Sun Finance

AS Sun Finance Group

Consolidated Financial Statements

as at and for the year ended
31 December 2021

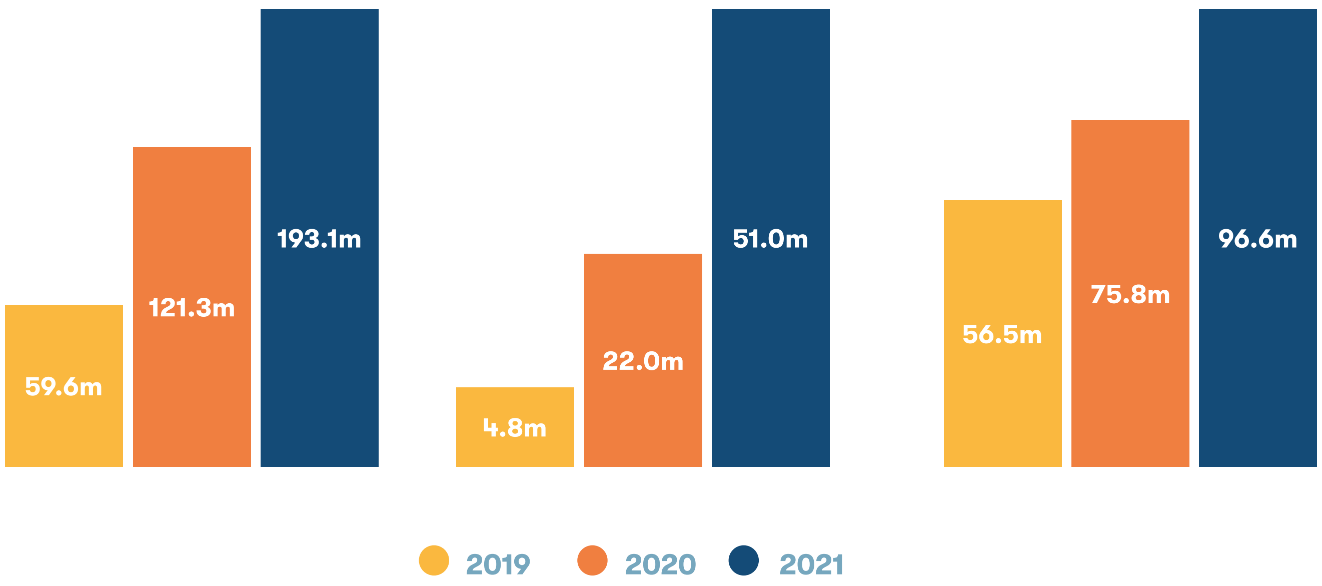
Address: Skanstes Street 52, Riga, LV-1013

Content

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	Aleksandrs Čerņagins, Chairman of the Board (from 08.04.2019 till 22.01.2020)
	Emīls Latkovskis, Chairman of the Board (from 22.01.2020)
Reporting period	01.01.2021 – 31.12.2021
Information on shareholders	AS Puzzle International: 86.99% Other shareholders: 13.01%
Auditors	AS Baker Tilly Baltics Kronvalda Bulvaris 10-32 Riga, Latvia LV-1010

Interest Income | Net Profit | Net Portfolio



7+

Countries where we operate

>6.7m

Registered users

€35m

Bonds listed on First North

>1.2bn

Loans issued since inception

941

Group's Employees

€81.2m

FY 2021 EBITDA

3rd fastest growing Fintech in Europe

For the second year in a row, Sun Finance Group has been recognized by the Financial Times as one of the 1000 Fastest Growing European Companies. On the list published in March 2022, Sun Finance ranked as the 3rd fastest growing fintech company and was the only Latvian company included in this year's ranking. Last year, Sun Finance landed in 2nd place on this list, the highest-ever achievement for any company from the Baltics.

FT FINANCIAL TIMES statista
TOP 1 FINTECH IN EUROPE 2021

FT FINANCIAL TIMES statista
TOP 3 FINTECH IN EUROPE 2022

A socially responsible and environmentally friendly company

The HQ office is a participant of the WWF Green Office program with the aim to reduce greenhouse gas emissions and the ecological footprint of the workplace

The Group has received the highest level of Carbon Footprint Standard and became a Carbon Neutral company in 2021

Company's employees are encouraged to support their local communities with projects of their own initiative by giving an additional day off and providing financial support towards the project of their choosing.

WWF GREEN OFFICE

carbon footprint standard™ Carbon Neutral Organisation

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 31 December 2021 was EUR 340 thousand divided into 3 109 090 ordinary shares, and 290 910 personal shares with nominal value of EUR 0.1 each.

2021 – a year of growth

During the year of 2021, the Group significantly grew the loan issuance volume as the world had adapted to the pandemic. In 2021, the loans issued amounted to EUR 456.9m, an increase of 47% compared to EUR 311.1m issued in 2020. In combination with the carried-out efficiency projects across the Group in 2020, it allowed the Group to achieve record profitability of EUR 51.0m in 2021.

In Q1'21, a development of Instalment product was finalised and launched as a pilot in selected markets, as part of the Group-wide strategy to expand both horizontally (geographies) and vertically (product offering). Products in the existing markets were significantly scaled, allowing to achieve new records not only in terms of loan issuance volume, but also revenue and profitability.

In March, Sun Finance Group was recognised by the Financial Times as the second fastest growing European company, the highest result ever achieved by a company from the Baltics. This recognition proved that the strategy chosen by the Group stands out on a more global scale and served as an additional motivation to reach our ever-increasing goals.

As the Q2'21 came to a close, an important milestone for the Group was achieved – EUR 1bn in issued loans since its inception. This noteworthy mark was accomplished in just over a 4-year period since the first product was launched. The Group has managed to continuously increase loan issuance volumes quarter on quarter since Q2'20.

