



AS Sun Finance Group

Interim unaudited consolidated Financial Statements

for the period ended
30 June 2022

Address: Skanstes Street 52, Riga, LV-1013

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Information on the Company

Name of the Company	Sun Finance Group
Legal status	Joint Stock Company
Number, place and date of registration	40203205428, Riga, 8 April 2019
Legal and postal address	Skanstes Street 52, Riga, Latvia, LV-1013
Board members and their positions	Emils Latkovskis, Chairman of the Board (from 22.01.2020)
Reporting period	01.01.2022 – 30.06.2022
Information on shareholders	AS Puzzle International: 86.99% Other shareholders: 13.01%

Management report

General information

AS Sun Finance Group and its subsidiaries (the “Group”) is one of the leading online and mobile lending platforms headquartered in Europe, active in 7 countries globally – Poland, Latvia, Kazakhstan, Denmark, Mexico, Sweden and Vietnam.

The Group is offering a range of online lending services for tech-driven and mostly young (gen-z and millennials) individuals who value convenience, speed and price of products.

The Group was established on 8 April, 2019. The share capital of the Company as at 30 June 2022 was EUR 340 thousand divided into 3 109 090 ordinary shares, and 290 910 personal shares with nominal value of EUR 0.1 each.

2022 – a year of growth

During the six months in 2022, the Group significantly grew the loan issuance volume. The loans issued amounted to EUR 316.7 million, an increase of 48% compared to EUR 214.2 million issued in the same period of 2021. In combination with the carried-out efficiency projects across the Group, it allowed the Group to achieve half year record profitability of EUR 28.8 million in 2022.

During the Q1’22, the Group has maintained the continuous growth trend in loan sales by issuing EUR 141 million to customers, demonstrating increasing levels of issuance each quarter on quarter since Q2 of 2020. For the 3rd consecutive quarter revenues over EUR 50 million were delivered, being an increase of 15% compared to the same period last year.

At the beginning of March, a development of the Buy Now Pay Later (BNPL) was finalised and launched as a pilot in selected market, as part of the Group-wide strategy to expand both horizontally (geographies) and vertically (product offering).

On 24 March 2022, the Group listed the 3-year corporate bond for EUR 20 million with an annual interest rate of 11.0%, registered in July, for trading on the Nasdaq First North market.

During the Q2’22, the Group has achieved all-time best quarterly performance and has maintained the continuous growth trend in loan sales by issuing EUR 171 million to customers, demonstrating increasing levels of issuance each quarter on quarter since Q2 of 2020.

The EUR 60 million mark in quarterly revenue was surpassed for the first time, recording EUR 66.5 million in Q2’22, a substantial increase of 41% compared to the same period last year.

In line with the overall business growth during the reporting period, the Group’s financial metrics have significantly improved since last year. A net loan portfolio of EUR 129.4 million was reached at the end of June 2022, recording an increase of 34.0% compared to EUR 96.6 million at the end of December 2021. Interest income has grown by 27.5%, reaching EUR 115.9 million, from EUR 90.9 million in the six months of 2021. The Group recorded a net profit of EUR 28.8 million in the six months of 2022, exceeding the result by 27.5% comparing with the same period of 2021.

During the period, the Group demonstrated an upward trend in terms of most key business metrics, including total number of employees, reaching 1 018 at the end of June 2022, driven by the overall growth of the Group markets. The Group continues operating on a regional hub structure, streamlining its operations and maintaining a lean organizational structure as well as offers a more flexible structure in terms of opening and operating in new countries.

Management Report

Financing

The Group's second tranche of the EUR 15 million bond issuance matures on 30 September 2022. The majority of the current bondholders' have exchanged their bonds to the new issue, registered on 19 August 2022. The outstanding bond amount will be repaid in full on maturity date – 30 September 2022. The new bond issue size is EUR 50 million, with the annual coupon rate of 11% + 3M EURIBOR and a three-year maturity. The bonds are offered to investors in the form of a private placement, with a minimum investment of EUR 100 000.

Additionally, the Group continued to work on previously initiated funding diversification projects, including cooperation with the largest European peer-to-peer lending marketplace Mintos (www.mintos.com). In 2023 loans from 4 out of Group's 7 markets were listed on the marketplace – Poland, Latvia, Kazakhstan and Mexico.

Future developments

The Group's long-term strategy involves a matrix expansion approach, focusing on geographic footprint expansion as a horizontal metric, while product offering diversification being a vertical driver.

As such, over the coming periods the Group will be focusing on the following:

- Horizontal growth: geographies. The Group is in the process of reviewing new geographies, preliminary testing and setting up operations in new countries across different regional HUBs.
- Vertical growth: product offering. Following the strategy to expand our ability to serve customer needs, the Group is continuously working to improve the current product offering as well as developing new products. As part of this process, the Group keeps having a strong focus on new product development and scaling, including the Buy Now Pay Later (BNPL) and installment loan product, expected to further enhance the Group's growth path in forthcoming periods.

Review and development of the Group's business and financial position

Interest income for the six months ended 30 June 2022 amounted to EUR 115 858 thousand, compared with EUR 90 883 thousand in 2021, which represents an increase of 27.5%. The increase in interest income is related to continued growth in established markets.

The balance of outstanding net loans at the end of 30 June 2022 was EUR 129 397 thousand, a 34.0% increase compared with EUR 96 571 thousand as of 30 December 2021. This increase is driven by the same factors as interest income as well as continuously improving credit portfolio dynamics.

The Group's profit before tax for the six months ended 30 June 2022 amounted to EUR 40 900 thousand, a 21.3% increase from the profit of EUR 33 713 thousand reported for the six months ended June 2021.

Overall, the Group's performance over the period has been stable, confident and cash generating, amidst the uncertainty in the Global situation.

Management Report

Other information

The Group applies Group-level policies for overall risk management, and there are Group policies covering specific areas such as credit risk, liquidity risk, market risk, interest rate risk, operational risk and reputational risk. Management has implemented procedures to control the key risks as described below. More detailed information on risks and relevant policies can be seen in Note 4.

Credit risk

Credit risk is the risk of a financial loss to the Group if a counterparty/customer fails to meet its contractual obligations, and arises primarily from the Group's loans and advances to customers. This includes scenarios where the customer makes payments late, only partially, or not at all. The Industry's customers generally have higher frequency of delinquencies, higher risk of non-payment and, thus, higher credit losses than customers who are served by traditional providers of consumer credit. The Group's Credit Policy defines lending guidelines according to the business strategy and efficient risk management, protecting the Group's assets as well as complying with the local regulatory requirements.

Liquidity risk

The Group manages its liquidity positions through its Treasury department. The Group manages its liquidity risk by arranging an adequate amount of committed credit facilities with related parties and by issuing bonds. In addition, the Group attracts a significant amount of funding through peer-to-peer platforms which are more flexible than traditional funding options and allows the management to increase or reduce the amount of funding available to the Group on a timely manner.

