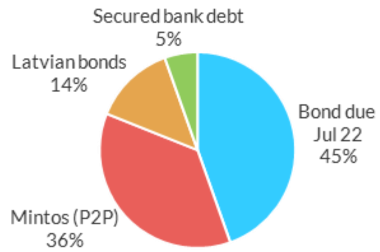
Funding and Liquidity

Limited Refinancing Risk in 2020

Eleving sources about a third of its funding through Mintos, but this should decline after the new bond issuance. In Fitch's view, Mintos is akin to factoring with recourse, as the credit risk of the ultimate borrower remains with Eleving. Fitch sees this funding as confidence-sensitive, but the liquidity risk is limited since it is matched with Eleving's individual loans. In Fitch's opinion, a deterioration in Eleving's financial profile could negatively affect the roll-over rate of Mintos funding, but pressure in this respect during 2020 was mainly realised as higher cost of funding rather than as lower access to it.

Eleving sources additional bank funding at operating entity level in a few countries. Part of such funding is secured with hard-currency deposits. Additional leverage at operating entity level is limited by Eurobond covenants. Further funding diversification across sources and maturities would be credit positive. The new bond issue creates material refinancing risk at its maturity in 2026, but this is beyond our current rating outlook.

Funding Sources



Data at end-1H21. The subordinated debt from the shareholders is not included here.
Source: Fitch Ratings, Eleving

Environmental, Social and Governance Considerations

FitchRatings **Eleving Group S.A.**

Non-Bank FI Ratings Navigator
Finance & Leasing Companies

Credit-Relevant ESG Derivation

Eleving Group S.A. has 3 ESG rating drivers and 3 ESG potential rating drivers

- Eleving Group S.A. has exposure to fair lending practices; pricing transparency; repossession/foreclosure/collection practices; consumer data protection; legal/regulatory fines stemming from any of the above which, in combination with other factors, impacts the rating.
- Eleving Group S.A. has exposure to board independence and effectiveness; ownership concentration; protection of creditor/stakeholder rights; legal /compliance risks; business continuity; key person risk; related party transactions which, in combination with other factors, impacts the rating.
- Eleving Group S.A. has exposure to organizational structure; appropriateness relative to business model; opacity; intra-group dynamics; ownership which, in combination with other factors, impacts the rating.
- Eleving Group S.A. has exposure to regulatory risks, emissions fines or compliance costs related to owned equipment, which could impact asset demand, profitability, etc. but this has very low impact on the rating.
- Eleving Group S.A. has exposure to operational implementation of strategy but this has very low impact on the rating.
- Eleving Group S.A. has exposure to quality and timing of financial reporting and auditing processes but this has very low impact on the rating.

			Overall ESG Scale
key driver	0	issues	5
driver	3	issues	4
potential driver	3	issues	3
not a rating driver	4	issues	2
	4	issues	1

Environmental (E)

General Issues	E Score	Sector-Specific Issues	Reference	E Scale
GHG Emissions & Air Quality	3	Regulatory risks, emissions fines or compliance costs related to owned equipment, which could impact asset demand, profitability, etc.	Operating Environment	5
Energy Management	2	Investments in or ownership of assets with below-average energy/fuel efficiency which could impact future valuation of these assets	Risk Appetite	4
Water & Wastewater Management	1	n.a.	n.a.	3
Waste & Hazardous Materials Management; Ecological Impacts	1	n.a.	n.a.	2
Exposure to Environmental Impacts	2	Impact of extreme weather events on assets and/or operations and corresponding risk appetite & management; catastrophe risk; credit concentrations	Company Profile; Asset Quality	1

Social (S)