In the beginning of Q3'21, the Group also completed its largest bond issue to date – EUR 20m, with annual coupon rate of 11% and maturity in June, 2024. In October, the Group finalised the listing process of its EUR 15m bond on the Nasdaq First North market – another significant milestone and next step in Sun Finance's growth and strategy, offering investors access to increased liquidity.

Several Covid-19 outbreaks were experienced across the Group's operational markets also in 2021, the most severe being in Q3'21; however, the Group was ready to swiftly adapt and sustained the growth trajectory throughout this period. During most of the year the Group and its respective country subsidiaries operated on a mixed working setup, to ensure that all necessary measures have been taken to limit the potential contagion risks within employees.

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 96.6m was reached at the end of 2021, recording an increase of 27% compared to EUR 75.8m in 2020. Interest income has grown by 59.2%, reaching EUR 193.1m, from EUR 121.3m in 2020. The Group recorded a net profit of EUR 51.0m in 2021, more than twice exceeding the result of 2020 - EUR 22.0m.

During the period, the Group demonstrated an upward trend in terms of most key business metrics, including total number of employees, reaching 941 at the end of the year, 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

In April 2021, the Group successfully registered a 2-year subordinated corporate bond private placement in Nasdaq CSD SE, for EUR 30 million at par with an annual interest rate of 12.0%. Bond maturity is February 2023.

In July 2021, the Group successfully registered a 3-year corporate bond private placement in Nasdaq CSD, for EUR 20 million at par with an annual interest rate of 11.0%. Bond maturity is June 2024. The bond issue was in part used to refinance the Group's first subordinated EUR 10 million bond, maturing in August 2021. Majority of the investors rolled over their investment in the new bond issue, demonstrating trust in the Group's chosen strategy.

The Group's second tranche of the EUR 15 million bond issuance is due to mature in September 2022. The Group is currently reviewing the range of potential routes, including refinancing and full repayment of the bond tranche.

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 2021 loans from 3 out of Group's 7 markets were listed on the marketplace – Poland, Latvia, Kazakhstan.

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 plans to focus on scaling the Instalment Loan product during 2022 and its introduction in new markets. In addition, the Group is actively working on a Buy Now Pay Later (BNPL) product development, launched in a pilot version during Q1'22.

Management Report

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

Interest income for the twelve months ended 31 December 2021 amounted to EUR 193 129 thousand, compared with EUR 121 306 thousand in 2020, which represents an increase of 59.2%. The increase in interest income is related to continued growth in established markets.

The balance of outstanding net loans at the end of 2021 was EUR 96 571 thousand, a 27.4% increase compared with EUR 75 822 thousand as of 31 December 2020. 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 year ended 31 December 2021 amounted to EUR 68 712 thousand, a 2.3x increase from the profit of EUR 30 479 thousand reported for the twelve months ended 31 December 2020.

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

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. Please see Note 34 for more detailed analysis of Group's sensitivity to different currencies in which we operate in.

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 31 December 2021, 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 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.

Emils Latkovskis
Chairman of the Board
5 May 2022


14:29
13:29
13:29
17:30
6:29
19:29

Consolidated Statement of Profit and Loss and Other Comprehensive Income

	Note	2021 EUR	2020 EUR
Interest income	6	193 129 401	121 306 296
Interest expense	7	(11 390 035)	(8 164 256)
Net interest income		**181 739 366**	**113 142 040**
Net impairment losses on loans and receivables	8	(30 063 559)	(8 913 524)
Gain/losses from derecognition of financial assets measured at amortised cost	19	(50 075 579)	(39 084 156)
Operating costs	9,31	(43 872 483)	(32 866 803)
Other operating income	10	14 535 952	5 427 708
Other operating expense	11	(5 195 549)	(969 682)
Net foreign exchange result	12	1 644 259	(6 256 210)
Profit before tax		**68 712 407**	**30 479 373**
Corporate income tax	13	(17 677 345)	(8 439 199)
Profit for the period		**51 035 062**	**22 040 174**
Profit attributable to:			
Equity holders of the Group		49 228 064	22 028 679
Non-controlling interests		1 806 998	11 495
Profit for the period		51 035 062	22 040 174
Other comprehensive income / loss			
Foreign currency translation differences on foreign operations			
Equity holders of the Group		495 064	(171 465)
Non-controlling interests		2 173	(27 350)
Total comprehensive income for the period		51 532 299	21 841 359
Total comprehensive income/(loss) attributable to:			
Equity holders of the Group		49 723 128	21 857 214
Non-controlling interests		1 809 171	(15 855)
Total comprehensive income for the period		51 532 299	21 841 359

The accompanying notes on pages 17 to 66 form an integral part of these consolidated financial statements.

Emils Latkovskis
Chairman of the Board
5 May 2022

Consolidated Statement of Financial Position

	Note	2021 EUR	2020 EUR
Assets			
Property and equipment	15	3 922 753	2 626 015
Intangible assets and goodwill	16	16 817 780	19 222 645
Tangible and intangible assets		**20 740 533**	**21 848 660**
Other loans and receivables	17	236 929	204 059
Non-current financial assets	18	31 702	29 091
Deferred tax asset	14	1 754 627	1 012 624
Non-current financial assets		**2 023 258**	**1 245 774**
Total non-current assets		**22 763 791**	**23 094 434**
Loans and advances to customers	19	96 570 541	75 821 923
Other loans and receivables	17	19 840	2 698 367
Prepaid expense		735 527	446 481
Other receivables	20	18 326 058	11 134 977
Cash and cash equivalents	21	7 227 342	8 713 085
Total current assets		**122 879 308**	**98 814 833**
TOTAL ASSETS		**145 643 099**	**121 909 267**

The accompanying notes on pages 17 to 66 form an integral part of these consolidated financial statements.