Market risk

Market risk is the risk that movements in market prices, including foreign exchange rates, interest rates, credit spreads and equity prices will affect the Group's income or the value of its portfolios. The Group specifically manages interest rate risk, currency risk and price risk as part of the broader market risk umbrella which are explained in more detail below.

Interest rate risk

Interest rate risk is the risk that movements in interest rates will affect the Group's income or the value of its portfolios of financial assets. The Group is not exposed to interest rate because all of its liabilities are interest bearing borrowings with a fixed interest rate.

Currency risk

The Group has assets and liabilities denominated in several foreign currencies. Foreign currency risk arises when the actual or forecasted assets in a foreign currency are either greater or less than the liabilities in that currency.

Price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or factors affecting all instruments traded in the market. Price risk arises when the Group takes a long or short position in a financial instrument.

The Group is not exposed to price risk as it does not hold financial instruments dependant on changes in market prices.

Sun Finance Group/ Ownership

AS Sun Finance Group is the holding company of the Sun Finance Group (the "Group"). As of 30 June 2022, the Group has active lending operations in 7 countries. Each country's subsidiary is entitled to take operational decisions regarding its business activities. Countries located in a certain region are combined in "Hubs" coordinated by sub-holding companies

Management Report

controlled by the parent company. Each Hub is entitled to take decisions regarding the activities of the countries included in the Hub as well as general Hub activities.

The share capital of the Group is indirectly held by the two founders of the Group and strategic investors attracted in 2018, AS Puzzle International.



Emīls Latkovskis
Chairman of the Board

30 September 2022

Interim unaudited consolidated statement of Profit and Loss and Other Comprehensive Income

	Note	01.01.2022 – 30.06.2022 EUR	01.01.2021 – 30.06.2021 EUR
Interest income	6	115 858 295	90 882 935
Interest expense	7	(5 623 772)	(5 867 275)
Net interest income		110 234 523	85 015 666
Net impairment losses on loans and receivables	8	(19 189 913)	(14 865 865)
Gain/(losses) from derecognition of financial assets measured at amortized cost	11	(29 515 287)	(19 340 460)
Operating costs		(28 320 117)	(20 616 966)
Other operating income		9 068 160	6 803 611
Other operating expense		(703 502)	(3 767 222)
Net foreign exchange result		(674 282)	484 281
Profit before tax		40 899 582	33 713 039
Corporate income tax	9	(12 107 633)	(9 827 065)
Profit for the period		28 791 949	23 885 974
Profit attributable to:			
Equity holders of the Group		27 913 250	23 016 238
Non-controlling interests		878 699	869 734
Profit for the period		28 791 949	23 885 972
Other comprehensive income / loss			
Foreign currency translation differences on foreign operations			
Equity holders of the Group		590 010	(174 431)
Non-controlling interests		(5 660)	(31 348)
Total comprehensive income for the period		29 376 299	23 680 195
Total comprehensive income/(loss) attributable to:			
Equity holders of the Group		28 503 261	22 841 807
Non-controlling interests		873 038	838 386
Total comprehensive income for the period		29 376 299	23 680 193

The accompanying notes on pages 14 to 37 form an integral part of these Interim unaudited consolidated Financial Statements.



Emils Latkovskis
Chairman of the Board
30 September 2022

Interim unaudited consolidated statement of Financial Position

	Note	30.06.2022 EUR	30.06.2021 EUR
Assets			
Property and equipment		4 163 530	3 922 753
Intangible assets and goodwill	10	17 042 613	16 817 780
Tangible and intangible assets		21 206 143	20 740 533
Other loans and receivables		229 297	236 929
Non-current financial assets		3 777	31 702
Deferred tax asset		1 743 616	1 754 627
Non-current financial assets		1 976 690	2 023 258
Total non-current assets		23 182 833	22 763 791
Loans and advances to customers	11	129 396 870	96 570 541
Other loans and receivables		12 705	19 840
Prepaid expense		806 679	735 527
Other receivables		24 859 972	18 326 058
Cash and cash equivalents		6 794 860	7 227 342
Total current assets		161 871 086	122 879 308
TOTAL ASSETS		185 053 919	145 643 099

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Emils Latkovskis
Chairman of the Board
30 September 2022

Interim unaudited consolidated statement of Financial Position

	Note	30.06.2022 EUR	30.06.2021 EUR
Shareholder's equity			
Share capital and Share premium	12	367 040	367 040
Reserves		1 339 842	1 339 842
Currency translation reserve		771 055	181 045
Retained earnings		48 704 666	28 007 816
Total equity attributable to equity holders of the Company		51 182 603	29 895 743
Non-controlling interest		(516 476)	(751 894)
TOTAL EQUITY		50 666 127	29 143 849
Liabilities			
Loans and borrowings	13	50 175 249	58 054 160
Non-current liabilities		50 175 249	58 054 160
Loans and borrowings	13	56 691 183	35 453 013
Prepayments and other payments received from clients		1 412 698	1 133 664
Trade and other payables		14 428 225	6 359 322
Corporate income tax payable		5 392 559	10 742 068
Taxes payable		1 913 203	1 528 442
Accrued liabilities		4 374 675	3 228 581
Current liabilities		84 212 543	58 445 090
TOTAL LIABILITIES		134 387 792	116 499 250
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		185 053 919	145 643 099

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Emils Latkovskis
Chairman of the Board
30 September 2022

Interim unaudited consolidated statement of Cash Flows

	Note	01.01.2022 – 30.06.2022 EUR	01.01.2021 – 30.06.2021 EUR
Cash flows from operating activities			
Profit before taxes		40 899 582	33 713 039
Adjustments for:			
Depreciation and amortization		694 071	373 053
Impairment of goodwill		-	3 341 266
Sold portfolio write-off		52 133 300	32 809 911
Increase in impairment allowance		19 189 913	14 865 865
Write-off and disposal of intangible and property and equipment assets		1 290 808	108 726
Provisions (except doubtful debt allowance)		1 146 094	1 876 076
Increase in reserves		-	65 842
Non-controlling interest retained earnings		(52 606)	7 074
Interest income		(14 812)	(130 254)
Interest expenses		5 623 772	5 867 275
Profit or loss before adjustments for the effect of changes to current assets and short-term liabilities		120 910 122	92 897 873
Adjustments for:			
Increase in loans and advances to customers		(104 149 543)	(63 308 446)
(Increase) / decrease in other assets		(6 566 127)	1 902 628
Increase / (decrease) in accounts payable to suppliers, contractors, and other creditors		6 388 079	3 019 931
Gross cash flows from operating activities		16 582 531	34 511 986
Corporate income tax paid		(17 457 143)	(6 055 622)
Net cash flows used in operating activities		(874 612)	28 456 364

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Interim unaudited consolidated statement of Cash Flows