General Issues	S Score	Sector-Specific Issues	Reference	S Scale
Human Rights, Community Relations, Access & Affordability	1	n.a.	n.a.	5
Customer Welfare - Fair Messaging, Privacy & Data Security	4	Fair lending practices; pricing transparency; repossession/foreclosure/collection practices; consumer data protection; legal/regulatory fines stemming from any of the above	Operating Environment; Risk Appetite; Asset Quality	4
Labor Relations & Practices	2	Impact of labor negotiations, including board/employee compensation and composition	Company Profile; Management & Strategy; Earnings & Profitability; Capitalization & Leverage; Funding, Liquidity & Coverage	3
Employee Wellbeing	1	n.a.	n.a.	2
Exposure to Social Impacts	2	Shift in social or consumer preferences as a result of an institution's social positions, or social and/or political disapproval of core activities	Company Profile; Earnings & Profitability	1

Governance (G)

General Issues	G Score	Sector-Specific Issues	Reference	G Scale
Management Strategy	3	Operational implementation of strategy	Management & Strategy	5
Governance Structure	4	Board independence and effectiveness; ownership concentration; protection of creditor/stakeholder rights; legal /compliance risks; business continuity; key person risk; related party transactions	Management & Strategy	4
Group Structure	4	Organizational structure; appropriateness relative to business model; opacity; intra-group dynamics; ownership	Company Profile	3
Financial Transparency	3	Quality and timing of financial reporting and auditing processes	Management & Strategy	2
				1

How to Read This Page
ESG scores range from 1 to 5 based on a 15-level color gradation. Red (5) is most relevant and green (1) is least relevant.

The Environmental (E), Social (S) and Governance (G) tables break out the individual components of the scale. The right-hand box shows the aggregate E, S, or G score. General Issues are relevant across all markets with Sector-Specific Issues unique to a particular industry group. Scores are assigned to each sector-specific issue. These scores signify the credit-relevance of the sector-specific issues to the issuing entity's overall credit rating. The Reference box highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis.

The Credit-Relevant ESG Derivation table shows the overall ESG score. This score signifies the credit relevance of combined E, S and G issues to the entity's credit rating. The three columns to the left of the overall ESG score summarize the issuing entity's sub-component ESG scores. The box on the far left identifies some of the main ESG issues that are drivers or potential drivers of the issuing entity's credit rating (corresponding with scores of 3, 4 or 5) and provides a brief explanation for the score.

Classification of ESG issues has been developed from Fitch's sector ratings criteria. The General Issues and Sector-Specific Issues draw on the classification standards published by the United Nations Principles for Responsible Investing (PRI) and the Sustainability Accounting Standards Board (SASB).

Sector references in the scale definitions below refer to Sector as displayed in the Sector Details box on page 1 of the navigator.

CREDIT-RELEVANT ESG SCALE

How relevant are E, S and G issues to the overall credit rating?

5	Highly relevant, a key rating driver that has a significant impact on the rating on an individual basis. Equivalent to "higher" relative importance within Navigator.
4	Relevant to rating, not a key rating driver but has an impact on the rating in combination with other factors. Equivalent to "moderate" relative importance within Navigator.
3	Minimally relevant to rating, either very low impact or actively managed in a way that results in no impact on the entity rating. Equivalent to "lower" relative importance within Navigator.
2	Irrelevant to the entity rating but relevant to the sector.
1	Irrelevant to the entity rating and irrelevant to the sector.

Eleving has an ESG Relevance Score of '4' for both Governance Structure and Group Structure. Governance Structure reflects a number of issues around related-party transactions and concentration of decision-making. Group Structure reflects our view about the appropriateness of Eleving's organisational structure relative to the company's business model, intra-group dynamics and risks to its creditors. This has a moderately negative impact on the rating.

Fitch has revised Eleving's ESG Relevance Score for Customer Welfare to '4' from '3'. This reflects Fitch's view that Eleving's entry to the high-cost credit sector means that its business model is sensitive to potential regulatory changes (such as lending caps) and conduct-related risks. These issues have a moderately negative impact on the rating.

Eleving has an ESG Relevance Score of '3' for GHG Emissions & Air Quality, to reflect possible, but minimal regulatory risk for the value of Eleving's collateral.