Emils Latkovskis
Chairman of the Board
5 May 2022

Consolidated Statement of Financial Position

	Note	31.12.2021 EUR	31.12.2020 EUR
Shareholder's equity			
Share capital and Share premium	22	367 040	367 040
Reserves	2,31	1 339 842	1 210 000
Currency translation reserve		181 045	(314 019)
Retained earnings		28 007 816	18 447 757
brought forward		19 311 004	3 707 124
for the period		49 228 064	22 028 679
current period dividends		(40 531 252)	(7 288 046)
Total equity attributable to equity holders of the Company		**29 895 743**	**19 710 778**
Non-controlling interest		(751 894)	(323 674)
TOTAL EQUITY		**29 143 849**	**19 387 104**
Liabilities			
Loans and borrowings	23	58 054 160	36 441 726
Non-current liabilities		**58 054 160**	**36 441 726**
Loans and borrowings	23	35 453 013	51 177 383
Prepayments and other payments received from clients	24	1 133 664	512 341
Trade and other payables	25	6 359 322	5 563 064
Corporate income tax payable	13	10 742 068	6 729 631
Taxes payable	26	1 528 442	729 703
Accrued liabilities	27	3 228 581	1 368 315
Current liabilities		**58 445 090**	**66 080 437**
TOTAL LIABILITIES		**116 499 250**	**102 522 163**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**145 643 099**	**121 909 267**

The accompanying notes on pages 17 to 66 form an integral part of these consolidated financial statements.

Emils Latkovskis
Chairman of the Board
5 May 2022

Consolidated Statement of Cash Flows

	Note	2021 EUR	2020 EUR
Cash flows from operating activities			
Profit before taxes		68 712 407	30 479 373
Adjustments for:			
Depreciation and amortization		1 084 853	885 827
Impairment of goodwill		3 341 266	-
Sold portfolio write-off		81 495 551	64 433 551
Increase in impairment allowance		30 063 559	8 913 524
Write-off and disposal of intangible and property and equipment assets		647 608	112 186
Provisions (except doubtful debt allowance)		1 870 498	330 385
Increase in reserves		129 842	480 000
Non-controlling interest retained earnings		(808 521)	(6 301)
Interest income		(146 583)	(383 590)
Interest expenses		11 390 035	8 164 256
Profit or loss before adjustments for the effect of changes to current assets and short-term liabilities		**197 780 515**	**113 409 211**
Adjustments for:			
Increase in loans and advances to customers		(132 307 729)	(88 404 487)
(Increase) / decrease in other assets		(8 101 017)	6 133 234
Increase / (decrease) in accounts payable to suppliers, contractors, and other creditors		2 265 028	(12 741 360)
Gross cash flows from operating activities		**59 636 797**	**18 396 598**
Corporate income tax paid		(13 664 907)	(7 095 547)
Net cash flows used in operating activities		**45 971 890**	**11 301 051**

Consolidated Statement of Cash Flows

	Note	2021 EUR	2020 EUR
Cash flows from investing activities			
Purchase of property and equipment and intangible assets		(3 377 626)	(1 079 927)
Increase share capital		-	47 040
Net cash flows through business combinations		(167 799)	(2 023 004)
Loans issued to related parties		(448 079)	(3 614 277)
Received loan repayment		2 311 748	1 404 628
Interest received		867 640	179 114
Net cash flows used in investing activities		**814 116**	**(5 086 426)**
Cash flows from financing activities			
Loans received and notes issued		72 312 462	18 122 207
Repayment of loans		(42 570 972)	(2 563 226)
Interest payments		(8 126 993)	(2 686 429)
Funding received from P2P		20 338 694	43 316 860
Repayment of funding received from P2P		(47 045 674)	(50 612 116)
Dividend payments		(41 957 950)	(7 321 515)
Net cash flows from financing activities		**(47 050 433)**	**(1 744 219)**
Net increase/(decrease) in cash and cash equivalents		**(1 892 659)**	**4 470 406**
Cash and cash equivalents at the beginning of the period		**8 713 085**	**3 173 544**
Effect of exchange rate fluctuations on cash		406 916	1 069 135
Cash and cash equivalents at the end of the period	21	**7 227 342**	**8 713 085**

The accompanying notes on pages 17 to 66 form an integral part of these consolidated financial statements.

Emils Latkovskis
Chairman of the Board
5 May 2022

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	**320 000**	**-**	**(142 554)**	**730 000**	**3 707 124**	**4 614 570**	**252 085**	**4 866 655**
NCI share capital for business combinations	-	-	-	-	-	-	21 752	21 752
NCI retained earnings for business combinations	-		-	-	-	-	(1 983)	(1 983)
Total comprehensive income			-					
Profit / loss for the reporting period	-		-	480 000	22 028 679	22 508 679	11 495	22 520 174
Other comprehensive income	-		(171 465)	-	-	(171 465)	(27 350)	(198 815)
Transactions with shareholders recorded directly in equity								
Increase in share capital	20 000	27 040	-	-	-	47 040	-	47 040
Interim Dividends	-	-	-	-	(7 288 046)	(7 288 046)	(579 673)	(7 867 719)
01.01.2021	**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								
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**

The accompanying notes on pages 17 to 66 form an integral part of these consolidated financial statements.

Emils Latkovskis
Chairman of the Board
5 May 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). The Company is operating as the holding company for several subsidiaries in Europe, Scandinavia, Central Asia, Southeast Asia and South America (together referred to as the 'Group'). The Group entities provide consumer loans to customers and currently the Group has active lending operations in Poland, Latvia, Kazakhstan,Denmark, Mexico, Sweden and Vietnam.

AS Sun Finance Group was established in April 2019. In 2020 it has acquired from related and third parties the operating entities in Sweden and Vietnam.