	Note	01.01.2022 – 30.06.2022 EUR	01.01.2021 – 30.06.2021 EUR
Cash flows from investing activities			
Purchase of property and equipment and intangible assets		(2 158 516)	(714 917)
Net cash flows through business combinations		-	(121 616)
Loans issued to related parties		(5 150)	(227 458)
Received loan repayment		43 527	148 431
Interest received		3 983	16 901
Net cash flows used in investing activities		(2 116 156)	(898 659)
Cash flows from financing activities			
Loans received and notes issued		7 174 933	16 426 525
Repayment of loans		(4 785 378)	(1 981 399)
Interest payments		(4 304 439)	(3 723 867)
Funding received from P2P		14 759 300	12 522 125
Repayment of funding received from P2P		(4 732 382)	(19 491 183)
Dividend payments		(5 462 455)	(24 982 588)
Net cash flows from financing activities		2 649 579	(21 230 387)
Net increase/(decrease) in cash and cash equivalents		(341 189)	6 327 318
Cash and cash equivalents at the beginning of the period		7 227 342	8 713 085
Effect of exchange rate fluctuations on cash		(91 293)	(242 090)
Cash and cash equivalents at the end of the period		6 794 860	14 798 313

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30 September 2022

Interim unaudited consolidated Statement of Changes in Equity

	Share capital EUR	Share premium EUR	Currency translation reserve EUR	Reserve EUR	Retained earnings EUR	Total EUR	Non-controlling interests EUR	Total equity EUR
Group 01.01.2020	340 000	27 040	(314 019)	1 210 000	18 447 757	19 710 778	(323 674)	19 387 104
NCI share capital for business combinations	-	-	-	-	(134 767)	(134 767)	134 767	-
NCI retained earnings for business combinations	-	-	-	-	998 014	998 014	(998 014)	-
Total comprehensive income			-					
Profit / loss for the reporting period	-	-	-	-	49 228 064	49 228 064	1 806 998	51 035 062
Other comprehensive income	-	-	495 064	129 842	-	624 906	2 172	627 078
Transactions with shareholders recorded directly in equity								
Increase in share capital	-	-	-	-	-	-	-	-
Dividends	-	-	-	-	(40 531 252)	(40 531 252)	(1 374 143)	(41 905 395)
31.12.2021	340 000	27 040	181 045	1 339 842	28 007 816	29 895 743	(751 894)	29 143 849
NCI share capital for business combinations	-	-	-	-	(2 511)	(2 511)	2 511	-
NCI retained earnings for business combinations	-	-	-	-	861 111	861 111	(235 239)	625 872
Total comprehensive income								
Profit / loss for the reporting period	-	-	-	-	27 913 250	27 913 250	878 699	28 791 949
Other comprehensive income	-	-	590 010	-	-	590 010	(5 660)	584 350
Transactions with shareholders recorded directly in equity								
Dividends	-	-	-	-	(8 075 000)	(8 075 000)	(404 893)	(8 479 893)
30.06.2022	340 000	27 040	771 055	1 339 842	48 704 666	51 182 603	(516 476)	50 666 127

The accompanying notes on pages 14 to 37 form an integral part of these Interim unaudited consolidated Financial Statements.



Emils Latkovskis
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30 September 2022

Notes to the Consolidated Financial Statements

(1) Reporting entity

AS Sun Finance Group (the “Company”) is registered in Skanstes 52, Riga, Latvia, LV-1013 (reg.no: 40203205428). AS Sun Finance Group was established in April 2019. The Company is operating as the holding company for several subsidiaries in Europe, Scandinavia, Central and Southeast Asia and South America (together referred to as the ‘Group’).

The Group entities provide consumer loans to customers and currently the Group actively operates in Poland, Latvia, Kazakhstan, Denmark, Mexico, Sweden and Vietnam.

(2) Basis of preparation

These interim unaudited consolidation Financial Statements (interim financial statements) for the six months ended 30 June 2022 have been prepared in accordance with IAS 34 Interim Financial Reporting, and should be read in conjunction with the Group’s last annual consolidated financial statements as at and for the period ended 30 June 2022 (last annual financial statements). They do not include all of the information required for a complete set of financial statements prepared in accordance with IFRS Standards as adopted by the European Union (EU). However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group’s financial position and performance since the last annual financial statements.

In preparing these interim financial statements, management has made judgements and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements.

These interim financial statements were approved by the Company’s Board on 30 September 2022. The shareholders have the power to reject the financial statements prepared and presented by the Board, and the right to request that new financial statements are prepared.

a) Basis of Measurement

The interim financial statements are prepared on a historical cost basis except for some financial assets and liabilities measured at fair value.

The preparation of interim financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the interim financial statements, are disclosed in Note 5. The Management has assessed all the main risks and considers it appropriate to adopt going concern basis of accounting in preparing these financial statements.

(b) Functional and presentation currency

The interim financial statements are presented in euro (EUR), unless stated otherwise. EUR is chosen as presentation currency since most of the Group’s operational activities are based in European Union. During six months in 2022 Group companies operated in the functional currencies of EUR, DKK, PLN, KZT, SEK, VND and MXN respectively. The Company’s functional currency is EUR.

Notes to the Consolidated Financial Statements

(3) Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these interim financial statements except for new International Accounting Standards Board standards and pronouncements which are applied when they become effective.

Basis of Consolidation

(i) Subsidiaries

Subsidiaries are those enterprises controlled by the Company as at 30 September 2022. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. Subsidiaries are excluded from consolidated financial statements from the date when control effectively ceases.

(ii) Transactions eliminated on consolidation

Intra-Group balances and transactions, and any unrealised gains/losses arising from intra-Group transactions, are eliminated in preparing the interim financial statements.

(iii) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currency of the operation at the exchange rate set by Central Bank of the country of operation 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 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 are recorded in the income statement accounts.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognised in statement of comprehensive income.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated into EUR using the following exchange rates:

	30.06.2022	31.12.2021
PLN	4.69040	4.55970
DKK	7.43920	7.44090
KZT	488.75000	516.13000
MXN	20.94190	24.41600
UZS	10.73000	12 786.03000
VND	25,032.07000	10.03430
USD	1.03870	28 417.15000

Notes to the Consolidated Financial Statements

(ii) Foreign operations

The assets and liabilities of foreign operations are translated into EUR the Company's presentation currency at exchange rates set by the Central Bank at the reporting date. The income and expenses of foreign operations are translated into the Company's functional currency at exchange rates at the dates of the transactions. Foreign currency retranslation differences are recognized in other comprehensive income.

(iv) Cash and cash equivalents

Cash and cash equivalents comprise call deposits in banks and cash on hand that are subject to insignificant risk of changes in their fair value and are used by the Group in the management of its short-term commitments.

(v) Financial Instruments

(i) Recognition

Financial assets and liabilities are recognized in the statement of financial position when the Group becomes a party to the contractual provisions of the instrument. Loans and advances to customers are recognized when funds are transferred to the customers' accounts. All regular way purchases of financial assets are accounted for at the settlement date.