Unless otherwise disclosed in this section, the highest level of ESG credit relevance for Eleving is a score of 3. This means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or to the way in which they are being managed by the entity. For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/esg.

Income Statement

(EURm)	1H21	2020	2019	2018	2017	2016	2015	2014
Revenues								
Interest income	62.9	83.5	72.4	54.4	35.6	27.7	17.9	5.2
Operating lease and rental income	3.4	6.2	4.0	0.2	0.0	0.0	0.0	0.0
Commission income	3.7	5.2	3.8	3.4	2.9	1.8	1.5	0.2
Net car sales	n.a.	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total revenues	**70.0**	**94.9**	**80.2**	**58.0**	**38.5**	**29.6**	**19.4**	**5.5**
Expenses								
Interest expense	14.9	26.1	21.9	14.2	8.5	6.9	5.7	1.7
Depreciation expenses	3.6	5.7	3.8	1.7	0.6	0.6	0.3	0.1
SG&A expenses	24.6	33.1	31.1	18.1	11.0	9.6	8.9	3.1
Impairment charges	17.8	26.1	16.7	17.6	6.9	4.2	3.6	2.1
Total expenses	**60.9**	**91.0**	**73.5**	**51.5**	**27.0**	**21.3**	**18.5**	**7.0**
Operating margin	**9.1**	**3.9**	**6.7**	**6.5**	**11.5**	**8.3**	**0.9**	**-1.5**
Net FX gains/losses	0.2	-13.2	-0.2	-0.3	-0.9	n.a.	n.a.	n.a.
Net non-operating revenues/expenses	0.9	10.2	0.4	-0.5	-0.6	-1.4	-1.3	-0.1
Pre-tax income	**10.2**	**0.9**	**6.9**	**5.7**	**10.0**	**6.8**	**-0.4**	**-1.6**
Income tax	2.1	-0.7	0.3	1.1	1.0	1.2	0.3	0.1
Net income	**8.1**	**1.6**	**6.6**	**4.6**	**9.0**	**5.6**	**-0.7**	**-1.7**

Source: Fitch Ratings, Eleving Group S.A.

Note on table: Fitch used Eleving's audited annual IFRS reports for all periods until end-2020. Fitch used Eleving's unaudited results for 1H21.

Balance Sheet

(EURm)	1H21	2020	2019	2018	2017	2016	2015
Assets							
Cash & equivalents	9.6	9.3	8.7	6.5	5.2	2.2	0.8
Operating lease & rental fleet	13.4	14.5	13.5	1.4	0.0	0.0	0.0
Net investment in lease (nil)		94.5	102.5	93.6	95.9	63.8	55.3
Net loans	198.1	92.4	77.6	46.2	1.2	0.0	0.0
Loans to related parties	8.7	15.8	22.1	5.4	0.7	0.2	0.0
Gross leases and loans	**258.1**	**276.0**	**248.1**	**171.0**	**108.9**	**71.5**	**62.6**
Memo: impaired loans included above	53.6	55.9	35.9	23.9	9.0	6.4	5.6
Less: loan loss allowances	60.0	55.6	29.9	20.7	9.2	6.0	5.8
Net loans	**220.2**	**217.3**	**215.7**	**146.7**	**97.9**	**63.9**	**55.3**
Other financial assets	1.5	2.7	2.2	5.6	0.0	0.0	0.0
Goodwill and intangible assets	16.1	14.8	7.8	3.6	2.7	2.6	2.2
Deferred tax assets	2.9	2.9	1.6	0.6	0.2	0.2	0.5
Fixed assets	10.1	10.1	9.9	3.8	0.4	0.5	0.6
Other assets	30.8	22.7	7.8	7.3	6.0	1.6	2.5
Total assets	**291.2**	**279.8**	**253.6**	**174.3**	**112.5**	**71.0**	**61.9**
Liabilities							
Eurobonds	97.6	96.2	94.5	68.0	0.0	0.0	0.0
Mintos p2p funding	79.9	86.7	70.2	48.9	52.0	11.3	1.3
Other secured debt	11.9	18.1	16.5	6.9	18.9	12.0	8.0
Unsecured debt	29.6	30.0	34.4	29.1	25.7	32.0	51.4
Eligible subordinated debt	17.3	12.1	6.8				
Total borrowings	**236.3**	**243.2**	**222.2**	**152.9**	**96.6**	**55.3**	**60.7**
Other liabilities	24.2	14.3	9.1	6.1	4.3	2.5	1.6
Total liabilities	**260.5**	**257.5**	**231.3**	**159.0**	**101.0**	**57.8**	**62.4**
Total equity	**30.7**	**22.2**	**22.3**	**15.3**	**11.5**	**13.2**	**-0.5**
Total liabilities and equity	**291.2**	**279.8**	**253.6**	**174.3**	**112.5**	**71.0**	**61.9**