(2) Basis of preparation

These consolidated annual financial statements as of and for the year ended 31 December 2021 are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). The Group's consolidated annual financial statements and its financial result are affected by accounting policies, assumptions, estimates and management judgement (Note 3), which necessarily have to be made in the course of preparation of the annual consolidated financial statements.

The Group's management makes estimates and assumptions that affect the reported amounts of assets and liabilities within the current and next financial period. All estimates and assumptions required in conformity with IFRS are best estimates undertaken in accordance with the applicable standard. Estimates and judgements are evaluated on a continuous basis, and are based on past experience and other factors, including expectations with regard to future events. Accounting policies and management's judgements for certain items are especially critical for the Group's results and financial situation due to their materiality. Future events occur which cause the assumptions used in arriving at the estimates to change. The effect of any changes in estimates will be recorded in the financial statements, when determinable.

These consolidated financial statements were approved by the Company's Board on 5 May 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 consolidated financial statements are prepared on a historical cost basis except for some financial assets and liabilities measured at fair value.

The preparation of 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 consolidated 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 consolidated 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 2021 Group companies operated in the functional currencies of EUR, DKK, PLN, KZT, SEK, VND, MXN, KGS, UZS, PHP, USD, IDR, NOK and LKR 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 consolidated 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 31 December 2021. 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 consolidated 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:

	31.12.2021	31.12.2020
PLN	4.59690	4.55970
DKK	7.43640	7.44090
KZT	487.79000	516.13000
MXN	23.14380	24.41600
KGS	95.78570	101.32040
UZS	12 224.88000	12 786.03000
SEK	10.25030	10.03430
VND	26 546.33000	28 417.15000
PHP	57.76300	59.12500
USD	1.13260	1.22710
IDR	16 100.42000	17 240.76000
NOK	9.98880	10.47000
LKR	226.86100	-

(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 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.

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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.

Additional information is included in Note 16.

(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 it's carrying amount, the impairment loss is recognized. The recoverable amount of cash generating units has been determined based on value of used calculations. These calculations require the use of estimates as disclosed in Note 16.

(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 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 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.

Group has implemented IFRIC 23 Uncertainty over Income Tax Treatment. Under IFRIC 23 the Group recognize the provisions for the potential tax liabilities if 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.

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 31 December 2020 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 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 (Note 20).

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 and Note 9.

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 23) and are treated as loans received.

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 of gross amount 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.

(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.

(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. The Group has decided to use these beneficial tax regimes to reinvest profits in further development of respective subsidiaries in Latvia, therefore it does not plan to distribute dividends from these subsidiaries in foreseeable future, therefore, no deferred income tax liabilities are recognised. Maximum possible tax liability in case all retained earnings were distributed is disclosed in Note 14.

(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.

(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.

(xx) Changes in accounting policies

The Group has consistently applied the accounting policies set out in Note 3.

New standards and interpretations adopted

The Group have adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2021.

New standards, amendments to standards and interpretations which did not have a significant effect to the Group:

- IFRS 4 Insurance Contracts: Deferral of IFRS 9 – Amendments (effective for annual periods beginning on or after 1 January 2021)
- IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform, Phase 2 – Amendments (effective for annual periods beginning on or after 1 January 2021)
- IFRS 16 Leases: Covid-19 Related Rent Concessions beyond 30 June 2021 – Amendments (effective for annual periods beginning on or after 1 April 2021)

Standards, amendments and interpretations issued and endorsed in the EU but not yet effective

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2021 and have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Group are set out below.

- IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies - Amendments (IASB: effective for annual periods beginning on or after 1 January 2023)
- IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates – Amendments (IASB: effective for annual periods beginning on or after 1 January 2023)

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- IFRS 17 Initial Application of IFRS 17 and IFRS 9 – Comparative Information (effective for annual periods beginning on or after 1 January 2023)
- IFRS 3, IAS 16, IAS 37 - Amendments (effective for annual periods beginning on or after 1 January 2022)
- Annual Improvements to IFRS 2018-2020 Cycle – Amendments (effective for annual periods beginning on or after 1 January 2022)

The Group does not plan to adopt these standards early. None of these amendments are expected to have a significant impact on the consolidated financial statements of the Group.

Standards, amendments and interpretations, issued but not yet endorsed by the EU

- IFRS 17 Insurance Contracts: Initial Application of IFRS 17 and IFRS 9 - Amendments (IASB: effective for annual periods beginning on or after 1 January 2023)
- IAS 1: Classification of Liabilities as Current or Non-current - Amendments (IASB: effective for annual periods beginning on or after 1 January 2023)
- IAS 12 Deferred tax related to Assets and Liabilities arising from a Single Transaction – Amendments (IASB: effective for annual periods beginning on or after 1 January 2023)

The Group has not yet assessed the impact of the above standards, amendments and interpretations on the Group's accounting policies and financial statements.

(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, 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. Quantitative information on the Group's credit risks is disclosed in Note 35.

(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. Maturity analysis on the Group's financial assets and liabilities is disclosed in Notes 32.

(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.

An analysis of sensitivity of the Group's net income for the year and equity to changes in the foreign currency exchange rates based on positions existing as at 31 December 2020 and a simplified scenario of a 5% change in DKK, PLN, KZT, MXN, SEK and VND to EUR exchange rates is as follows:

(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.

	31 December 2021		31 December 2020	
	Net income EUR '000	Equity EUR '000	Net income EUR '000	Equity EUR '000
5% appreciation of DKK against EUR	167	167	657	657
5% depreciation of DKK against EUR	(167)	(167)	(657)	(657)
5% appreciation of PLN against EUR	663	663	833	833
5% depreciation of PLN against EUR	(663)	(663)	(833)	(833)
5 % appreciation of KZT against EUR	1,972	1,972	1 151	1 151
5% depreciation of KZT against EUR	(1,972)	(1,972)	(1 151)	(1 151)
5% appreciation of MXN against EUR	238	238	197	197
5% depreciation of MXN against EUR	(238)	(238)	(197)	(197)
5% appreciation of SEK against EUR	267	267	104	104
5% depreciation of SEK against EUR	(267)	(267)	(104)	(104)
5% appreciation of VND against EUR	372	372	189	189
5% depreciation of VND against EUR	(372)	(372)	(189)	(189)

(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 behaviour. 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 authorisation 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 36.