(ii) Classification and Measurement

A financial asset or liability is initially measured at its fair value plus, in the case of a financial asset or liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or liability. Other receivables are measured at transaction price.

The Group's assessment on particular asset classification is based on the Group's business model on how a particular asset is managed and based on contractual cash flow characteristics of that asset. At initial recognition the Group, as prescribed by IFRS 9, distributes all financial assets into 3 measurement categories:

- Amortised cost (AC) - The amount at which the financial asset is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and adjusted for any loss allowance;
- Fair value through other comprehensive income (FVOCI) - Financial asset measured at fair value with unrealized changes in fair value recognized in other comprehensive income;
- Fair value through profit or loss (FVTPL) - Financial asset measured at fair value with realized and unrealized changes in fair value recognized in profit or loss.

Purchased or originated credit-impaired financial assets require special AC measurement treatment. For third party purchased credit-impaired financial assets AC measurement a credit adjusted effective interest rate is applied, meaning that projected future cash-flows need to include expected cash losses compared to contractual cash flow amounts.

Subsequent to initial recognition, financial assets, including derivatives that are assets, are measured at their fair values, without any deduction for transaction costs that may be incurred on sale or other disposal, except for loans and receivables that are measured at amortized cost using the effective interest method.

All financial liabilities, other than those designated at fair value through profit or loss, are measured at amortised cost. Amortised cost is calculated using the effective interest rate method. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortised based on the effective interest rate of the instrument.

(iii) 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 way those risks are managed. The expected frequency, value and timing of sales are also important aspects of the Group's assessment. The business model assessment is based on reasonably expected. 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

Notes to the Consolidated Financial Statements

purchased financial assets going forward. The assessed business model is with the intention to hold financial assets in order to collect contractual cash flows, but when assets no longer meet the credit risk criteria of the Group credit policy – to sell the underperformed portfolio.

(iv) Assessment of whether contractual cash flows are solely payments of principal and interest (SPPI)

A financial asset is classified as measured at amortized cost when it meets SPPI criteria and is managed under held to collect business model. The SPPI test requires consideration whether the contractual terms of the financial asset give rise, on specific dates, to cash flows that are solely payment of principal and interest. The most significant elements of interest for the Group are typically the consideration for the time value of money and credit risk.

All of the Group's lending products are tested and meet the SPPI criteria. SPPI tests are mandatory and are performed during new product development or modification of current product features.

(v) Derecognition

A financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire or when the Group transfers substantially all of the risks and rewards of ownership of the financial asset. Any rights or obligations created or retained in the transfer are recognized separately as assets or liabilities. A financial liability is derecognised when it is extinguished.

If the Group repurchases a part of a financial liability, the Group allocates the previous carrying amount of the financial liability between the part that continues to be recognised and the part that is derecognised based on the relative fair values of those parts on the date of the repurchase. The difference between (a) the carrying amount allocated to the part derecognised and (b) the consideration paid, including any non-cash assets transferred or liabilities assumed, for the part derecognised recognised in profit or loss.

(vi) Modification of financial assets and liabilities

Any modification to financial contract that is measured at amortised cost needs to be either derecognised or appropriately measured if modification is considered as non-substantial. Both qualitative and quantitative factors are considered in order to assess if the modification is substantial or not. For modifications that do not result in derecognition, the gross carrying amount of the asset is recalculated by discounting the modified contractual cash flows using original effective interest rate (EIR) that was effective before modification. Changes in the contractual cash flows of the asset are recognized in statement of comprehensive income and any costs or fees incurred adjust the carrying amount of the modified financial asset and are amortized over the remaining term of the modified instrument. Therefore, the original effective interest rate (EIR) determined at initial recognition is revised on modification to reflect any costs or fees incurred.

(vii) Fair value measurement principles

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 in the principal, or in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

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.

Notes to the Consolidated Financial Statements

When applicable, the Group measures the fair value of an instrument using quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

When there is no quoted price in an active market, the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all the factors that market participants would take into account in pricing a transaction.

The key financial instruments of the Company and the Group are cash, trade receivables and loans to customers, loans to related parties, loans received and bonds issued, trade payables and other creditors arising from the business activities.

(viii) Loans and advances

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. All Group loans are managed under „held to collect“ business model with contractual cash-flows representing solely payments of principal and interest.

For the purposes of these consolidated financial statements trade receivables and loans to customers are accounted for at amortized cost using the effective interest rate method. An impairment loss allowance for credit losses is established.

(vi) Property, plant and equipment

(i) Owned assets

Items of property, plant and equipment are stated at acquisition cost less accumulated depreciation and any impairment in value. Where an item of property and equipment comprises major components having different useful lives, they are accounted for as separate items of property and equipment.

(ii) Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of the individual assets. Depreciation commences on the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and ready for use. 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 estimated useful lives are as follows:

Computer equipment	3 years
Furniture	3 years
Leasehold improvements	over lease term
Other property and equipment	5 years

(vii) Intangible assets and Goodwill

Intangible non-current assets, other than Goodwill, 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.

Amortization is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets. The estimated useful lives are as follows:

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Concessions, patents, licenses, trademarks and similar rights	5 years
Software and other intangible assets	3 years

(i) Internally generated intangible assets

Internally generated intangible assets primarily include the development costs of 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.

Internally generated intangible assets cost value is increased by Group's information technology costs - salaries and social security contribution capitalization. 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 4 years, software and other intangible assets - over 3 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.

(ii) Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any. For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination. 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. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is recognized. The recoverable amount of cash generating units has been determined based on value of used calculations.

(viii) Impairment

(i) Financial assets – loans and receivables due from customers

At each reporting date the Group assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. The Group analyses its portfolio of loans and receivables due from customers by segregating receivables in categories according to each receivables days past due (DPD) metrics. The collective expected

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credit loss model (ECL) that is predominantly based on DPD is applied by the Group in assessment of impairment for loans and receivables due from customers. IFRS 9 accelerates the recognition of impairment losses and leads to higher impairment allowances at the date of initial application.

The Group continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12mECL or LTECL, the Group assesses whether there has been a significant increase in credit risk since initial recognition.

The Group segregates loans and receivables due from customers in the following categories:

1. Not past due
2. 1-30 days past due
3. 31-60 days past due
4. 61-90 days past due
5. 91+ days past due

Definition of default

The Group considers majority of financial instruments as defaulted based on each market basis when the contractual payments are overdue more than 90 days. Specific market financial instrument is considered as defaulted when contractual payments are overdue more than 45 and 61 days. In certain cases, however, a financial asset might be considered as defaulted when internal or external information indicates that it is unlikely that the Group will receive all outstanding contractual cash-flows without taking any debt collection actions.