Source: Fitch Ratings, Eleving Group S.A.

Note on table: Other assets at end-1H21 include EUR8.9 million assets of subsidiaries held for sale (mostly net loans) and EUR6.7 million as receivable for the sale of subsidiaries to third parties.

Summary Analytics

	1H21	2020	2019	2018	2017	2016	2015
Asset quality metrics (%)							
Impaired loans/gross portfolio	20.8	22.7	16.9	14.6	8.3	9.0	9.0
Loan loss allowances/impaired loans	111.9	99.6	83.1	86.7	101.7	92.8	103.6
Origination of new stage 3 loans (YTD)	5.6	15.4	7.9	n.a.	n.a.	n.a.	n.a.
Loan impairment charges/average gross loans (YTD)	7.0	11.2	9.0	13.4	7.9	6.9	7.2
Growth of gross loans (YTD)	4.3	15.6	29.4	51.8	51.6	13.9	64.5
Earnings and profitability metrics (%)							
Pre-tax income/average assets	5.7	0.3	3.2	4.0	10.9	10.3	-0.8
Pre-tax income/average equity	61.1	4.1	37.6	44.0	82.7	109.1	35.5
Net income/average assets	5.0	0.6	3.1	3.2	9.8	8.4	-1.3
Net income/average equity	53.2	7.3	34.9	34.6	72.7	87.6	61.8
Operating expenses/operating revenues	44.0	62.3	61.2	43.5	42.9	49.5	76.5
Impairment charges/pre-impairment op. Profit	63.6	96.6	71.2	76.2	41.7	40.3	112.0
Interest income/average gross loans (YTD, ann.)	52.7	43.5	43.2	47.0	46.4	48.5	42.8
Interest expense/average debt	13.2	11.6	12.1	11.9	12.4	12.4	11.3
Capitalization and leverage metrics (%)							
Debt/tangible equity (x)	16.4	40.1	16.5	13.7	11.2	5.3	-22.5
Debt/tangible equity plus shareholders' loans (x)	7.2	12.7	10.6	n.r.	n.r.	n.r.	n.r.
Tangible equity/tangible assets	4.8	2.3	5.5	6.6	7.9	15.4	-4.5
Tangible equity (incl. Shareholders' loans)/tangible assets	11.2	6.9	8.3	n.r.	n.r.	n.r.	n.r.
Impaired loans less reserves/tangible equity	-21.0	1.2	29.9	28.6	-1.8	4.4	7.6
Open FX position/tangible equity (x)	n.a.	15.5	7.5	4.5	2.3	1.0	-4.8
Funding and liquidity metrics (%)							
Unsecured debt/total debt	19.8	17.3	18.5	19.0	26.6	57.8	84.7
Short-term debt/total debt	n.a.	33.9	15.6	19.8	26.7	6.1	2.8

Source: Fitch Ratings, Eleving Group S.A.

The ratings above were solicited and assigned or maintained at the request of the rated entity/issuer or a related third party. Any exceptions follow below.