(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 year ended 31 December 2020. Key sources of estimation uncertainty are:

- Recoverable amount of goodwill (see Note 16)

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 19)

The measurement of impairment losses under IFRS 9 across all categories of financial assets in scope requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances. The Group's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include Probability of Default and Loss Given Default, judgment is applied also when determining significant increase in credit risk.

- Recoverability of deferred tax asset (see Note 14)

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 2022- has been approved by the Management Board, while 2023-2024 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 (see Note 31)

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 (for both of the plans described in Note 31).

- Lease term determination under IFRS 16 (see Note 15)

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.

Notes to the Consolidated Financial Statements

- Provisions and contingencies (see Note 36)

A provision is recognised in the statement of financial position when the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect 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.

Contingent liabilities are not recognized in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

Notes to the Consolidated Financial Statements

(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.

	2021 EUR	2020 EUR
Interest income calculated using the effective interest method	193 129 401	121 306 296
Total	**193 129 401**	**121 306 296**

(7) Interest expense

	2021 EUR	2020 EUR
Interest expenses for loans from peer-to-peer platform investors	3 541 344	5 341 193
Interest expense on issued bonds	3 337 682	1 200 634
Interest expense for loans from non-related parties	3 191 014	1 164 908
Interest expense for loans from related parties	1 249 181	399 195
Interest expense for lease liabilities	70 814	55 798
Other interest expense	-	2 528
TOTAL	**11 390 035**	**8 164 256**

(8) Net impairment losses on loans

	2021 EUR	2020 EUR
Impairment losses on loans	74 764 032	43 699 744
Reversal of provision on debt portfolio sales	(57 895 650)	(41 244 938)
Recovery from written-off loans	13 195 177	6 458 909
Written-off debts	-	(191)
TOTAL	**30 063 559**	**8 913 524**

Notes to the Consolidated Financial Statements

(9) Operating costs

	2021 EUR	2020 EUR
Personnel costs (see also Note 31 Share-based payments)	13 729 635	12 334 369
Marketing and sponsorship	8 422 832	4 490 425
Professional services	5 377 071	3 334 227
Data costs	3 255 023	2 631 420
IT expenses	2 013 966	1 560 941
Communication expenses	1 989 542	1 233 305
Debt collection costs	1 643 526	1 312 261
Legal and consulting	1 639 473	820 886
Bank services	1 612 661	1 730 067
Rent expenses and utilities	1 142 166	939 393
Amortization and depreciation	1 084 853	885 827
Office expenses	775 141	400 065
Service fee for peer-to-peer platform	493 176	705 589
Other costs	693 418	488 028
TOTAL	**43 872 483**	**32 866 803**

Key management personnel compensation	2021 EUR	2020 EUR
Members of the board		
Remuneration*	941 791	1 226 055
Social security contribution expenses	147 015	511 222
TOTAL	**1 088 806**	**1 737 277**

* - Including vacation accruals

Average number of employees	2021	2020
Senior management/Executives	34	36
Employees	907	783
TOTAL	**941**	**819**

Key management personnel is considered to be all Group top management employees, regional management employees and country managers. There are no emoluments granted for current and for former members of the management and commitments in respect of retirement pensions for former members of the management. See also Note 31 Share-based payments.

(10) Other operating income

	2021 EUR	2020 EUR
Income from profit sharing arrangements **	10 464 256	1 803 388
Income from management services*	3 700 905	2 713 189
Interest income from issued loans to related and other parties	146 583	383 590
Other income	224 208	527 541
TOTAL	**14 535 952**	**5 427 708**

*The Group provides management services to its related parties and other parties. In 2020 the Group provided management services to entities which have been acquired respectively in January 2020 and April 2020 (see Note 16).

** Based on the profit-sharing arrangement the Group has granted to third party a solution to provide credit scoring services to the Group's customers in some countries and in exchange the Group has unconditional rights and third-party shareholder upon the approval of annual financial statements has an obligation to approve a distribution to the Group a significant part of its net profit. The annual financial statements of this entity for the ended 31 December 2021 have not yet approved. This contract is in the scope of IFRS 15 and the Group recognized the income for the profit earned by third party up to the end of year 2021. The corporate income tax on deemed profit or the net amount of profit distribution will be subject to the tax of 20/80 and will be recognized in the period of deemed profit distribution.

(11) Other operating expense

	2021 EUR	2020 EUR
Impairment of goodwill (see Note 16)	3 341 266	-
Donation	987 694	17 434
Other personnel expenses	182 197	125 221
Penalties paid	114 038	310 056
Non-deductible VAT costs	-	347 320
Other expenses	570 354	169 651
TOTAL	**5 195 549**	**969 682**

(12) Net foreign exchange result

	2021 EUR	2020 EUR
Currency exchange gain	9 481 272	7 553 573
Currency exchange loss	(7 837 013)	(13 809 783)
TOTAL	**1 644 259**	**(6 256 210)**

(13) Corporate income tax

	2021 EUR	2020 EUR
Corporate income tax	16 089 961	7 974 322
Deferred corporate income tax (see Note 14)	(611 048)	(191 709)
Withholding tax	2 198 432	656 586
TOTAL	**17 677 345**	**8 439 199**
Corporate income tax payable	10 742 068	6 729 631

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 addition see Note 14), in Kazakhstan – 20%, in Poland – 19%, in Denmark – 22%, in Sweden - 20.6%, in Vietnam - 20%, in Mexico – 30%. Income tax expenses in other countries are not significant.