Loan portfolio is grouped into Stage 1, Stage 2 and Stage 3, based on the applied impairment methodology, as described below:

- Stage 1 – Initial recognition of loans. Part of loan portfolio where no significant increase in credit risk has occurred (0 – 30 days past due), Group recognizes an allowance based on twelve month expected credit losses for single payment loans and twelve months expected credit losses for line of credit.
- Stage 2 – Loans with significant increase in credit risk (31 – 90 days past due). When a loan shows a significant increase in credit risk since initial recognition, Group records an allowance for the lifetime expected credit loss.
- Stage 3 – Defaulted loans. Financial assets are recognized in Stage 3 when there is objective evidence that the loan is impaired (91 + days past due). Group recognizes the lifetime expected credit losses for these loans setting PD at level of 100%.

The expected credit loss is calculated as a function of the probability of default (PD), the exposure at default (EAD) and the loss given default (LGD). Where:

- The Probability of Default (PD) is an estimate of the likelihood of default over a given time horizon;
- The Exposure at Default (EAD) is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments, whether scheduled by contract or otherwise;
- The Loss Given Default (LGD) 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 contractual cash flows due and those that the lender would expect to receive, including from the realization of any collateral sell of defaulted loans. It is usually expressed as a percentage of the EAD. LGD is based on discounted cash flows on defaulted loans.

The amount of the expected credit losses is measured as the difference between all contractual cash flows that are due in accordance with the contract and all the cash flows that are expected to be received (i.e., all cash shortfalls), discounted at the original effective interest rate (EIR).

The carrying amount of the asset is reduced through the use of an allowance account and recognition of the loss in Statement of Comprehensive Income. Allowances for credit losses on loans and receivables are assessed collectively. Collectively assessed impairment allowances cover credit losses inherent in portfolios of loans with similar credit risk characteristics when there is objective evidence to suggest that they contain impaired financial assets, but the individual

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impaired items cannot yet be identified.

In assessing collective impairment, the Group uses statistical modelling of historical trends of the probability of default, timing of recoveries and the amount of expected loss, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical modelling. Default rates, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate. Specific individual impairment testing is not undertaken since the loan portfolio consists of a large number of small exposure loans that would make individual impairment testing impractical.

Impairment losses on portfolios of assets carried at amortized cost are measured as the difference between the carrying amount of the financial asset and the present value of estimated discounted future cash flows. Impairment losses are recognized in the statement of comprehensive income and reflected in an allowance account against loans receivable. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the statement of comprehensive income. The maximum period for which the credit losses are determined is the contractual life of a financial instrument.

(iii) Impairment of financial assets other than loans and receivables due from customers

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

- Other receivables from customers/contract assets
- Trade receivables
- Loans to related parties
- Cash and cash equivalents

Impairment for other assets - 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. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Impairment for loans to related parties - Receivables from related parties inherently are subject to the Group's credit risk. Therefore, a benchmarked PD and LGD rate - based on corporate statistics studies has been applied in determining the ECLs.

Impairment of cash and cash equivalents - For cash and cash equivalents default is considered as soon as balances are not cleared beyond conventional banking settlement timeline, 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.

(ix) Provisions and contingencies

Provisions are recognised in the statement of financial position when the Group has a present obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation. 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. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

In 2019 the Group has implemented IFRIC 23 Uncertainty over Income Tax Treatment. Under IFRIC 23 the Group recognize the provisions for the potential tax liabilities if it is not probable that the taxation authority will accept an uncertain tax treatment. Provisions estimated using either of the following methods, depending on which method the entity expects to better predict the resolution of the uncertainty: (a) the most likely amount - the single most likely amount in a range of possible outcomes; or (b) the expected value -the sum of the probability-weighted amounts in a range of possible outcomes.

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A contingent liability is disclosed when there is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or a present obligation that arises from past events, but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability.

Provisions for tax liabilities

Significant management judgement is used for estimating provisions in relation to tax amounts disputed with tax authorities. The Group's management has assessed all potential contingencies regarding taxes and evaluated probability of any contingencies arising from them to be low, therefore no reliable contingent liability should be disclosed.

Accruals for unused vacations

As at the period end, a accrued expense for unused vacations has been recognized in accordance with local legislation in each separate country of operation and is based on the number of vacation days unused as at 30 September 2021 and historical remuneration.

(x) Share Capital and reserves

(i) Currency revaluation reserve

The currency revaluation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations into functional and presentation currencies.

(ii) Share based payments

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 (Reserves), over the period when 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.

(xi) Leases – the Group as lessee

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement

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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 determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

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:

- Short term leases – for all classes of underlying assets; and
- 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 a straight-line basis over the lease term.

- Short term leases A short-term lease is a lease that, at the commencement date, has a lease term of 12 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.
- Leases of low-value assets

The Group defines a low-value asset as one:

- that has a value, when new of EUR 2 000 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;
- 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
- the underlying asset is not dependent on, or highly interrelated with, other assets.

(xii) Transactions with peer-to-peer platforms

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.

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

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

P2P platform commissions and service fees incurred by the Group are fees charged by P2P platform for servicing the funding attracted through peer-to-peer platform and are disclosed in Note 7.

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 Loans and borrowings attracted through peer-to-peer platform (Note 13) and are treated as loans received.

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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.

(xiii) Dividends

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, the later applicable also for interim dividends.

(xiv) Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the income statement except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

(i) Current tax – general terms

Current tax is the expected tax payable on the taxable income derived from current year's earned profit and adjustments of taxable income, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

(ii) Current tax for entities in Latvia

In Latvia legal entities are not required to pay income tax on earned profits in accordance with local legislation on Corporate Income Tax. Instead of this, Corporate income tax would be paid at 20% rate 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 3 years.

(iii) Deferred tax – general terms

Deferred tax is provided for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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(iv) Deferred tax for entities in Latvia

Under IAS 12 Income taxes, deferred tax assets and liabilities should be recognized by applying a rate expected to be applied to retained earnings. Taking into account the specific nature of Corporate income tax law the rate 20% is only applied to distributed profits, while the 0% rate applied to retained earnings. Therefore, no deferred income tax assets and liabilities are recognisable as nil. The contingent tax liability reflecting the obligation that would arise on the distribution of dividends and deemed profit distribution is not recognized as liability in the balance sheet.

(xv) Income and expense recognition

All significant income and expense categories including interest income and expenses are recognized in the statement of comprehensive income on an accrual basis. Revenue is not recognized when there is doubt whether the cost of services will be covered.

(i) Interest income and expense

Interest income and expense are recognised in statement of comprehensive income using the effective interest rate method. Loan extension fees and refinancing fees classified as part of the interest income. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

(ii) Fee and commission income and expenses

Fees and commissions are recognised as the related services are performed and control over a service is transferred to a customer. Over time revenue recognition is proportional to progress towards satisfying a performance obligation by transferring control of promised services to a customer. Income which does not qualify for recognition over time is recognised at a point in time when the service is rendered.

(iii) Fines received

Income from fines are recognized as received.

(iv) Income from management services

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.

(v) Profit sharing arrangements

The Group has concluded a contract with a third-party for profit sharing. The Group has unconditional rights and third-party shareholder has an obligation to pay to the Group a certain part of its net profit upon the approval of annual financial statements. This contract is in the scope of IFRS 15 and the Group recognize the income in the same period when the profit is earned (recognized).

