

Non-Bank FI Ratings Navigator			
Publish Date:	May 2020		
Sector Details			
Sector	Finance & Leasing Companies		
Region	Developed Markets - Europe		
Country	Luxembourg		
Country IDR	AAA Stable		
Country IDR Action	Affirmed		
Country Action Date	6-Mar-20		
Country Ceiling	AAA		
Rating History			
Date	IDR	Action	
7-May-20	B- Negative	Affirmed	
23-Jul-19	B- Stable	New Rating	
Bar Chart Legend			
Vertical Bars = Range of Rating Factor			
Bar Colors = Relative Influence			
	Higher Influence		
	Moderate Influence		
	Lower Influence		
Bar Arrows = Rating Factor Outlook			
	Positive		Negative
	Evolving		Stable
Applicable Criteria & References			
Non-Bank Financial Institutions Rating Criteria (Feb 2020)			
Corporate Rating Criteria (May 2020)			
Country-Specific Treatment of Recovery Ratings Rating Criteria (Feb 2020)			
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Factor Levels	Operating Environment	Company Profile	Management & Strategy	Risk Appetite	Asset Quality	Earnings & Profitability	Capitalization & Leverage	Funding, Liquidity & Coverage	Issuer Default Rating
aaa									AAA
aa+									AA+
aa									AA
aa-									AA-
a+									A+
a									A
a-									A-
bbb+									BBB+
bbb									BBB
bbb-									BBB-
bb+									BB+
bb									BB
bb-									BB-
b+									B+
b									B
b-									B- Negative
ccc+									CCC+
ccc									CCC
ccc-									CCC-
cc									CC
c									C
f									D or RD

Direct Peer Group				
Company Name	IDR	Action	Action Date	
FLLC Mikro Leasing	B- RWN	Rating Watch On	28-Apr-2020	
JSC MFO Swiss Capital	B- Stable	Affirmed	31-May-2019	
Carcade LLC	B+ RWP	Rating Watch On	06-Dec-2019	
JSC MFO Crystal	B RWN	Rating Watch On	05-Mar-2020	

Drivers & Sensitivities	
Leverage Constrains Rating	Mogo's leverage remains elevated (gross debt to tangible equity and shareholder loans of 9.3x at end-1Q20), despite new EUR 11.9 million shareholder loans. The size of equity is small, while exposure to FX and credit risks are high.
Coronavirus Crisis Slows Growth	Quarantine measures, such as the closure of car registries, should slow Mogo's historically high portfolio growth. We expect a modest portfolio contraction by the year-end, despite the resumption of loan issuance after the summer.
High Risk Appetite	Mogo's risk appetite is high due to a risky client base, fast capital-depleting growth and large unhedged open FX position. The clients are below-prime individuals, but reflect the median earner in Mogo's countries of operations.
Impairments Likely to Grow	The impaired loans ratio, excluding fully provisioned legacy exposures in Poland, was 17% at end-1Q20. We expect further weakening of the asset quality. The risks are partly mitigated by strong margins and secured nature of the lending.
Sound Margins	The net interest margin is consistently above 30%, but impairment charges will consume significant portion of pre-impairment profits. A larger scale and cost-cutting measures should partly balance the pressures on profitability in 2020.
Limited ST Refinancing Needs	Mogo's repayments in the next 12 months are limited thanks to recent bond issuances. Reduced reliance on Mintos (a peer-to-peer lending platform) is positive due to lower funding concentration and untested nature of lending platforms.
Crisis Constrains Upgrade Potential	Given the Negative Outlook, an upgrade is unlikely. However, over the longer term Fitch would view positively a sustained reduction in leverage to below 6x, a reduction in currency risks and a further expansion of funding options.
Credit Costs, FX Losses	The Negative Outlook reflects heightened sensitivity in the current environment to outsized credit costs and episodic FX losses negatively impacting solvency, which in turn could constrain funding flexibility.
Leverage is Key	A downgrade could stem if growth is not supported by higher capitalisation, either via internal capital generation or the injection of new equity, causing increase in leverage from already high levels.
Secured Debt Equalised with IDR	The senior secured rating is currently equalised with Mogo's Long-Term IDR. Higher or lower recovery assumptions could lead Fitch to notch the debt up or down, respectively, from its Long-Term IDR.

Credit-Relevant ESG Derivation

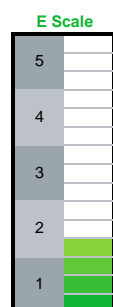
Mogo Finance S.A. has 1 ESG key rating driver, 2 ESG rating drivers and 2 ESG potential rating drivers

- ➔ Mogo Finance 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, on an individual basis, has a significant impact on the rating.
- ➡ Mogo Finance 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.
- ➡ Mogo Finance S.A. has exposure to quality and timing of financial reporting and auditing processes which, in combination with other factors, impacts the rating.
- ➡ Mogo Finance 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 but this has very low impact on the rating.
- ➡ Mogo Finance S.A. has exposure to operational implementation of strategy but this has very low impact on the rating.

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

Environmental (E)

General Issues	E Score	Sector-Specific Issues	Reference
GHG Emissions & Air Quality	2	Regulatory risks, emissions fines or compliance costs related to owned equipment, which could impact asset demand, profitability, etc.	Operating Environment
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
Water & Wastewater Management	1	n.a.	n.a.
Waste & Hazardous Materials Management; Ecological Impacts	1	n.a.	n.a.
Exposure to Environmental Impacts	1	Impact of extreme weather events on assets and/or operations and corresponding risk appetite & management; catastrophe risk; credit concentrations	Company Profile; Asset Quality



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.

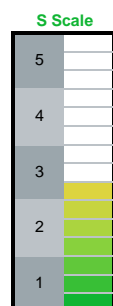
The Credit-Relevant ESG Derivation table shows the overall ESG score. This score signifies the credit relevance of combined E, S and G issues to the entity's credit rating. The three columns to the left of the overall ESG score summarize the issuing entity's sub-component ESG scores. The box on the far 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.

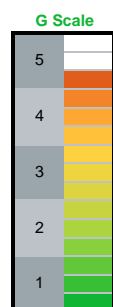
Social (S)

General Issues	S Score	Sector-Specific Issues	Reference
Human Rights, Community Relations, Access & Affordability	1	n.a.	n.a.
Customer Welfare - Fair Messaging, Privacy & Data Security	3	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
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
Employee Wellbeing	1	n.a.	n.a.
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



Governance (G)

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



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.

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