Reconciliation of effective income tax:

	2021 EUR	2020 EUR
Profit before corporate income tax	68 712 407	30 479 373
Theoretical corporate income tax at the applicable rate *	14 410 493	6 095 875
Withholding tax	779 854	656 586
Tax effect of permanent differences related to non-deductible expenses	2 486 998	1 686 738
Corporate income tax for the reporting year	**17 677 345**	**8 439 199**

* Tax rate for the Group's parent company for year 2021 and 2020 - 20%.

The effective tax rate of the Group in 2021 was 25.73 % (2020 was 27.69%). The effective tax rate in 2021 and 2020 was mainly impacted by the fact that the impairment (provisions) for loans and receivables are recognised as non-deductible for the corporate income tax purposes in Poland thus is considered as a permanent difference. Management utilizes both in-house tax expertise and external consultants to ensure compliance with tax legislation in the countries in which the Group operates.

(14) Deferred tax asset

Deferred tax relates to the following temporary differences:

Movement in temporary differences during the year ended 31 December 2020

EUR	Profit or loss statement 31 December 2020 Net balance 31 December 2020	Deferred tax asset
Tax loss carry-forward	208 324	133 700
Impairment and write-off losses on loans and receivables	248 438	(31 975)
Unused vacation and other cost accruals	14 895	(5 112)
Fixed assets	(2 553)	(6 990)
Other assets	543 520	102 086
Net deferred corporate income tax assets	**1 012 624**	**191 709**

Movement in temporary differences during the year ended 31 December 2021

EUR	Profit or loss statement 31 December 2021 Net balance 31 December 2021	Deferred tax asset
Tax loss carry-forward	835 704	602 931
Impairment and write-off losses on loans and receivables	513 123	156 173
Unused vacation and other cost accruals	10 215	15 121
Fixed assets	(6 371)	(316 095)
Other assets	401 956	152 918
Net deferred corporate income tax assets	**1 754 627**	**611 048**

At the year-end 2021 the Group has recognised a deferred corporate income tax asset in total amount of EUR 1 754 627 (at the year-end 2020 it was EUR 1 012 624) in subsidiaries located in following countries: Kazakhstan, Poland, Denmark and Philippines. Deferred corporate income tax asset of EUR 611 048 (in 2020 was EUR 191 709) has an increase and impacted the Group's profit or loss statement of the year ended 31 December 2021. All the tax asset recognised is considered as recoverable based on projected performance, results of subsidiaries as well as tax planning opportunities for the Group subsidiary in Kazakhstan. In 2021 the deferred tax asset on the net operating loss of previous years has been recognised for the Group subsidiary in Philippines as it is expected to relaunch the business operations in the country during 2022.

In Latvia deferred tax assets and liabilities are not recognised due to the fundamental changes in the corporate income tax legislation as being effective from 1 January 2018. Starting from 1 January 2018 the corporate income tax in Latvia should be assessed and paid only upon the profit distribution or deemed profit distribution. As the corporate income tax in Latvia at the rate of 20 per cent would be levied on the gross amount of distributed profit and deemed profit or the net amount of profit distribution would be subject to the tax of 20/80, then the unrecognised deferred tax liability for the retained profit in Latvia as at 31 December 2021 would amount to EUR 1 424 845 (as at 31 December 2020 would amount to EUR 3 688 737).

Notes to the Consolidated Financial Statements

The Group has not recognized deferred tax liabilities for taxable temporary differences associated with the investment in subsidiaries as the Group is not planning to distribute the untaxed retained earnings from subsidiaries to the parent companies in the foreseeable future.

(15) Property and equipment

Cost	Computer equipment, EUR	Other equipment, EUR	Leasehold improvements, EUR	Right-of-use assets (office premises), EUR	Total, EUR
01.01.2020	792 744	281 840	159 016	1 964 859	3 198 459
Additions	223 449	146 718	4 147	-	374 314
Acquisition of a subsidiary	50 530	11 578	17 182	-	79 290
Disposals and write-offs	(69 583)	(36 843)	-	-	(106 426)
Reclassification	(12 002)	-	-	-	(12 002)
Effect of changes in foreign exchange rates	(99 176)	(16 538)	(3)	(14 872)	(130 589)
31.12.2020	**885 962**	**386 755**	**180 342**	**1 949 987**	**3 403 046**
01.01.2021	**885 962**	**386 755**	**180 342**	**1 949 987**	**3 403 046**
Additions	204 393	373 913	59 900	1 718 206	2 356 412
Disposals and write-offs	(467 849)	(4 744)	-	(301 867)	(774 460)
Reclassification	71 511	(71 511)	-	-	-
Effect of changes in foreign exchange rates	24 361	18 359	15	31 155	73 890
31.12.2021	**718 378**	**702 772**	**240 257**	**3 397 481**	**5 058 888**

Accumulated depreciation	Computer equipment, EUR	Other equipment, EUR	Leasehold improvements, EUR	Right-of-use assets (office premises), EUR	Total, EUR
01.01.2020	121 196	15 317	-	118 765	255 278
Depreciation	217 166	75 185	22 093	240 964	555 408
Acquisition of a subsidiary	9 686	2 649	6 316	-	18 651
Disposals and write-offs	(19 779)	(6 232)	-	-	(26 011)
Reclassification	-	575	-	-	575
Effect of changes in foreign exchange rates	(21 037)	(1 596)	(43)	(4 194)	(26 870)
31.12.2020	**307 232**	**85 898**	**28 366**	**355 535**	**777 031**
01.01.2021	**307 232**	**85 898**	**28 366**	**355 535**	**777 031**
Depreciation	234 080	89 092	21 883	332 839	677 894
Disposals and write-offs	(227 290)	(1 259)	-	(105 653)	(334 202)
Reclassification	24 419	(24 419)	-	-	-
Effect of changes in foreign exchange rates	7 572	2 248	21	5 571	15 412
31.12.2021	**346 013**	**151 560**	**50 270**	**588 292**	**1 136 135**
Balance as at 01.01.2021	**578 730**	**300 857**	**151 976**	**1 594 452**	**2 626 015**
Balance as at 31.12.2021	**372 365**	**551 212**	**189 987**	**2 809 189**	**3 922 753**