(xvi) Fair value of employee share options

Group's employees have entered a share option agreements with Parent Company or 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 financial statements in accordance with IFRS 2. There are cash settlement alternatives. Group record expenses related to this transaction and recognize a respective component of equity.

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(xvii) 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 –close family members of any above-mentioned persons, as well as entities over which those persons have a control or significant influence.

(xviii) 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.

(xix) Business combinations

Acquisitions of businesses, including acquisitions under common control in situations the common control transaction has commercial substance, are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 respectively. Goodwill is measured as the excess of the sum of the consideration transferred over the fair value of net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

(4) Risk management

Key financial risks related to the Group's financial instruments are:

- Credit risk
- Liquidity Market risks
- Operational risks
- Reputational risks

Management has implemented procedures to control the key risks.

(a) Credit risk

Credit risk is the risk of a financial loss to the Group if a counterparty/customer fails to meet its contractual obligations, and arises primarily from the Group's loans and advances to customers. This includes scenarios where the customer makes payments late, only partially, or not at all. The Group's customers generally have higher frequency of delinquencies, higher risk of non-payment and, thus, higher credit losses than customers who are served by traditional providers of consumer credit. The Group's Credit Policy defines lending guidelines according to the business strategy and efficient risk management, protecting the Group's assets as well as complying with the local regulatory requirements. Loan credit risk is managed by multiple triggers that are analysed prior to the loan being issued, including customer credit history checks and revenue levels. The triggers exclude any possibility of judgment as scoring is done automatically and is based on statistical evidence. Specific credit scoring models are adjusted to specific countries requirements and tendencies. Credit scoring models are periodically reviewed and if necessary, adjusted to follow market and specific client group tendencies. Performance of different customer groups is analysed on a regular basis. The Group has established efficient debt collection processes across all the Group's business units. All debt collection methods in each operating market,

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procedures and instructions which are in place, are adjusted to comply with local legislation and reflect, in the Group's view, best practices in the market. The Group's regular debt collection processes are executed already before payment due date in order to collect cash and to reduce the volume of potentially delayed payments. If cash flows after initial recognition are realized in a way that is different from the Group's original expectations – held to collect, the Group does not change the classification of the remaining financial assets held in that business model as initially business model is based on held to collect principle. 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. The Group has also implemented strong NPL management driven by automatic forward sales of overdue loans in most of the markets. The Group's key elements of success are high quality loan portfolio, best practices sharing process across countries, implementation of continuous improvements in its debt collection approach and team of qualified and motivated specialists. Management believes that current procedures are sufficient to effectively monitor credit risk of customer groups, in addition the structure of portfolio is based on many small value loans as a result separate customer exposure cannot cause material losses to the Company.

(b) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity position of the Group is managed by the Treasury department. The Group manages its liquidity risk by arranging an adequate amount of committed credit facilities with related parties and by issuing bonds. The Management believes that current procedures are sufficient to effectively monitor and manage liquidity risk of the Group.

(c) Market risk

Market risk is the risk that movements in market prices, including foreign exchange rates, interest rates, credit spreads and equity prices will affect the Group's income or the value of its portfolios. Market risks comprise currency risk, interest rate risk and other price risk. Market risk arises from open positions in interest rate and currency financial instruments, which are exposed to general and specific market movements and changes in the level of volatility of market prices.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, whilst optimizing the return on risk.

(d) Interest rate risk

Interest rate risk is the risk that movements in interest rates will affect the Group's income or the value of its portfolios of financial assets. The Group is not exposed to interest rate risk because all of its liabilities are interest bearing borrowings with a fixed interest rate.

(e) Currency risk

The Group has assets and liabilities denominated in several foreign currencies. Foreign currency risk arises when the actual or forecasted assets in a foreign currency are either greater or less than the liabilities in that currency.

(f) Price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or factors affecting all instruments traded in the market. Price risk arises when the Group takes a long or short position in a financial instrument.

The Group is not exposed to price risk as it does not hold financial instruments dependant on changes in market prices.

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(g) Operational risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. Operational risks arise from all of the Group's operations.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall Group standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorization of transactions
- regulatory and compliance risks
- documentation of controls and procedures
- anti-money laundering and Know Your Customer laws compliance risk
- data protection compliance risk

(h) Capital management

Capital management of the Group is not controlled by any requirements set by regulatory institutions or international bodies. The Group considers both equity capital as well as borrowings a part of overall capital risk management strategy. The Group manages its equity capital position on a regular basis, to ensure that it will be able to continue as a going concern. The Group monitors equity capital on the basis of the capitalization ratio as defined in Terms and Conditions of Notes. This ratio is calculated as Net worth (the sum of paid in capital, retained earnings, reserves and subordinated loan) divided by Net Loan portfolio. In order to maintain or adjust the overall capital structure, the Group may issue new Notes, borrow in P2P platform or sell assets to reduce debt. For commitments and contingencies related to capital management refer to Note 15.

(5) Use of estimates and critical accounting judgments

The preparation of consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

In preparing these consolidated financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements of the Group as at and for the period ended 30 June 2022. Key sources of estimation uncertainty are:

- **Recoverable amount of goodwill (see Note 10)**

Goodwill is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. Determining whether goodwill is impaired requires the management to estimate the future cash flows expected to arise from the cash-generating unit. Where the actual future cash flows are less than expected, a material impairment loss may arise.

- **Allowances for credit losses on loans and receivables (see Note 11)**

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

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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.

- **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 has been approved by the Management Board, while 2024-2025 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.

- **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 70% of their time on developing new functionality. Therefore, up to 70% of salary expenses of involved personnel are capitalized under Other intangible assets while remaining 30% are recognized as salary expenses in Statement of profit and loss.

- **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.

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. Subsequently, the estimate is adjusted by the number of options granted, vesting period and the employee turnover rates in the respective grade. During the fair value estimation process the Management has considered the financial position of the Subsidiaries that have issued share options, 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.

Notes to the Consolidated Financial Statements

- Lease term determination under IFRS 16

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.

(6) Interest income

Interest income represents revenue generated during the reporting period from the Group’s basic activities - consumer loans. Interest income includes loan commission income, extension fees, refinancing fees, issuance fees and penalty fee income. Interest income for loans issued to related and other parties is classified under Other operating income.