(16) Intangible assets and goodwill

	31.12.2021 EUR	31.12.2020 EUR
Goodwill	14 771 583	17 589 334
Other intangible assets	2 046 197	1 633 311
Total	**16 817 780**	**19 222 645**

Other intangible assets

Cost	Internally developed intangible assets, EUR	Other intangible assets, EUR	Total, EUR
01.01.2020	**1 227 796**	**66 220**	**1 294 016**
Additions	522 029	183 584	705 613
Disposals	-	(31 771)	(31 771)
Reclassification	-	12 002	12 002
Effect of changes in foreign exchange rates	-	(9 158)	(9 158)
31.12.2019	**1 749 825**	**220 877**	**1 970 702**
01.01.2021	**1 749 825**	**220 877**	**1 970 702**
Additions	843 426	177 788	1 021 214
Disposals	-	(211 053)	(211 053)
Effect of changes in foreign exchange rates	-	6 844	6 844
31.12.2021	**2 593 251**	**194 456**	**2 787 707**
Accumulated amortisation			
01.01.2020	**-**	**8 972**	**8 972**
Amortisation	325 221	5 198	330 419
Effect of changes in foreign exchange rates	-	(2 000)	(2 000)
31.12.2020	**325 221**	**12 170**	**337 391**
01.01.2021	**325 221**	**12 170**	**337 391**
Amortisation	398 805	8 155	406 960
Amortisation of disposals	(553)	(3 150)	(3 703)
Effect of changes in foreign exchange rates	-	862	862
31.12.2021	**723 473**	**18 037**	**741 510**
Balance as at 01.01.2021	**1 424 604**	**208 707**	**1 633 311**
Balance as at 31.12.2021	**1 869 778**	**176 419**	**2 046 197**

Business combination and goodwill

	Sun Finance Latin America (Proximus) EUR	Sun Finance Europe EUR	Panamerican EUR	SF Treasury SG EUR	Luma Finans EUR	Other EUR	Total EUR
01.01.2020.	**2 503 586**	**3 341 266**	**3 293 758**	**-**	**-**	**268 297**	**9 406 907**
Considerations paid	-	-	-	1 800 000	2 143 300	-	3 943 300
Total identifiable net assets	-	-	-	(4 135 982)	(1 115 186)	-	(5 251 168)
Non- controlling interest	-	-	-	-	-	-	-
Goodwill at acquisition	**-**	**-**	**-**	**5 935 982**	**3 258 486**	**-**	**9 194 468**
Exchange differences	(327 693)	-	(218 804)	(654 954)	208 642	(19 232)	(1 012 041)
Impairment	-	-	-	-	-	-	-
Other adjustments	-	-	-	-	-	-	-
31.12.2020	**2 175 893**	**3 341 266**	**3 074 954**	**5 281 028**	**3 467 128**	**249 065**	**17 589 334**
01.01.2021	**2 175 893**	**3 341 266**	**3 074 954**	**5 281 028**	**3 467 128**	**249 065**	**17 589 334**
Considerations paid	-	-	-	-	-	488 571	488 571
Total identifiable net assets	-	-	-	-	-	371 724	371 724
Non- controlling interest	-	-	-	-	-	-	-
Goodwill at acquisition	**-**	**-**	**-**	**-**	**-**	**116 847**	**116 847**
Exchange differences	119 607	-	(24 883)	372 174	(73 061)	12 831	406 668
Impairment	-	(3 341 266)	-	-	-	-	(3 341 266)
Other adjustments	-	-	-	-	-	-	-
31.12.2021	**2 295 500**	**-**	**3 050 071**	**5 653 202**	**3 394 067**	**378 743**	**14 771 583**

2020:

SF Treasury SG

The Group acquired 100% of shares of subsidiary SF Treasury SG from related party on 22 February 2020. Total cost of acquisition amounted to EUR 1 800 000. SF Treasury acquisition resulted in the recognition of goodwill of EUR 5 935 982 in 2020. Core business of the subsidiary is holding company's function of CGU Vietnam with main identifiable assets - loans to customers.

Luma Finans

The Group has increased its participation in the share capital of subsidiary Luma Finans from 10% to 100% through the acquisition of shares from unrelated party on 23 January 2020. Total cost of acquisition and value of previously held equity interest amounted to EUR 2 143 300. Luma Finans acquisition resulted in the recognition of goodwill of EUR 3 258 486 in 2020. Core business of the subsidiary is holding of CGU in Sweden with main identifiable assets - loans to customers.

2021:

Finanza

The Group acquired 100% of shares of subsidiary Finanza from unrelated party on 24.02.2021. Total cost of acquisition and value of previously held equity interest amounted to EUR 442 349. Finanza acquisition resulted in the recognition of goodwill of EUR 80 749 in 2021. Core business of the subsidiary is holding of CGU in Latvia with main identifiable assets - loans to customers.

Sotero

The Group acquired 100% of shares of subsidiary Sotero from unrelated party on 19.10.2021. Total cost of acquisition and value of previously held equity interest amounted to EUR 46 222. Sotero acquisition resulted in the recognition of goodwill of EUR 36 098 in 2021. Core business of the subsidiary is holding of CGU in Latvia with main identifiable assets - loans to customers.