	01.01.2022 – 30.06.2022 EUR	01.01.2021 – 30.06.2021 EUR
Interest income calculated using the effective interest method	115 858 295	90 882 935
Total	115 858 295	90 882 935

(7) Interest expense

	01.01.2022 – 30.06.2022 EUR	01.01.2021 – 30.06.2021 EUR
Interest expenses for loans from peer-to-peer platform investors	840 854	2 437 531
Interest expense on issued bonds	2 713 815	1 159 783
Interest expense for loans from non-related parties	1 283 153	1 740 665
Interest expense for loans from related parties	785 029	527 305
Interest expense for lease liabilities	921	1 992
TOTAL	5 623 772	5 867 275

Notes to the Consolidated Financial Statements

(8) Net impairment losses on loans

	01.01.2022 – 30.06.2022 EUR	01.01.2021 – 30.06.2021 EUR
Impairment losses on loans	47 531 794	31 903 297
Reversal of provision on debt portfolio sales	(39 940 575)	(22 190 268)
Written-off debts	(688 399)	(148 873)
Recovery from written-off loans	12 287 093	5 301 709
TOTAL	19 189 913	14 865 865

(9) Corporate income tax

	01.01.2022 – 30.06.2022 EUR	01.01.2021 – 30.06.2021 EUR
Corporate income tax	10 401 620	7 008 303
Deferred corporate income tax	-	1 986 091
Withholding tax	1 706 013	832 671
TOTAL	12 107 633	9 827 065

	30.06.2022 EUR	31.12.2021 EUR
Corporate income tax payable	5 392 559	10 742 068
TOTAL	5 392 559	10 742 068

Current corporate income tax rate for the Group subsidiaries are the following: in Latvia – 20% or 20/80 of the net amount of distributed profit or deemed profit, in Kazakhstan – 20%, in Poland – 19%, in Denmark – 22%, in Sweden – 21.4%, in Vietnam – 20%, in Mexico – 30%.

(10) Intangible assets and goodwill

	30.06.2022 EUR	31.12.2021 EUR
Goodwill	14 772 769	14 771 583
Other intangible assets	2 269 844	2 046 197
TOTAL	17 042 613	16 817 780

Notes to the Consolidated Financial Statements

(11) Loans and receivables from customers

Credit quality of loan portfolio:

	Gross receivables 30.06.2022 EUR	Allowance for doubtful debts 30.06.2022 EUR	Net receivables 30.06.2022 EUR	Gross receivables 31.12.2021 EUR	Allowance for doubtful debts 31.12.2021 EUR	Net receivables 31.12.2021 EUR
No days past due	111 848 116	11 715 105	100 133 011	81 951 727	7 506 410	74 445 317
1-30 days past due	26 377 174	11 210 826	15 166 348	18 284 322	7 888 601	10 395 721
31-60 days past due	12 325 539	7 653 696	4 671 843	9 664 160	6 008 923	3 655 237
61-90 days past due	7 056 040	4 504 928	2 551 112	6 688 368	4 561 434	2 126 934
91+ days past due	22 496 890	15 622 334	6 874 556	22 031 820	16 084 488	5 947 332
TOTAL	180 103 759	50 706 889	129 396 870	138 620 397	42 049 856	96 570 541

Allowance for doubtful debts

	30.06.2022 EUR	31.12.2021 EUR
Balance at the beginning of the period	42 049 856	24 264 993
Acquisitions through business combinations	-	-
Charge for the period	47 616 078	74 764 032
Derecognized on disposal of portfolio	(39 940 575)	(57 895 650)
Currency effect	981 530	916 481
Balance at period end	50 706 889	42 049 856

Net losses arising from derecognition of financial instruments through debt sales transaction is EUR 29 515 287 (in 2021: EUR 19 304 460).

(12) Share capital

The Company is incorporated on 8 April 2019. Share capital of the Company as at 30 June 2022 is 340 000 EUR and it is divided into 3 109 090 ordinary shares, and 290 910 personal shares with nominal value of EUR 0.1 each. Class A shares issued are fully paid.

The holders of ordinary class A shares are entitled to receive dividends as declared from time-to-time and are entitled to one vote per share at annual and general meetings of the Group. The holders of non-voting preferred personnel shares are only entitled to receive dividends as declared from time-to-time. Personnel shares are not transferable and shall be returned to the Company once the employment contract is terminated.

Notes to the Consolidated Financial Statements

	Share capital EUR	Number of Class A Shares	Personnel shares	Total number of Shares
Opening balance as at 31 December 2021	340 000	3 109 090	290 910	3 400 000
Denomination	-	-	-	-
Subscriptions	-	-	-	-
Redemptions	-	-	-	-
Closing balance as at 30 June 2022	340 000	3 109 090	290 910	3 400 000

(13) Loans and borrowings

Non-current	30.06.2022 EUR	31.12.2021 EUR
Bonds	19 631 000	24 905 905
Subordinated loans	16 193 319	18 193 319
Loan from related parties	8 877 989	9 035 355
Loan non-related parties	3 366 759	3 683 773
Lease liabilities	2 106 182	2 235 808
TOTAL	50 175 249	58 054 160

Current	30.06.2022 EUR	31.12.2021 EUR
Financing received from P2P investors	26 845 736	16 104 247
Bonds	22 954 840	15 000 000
Loan from non-related parties	5 101 697	3 643 551
Lease liabilities	397 183	413 788
Subordinated loans	161 933	195 600
Loan from related parties	1 229 794	95 827
	56 691 183	35 453 013
TOTAL	106 866 432	93 507 173

Notes to the Consolidated Financial Statements

Detailed information regarding Loans and borrowings can be seen below:

	Currency	Maturity	Interest rate per annum	Principal amount 30.06.2022 EUR	Accrued interest 30.06.2022 EUR	Principal amount 31.12.2021 EUR	Accrued interest 31.12.2021 EUR
Bonds	EUR	Sep 2022 & Feb 2023 & Jun 2024	12% & 11%	42 585 840	-	39 905 905	-
Subordinated loans	EUR	Sep 2024	12%	16 193 319	161 933	18 193 319	195 600
Financing received from P2P investors	EUR, PLN	June 2023	8,5% - 13,5%	26 679 951	165 786	16 043 290	60 957
Loans from related parties	EUR	Apr, Nov 2023 & Sep 2024 & Jun 2025	12% - 17%	10 004 633	103 151	9 035 355	95 827
Loan from non-related parties Lease	EUR SEK	Apr 2023-Jun 2024	7% - 18%	8 151 126	317 328	7 064 867	262 457
Lease				2 503 366	-	2 649 596	-
TOTAL				106 118 235	748 197	92 892 332	614 841

Bonds

On 16 October 2020, Sun Finance Treasury successfully issued its second 2-year private placement bond (LV0000802445) registered on the NASDAQ CSD for EUR 15 million with a coupon of 11% per annum, paid quarterly. The bond will mature in September 2022. As at 30 June 2022, a total of EUR 15 million (as at 31 December 2021, a total of EUR 15 million) was subscribed out of the total private placement of the EUR 15 million Notes. Interest expenses and income from coupons are disclosed on net basis. Please see Note 15 for further information about commitments and other additional information.

On 27 April 2021, Sun Finance Treasury successfully issued its second 2-year private placement subordinated bond (EE3300002088) registered on the NASDAQ CSD for EUR 30 million with a coupon of 12% per annum, paid quarterly. The bond will mature in Feb 2023. As at 30 June 2022, a total of EUR 8,56 million (as at 31 December 2021, a total of EUR 6,4 million) was subscribed out of the total private placement of the EUR 30 million Notes. Interest expenses and income from coupons are disclosed on net basis. Please see Note 15 for further information about commitments and other additional information.

On 20 July 2021, Sun Finance Treasury successfully issued its second 3-year private placement bond (LV0000802494) registered on the NASDAQ CSD for EUR 20 million with a coupon of 11% per annum, paid quarterly. The bond successfully refinanced Sun Finance Treasury bond (LV0000802395) with maturity August 2021. The bond will mature in June 2024. As at 30 June 2022, a total of EUR 19 million (as at 31 December 2021, a total of EUR 18,5 million) was subscribed out of the total private placement of the EUR 20 million Notes. Interest expenses and income from coupons are disclosed on net basis. Please see Note 15 for further information about commitments and other additional information.

Subordinated loans

Subordinated loans comprise of loan received from unrelated party. The Group has entered into Subordinated loan agreement in July 2019 with 3-year maturity. In 2021 Subordinated loans term is extended till September 2024. The subordinated loans are unsecured and were acquired as one of the conditions to obtain financing from bonds registered on NASDAQ CSD as described above. The loans are denominated in EUR with an interest rate of 12% (in 2020 interest rate was 3%) and are subordinated to all other liabilities of Sun Finance Group under Sun Finance Treasury issued bonds. No discounting was considered necessary in view that there was no substantial modification to the terms and agreements.

Notes to the Consolidated Financial Statements

Loans from related parties

Loans from related parties comprise loans received from entities and individuals which are under control or joint control of the shareholders of the Group, but not part of the Group or of a key management personnel of the Group. Received loans from related parties are unsecured with average interest rate of 14% and maturity in April, November of 2023, September 2024 and June 2025.

Loans from non-related parties

Loans from non-related parties comprise loans received from mostly from minority shareholders of subsidiaries and other non-related persons. Received loans are unsecured with interest rates 12-17%.

Financing received from peer-to-peer (P2P) investors

As disclosed in Note 3 Significant accounting policies (xii) Transactions with peer-to-peer platforms the Group certain subsidiaries as loan originators are attracting funding from investors through P2P platform. The Group assigns certain debt instruments (issued loans) to investors. All assignments are with recourse rights (buy back guarantee) and these assets do not qualify for the de-recognition. Please see Note 15 in respect of assets pledge given to P2P platform operator.

Funds are transferred to/from Group's bank accounts once per week. Receivable is arising from assignments made through P2P platform where the related investment is not yet transferred to the Group as at 30 June 2022 amounted to EUR 1 474 544 (31.12.2021: EUR 242 373). Payables for attracted funding's through P2P platform represents the returns of funds and as at 30 June 2021 amounted to EUR 1 580 (31.12.2021: was EUR 2 970).

(14) Fair value of financial instruments

Financial instruments not measured at fair value

The table below analyses the fair values of financial instruments not measured at fair value by the level in the fair value hierarchy into which each fair value measurement is categorised:

31 December 2021	Level 1 EUR	Level 2 EUR	Level 3 EUR	Total fair values EUR	Total carrying amount EUR
Financial assets					
Cash and cash equivalents	-	-	-	7 227 342	7 227 342
Loans and advances due from customers	-	-	96 570 541	96 570 541	96 570 541
Other financial assets	-	-	14 512 975	14 512 975	14 512 975
Total financial assets			115 920 597	123 147 939	123 147 939
Financial liabilities					
Loans and borrowings	-	-	93 507 173	93 507 173	93 507 173
Accounts payable to suppliers	-	-	9 587 903	9 587 903	9 587 903
Other liabilities	-	-	1 133 664	1 133 664	1 133 664
Total financial liabilities			104 228 740	104 228 740	104 228 740

Notes to the Consolidated Financial Statements

30 June 2022	Level 1 EUR	Level 2 EUR	Level 3 EUR	Total fair values EUR	Total carrying amount EUR
Financial assets					
Cash and cash equivalents	-	-	-	6 794 860	6 794 860
Loans and advances due from customers	-	-	129 396 871	129 396 871	129 396 871
Other financial assets	-	-	25 912 429	25 912 429	25 912 429
Total financial assets			155 309 300	162 104 160	162 104 160
Financial liabilities					
Loans and borrowings	-	-	106 866 432	106 866 432	106 866 432
Accounts payable to suppliers	-	-	18 802 900	18 802 900	18 802 900
Other liabilities	-	-	1 412 698	1 412 698	1 412 698
Total financial liabilities			127 082 030	127 082 030	127 082 030

The following table shows the valuation techniques used in measuring Level 3 fair values as well as the significant unobservable inputs used:

Financial instruments not measured at fair value (Level 3)

Type	Valuation technique	Significant unobservable inputs
Other borrowed funds loans and advances due from customers deposits and balances due to customers	Discounted cash flows	Discount rates

No level of fair value has been assigned for cash and cash equivalents on the basis that these are available on demand and therefore no modelling of fair value is required.

Fair value of loan receivables is equal to the carrying value which is present value loan payments discounted using effective agreement interest rate and adjusted for impairment allowance.

Fair value of current and non-current borrowings is based on cash flows discounted using effective agreement interest rate which represents current market rate. Group's management believes that interest rates applicable to loan portfolio and borrowings are in line with current market interest rates for companies similar to the Group.

Due to the short-term nature of the remaining financial assets and financial liabilities no significant fair value difference from carrying amount is expected.

The management recognizes that if a fair value of financial assets and liabilities would be assessed as an amount at which an asset could be exchanged or liability settled on an arm's length basis with knowledgeable third parties the fair values obtained of the respective assets and liabilities would not be materially different.

No transfers between fair value levels incurred during the year.

Notes to the Consolidated Financial Statements

(15) Commitments and contingencies

Cooperation agreement with P2P platforms

Cooperation agreements with P2P platforms require to maintain positive amount of equity (including subordinated loans) at all times in. 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 as a whole is in compliance with these covenants at 30 June 2022.

Sun Finance Treasury Notes

There are restrictions in the Terms and conditions for bonds registered in NASDQ CSD. Financial covenants are following:

Notes issued in 2020

1. EBITDA to Net Finance Charges must be at least at least 1.75x
2. Capitalization ratio is at least 20%
3. Unencumbered Receivables to total amount of the debt under the Notes is at least 1.2x

Notes issued in 2021

1. EBITDA to Net Finance Charges must be at least at least 1.75x
2. Capitalization ratio is at least 20%
3. Unencumbered Net Receivables to total amount of the debt under the Notes is at least 1.2x There are no other limitations regarding additional and permitted debt and securities

The Group is in compliance with all covenants at 30 June 2022.

(16) Subsequent events

On 19 August 2022, the Group registered a 3-year senior unsecured bond for EUR 50 million with an annual interest rate of 11.0% + 3M EURIBOR. Bond maturity is 30 September 2025.



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