Goodwill impairment test

2021:

As at 31 December 2021, goodwill was tested for impairment. The goodwill impairment test was performed for each cash generating unit separately. The recoverable amounts for each unit were calculated based on their value in use, determined by discounting the future cash flows expected to be generated from the continuing activities of the units. Future cash flows discounted by estimated weighted average costs of capital („WACC"). The value-in-use calculations are most sensitive to projected operating cash-flow, terminal growth rates used to extrapolate cash flows beyond the budget period, and discount rates.

1. Projected operating cash-flows. These calculations use the pre-tax cash flow projections based on the financial budgets prepared by management covering five-year period. Sales and costs estimates are based on the past performance, current stage of business development of each CGU and management expectations of legal environment and market development.

2. Cash flows beyond the budget period of 5 years are estimated by terminal value using the exit ratio.

3. Discount rates used varies from 12.89% to 18% and calculated by weighted average costs of capital (WACC) of each CGU.

In 2021 the Group has reviewed its business plan for CGU in Latvia (Sun Finance Europe). At the end of 2022 new product will be introduced to the market, accordingly financial budgets for following years were adjusted and initial product of CGU will be disposed. Accordingly, the Group estimated the recoverable amount of goodwill for this CGU. The recoverable amount of goodwill is estimated based on its value in use of the initial product in 2022 and new product starting from 2023. Taking into account the uncertainties related to the estimated cash flows of new product the Group reassessed its estimates and impaired the goodwill in Sun Finance Europe in full amount. The impairment loss on goodwill in Sun Finance Europe CGU is included in Other operating expense Note 11.

No other impairment losses were recognized because the recoverable amounts of these units including the goodwill allocated were determined to be higher than their carrying amounts. The Group does not disclose the estimated recoverable amount of CGU and values assigned to key assumptions because reasonably possible changes in key assumptions on which management has based its determination of CGU recoverable amount would not cause the CGU carrying amount to exceed its recoverable amount.

(17) Other loans and receivables

	31.12.2021 EUR	31.12.2020 EUR
Loans to other companies	211 383	2 813 068
Loans to individuals	45 386	89 358
TOTAL	**256 769**	**2 902 426**

Non-current	31.12.2021 EUR	31.12.2020 EUR
Loans to other companies	198 516	163 348
Loans to individuals	38 413	40 711
TOTAL	**236 929**	**204 059**

Current	31.12.2021 EUR	31.12.2020 EUR
Loans to other companies	12 867	2 649 720
Loans to individuals	6 973	48 647
TOTAL	**19 840**	**2 698 367**

Detailed information regarding loans to related parties can be seen below:

	Currency	Maturity	Interest rate per annum	Principal amount 31.12.2020 EUR	Accrued interest 31.12.2020 EUR	Principal amount 31.12.2019 EUR	Accrued interest 31.12.2019 EUR
Other Company	VND	Aug 2026	14.5%	188 350	10 167	-	-
Related party	EUR	May 2022	7%	12 786	80	-	-
Individuals	KZT	Jul 2022	16%	6 937	36	-	-
Individuals	EUR	Jan 2024	2%	35 570	2 843	79 094	10 264
Related party	EUR	Feb 2021	12%	-	-	8 000	2 072
Other Company	EUR	Feb 2022	14.3%	-	-	-	4 287
Other Company	EUR	Nov 2021	12.5%/4%	-	-	2 047 147	727 816
Related party	EUR	Dec 2020	5%	-	-	-	440
Other Company	USD	Feb 2022	7%	-	-	21 596	1 710
TOTAL				**243 643**	**13 126**	**2 155 837**	**746 589**

Other loans and receivables inherently are subject to the Group's credit risk. Therefore, a benchmarked PD and LGD rate - based on S&P Global rating corporate statistics studies has been applied in determining the ECLs. ECL was assessed for these receivables and concluded insignificant, therefore no ECLs are recognized.

(18) Non-current financial assets

	31.12.2021 EUR	31.12.2020 EUR
Investments in equity instruments	31 585	29 091
Other financial assets	117	-
TOTAL	**31 702**	**29 091**

Notes to the Consolidated Financial Statements

(19) Loans and receivables from customers

Credit quality of loan portfolio:

	Gross receivables 31.12.2021 EUR	Allowance for doubtful debts 31.12 2021 EUR	Net receivables 31.12.2021 EUR	Gross receivables 31.12.2020 EUR	Allowance for doubtful debts 31.12 2020 EUR	Net receivables 31.12.2020 EUR
No days past due	81 951 727	7 506 410	74 445 317	64 365 802	5 469 352	58 896 450
1-30 days past due	18 284 322	7 888 601	10 395 721	13 287 612	4 918 477	8 369 135
31-60 days past due	9 664 160	6 008 923	3 655 237	6 286 980	3 670 986	2 615 994
61-90 days past due	6 688 368	4 561 434	2 126 934	3 527 777	2 227 637	1 300 140
91+ days past due	22 031 820	16 084 488	5 947 332	12 618 745	7 978 541	4 640 204
TOTAL	**138 620 397**	**42 049 856**	**96 570 541**	**100 086 916**	**24 264 993**	**75 821 923**

Allowance for doubtful debts

	31.12.2021 EUR	31.12.2020 EUR
Balance at the beginning of the period	**24 264 993**	**21 098 258**
Acquisitions through business combinations	-	590 030
Charge for the period	74 764 032	43 699 744
Derecognized on disposal of portfolio	(57 895 650)	(41 244 938)
Currency effect	916 481	121 899
Balance at period end	**42 049 856**	**24 264 993**

Net losses arising from derecognition of financial instruments through debt sales transaction is EUR 50 075 579 (in 2020: EUR 39 084 156).

(20) Other receivables

	31.12.2021 EUR	31.12.2020 EUR
Receivables for sold financial assets	3 924 980	3 071 702
Overpaid VAT	1 161 273	138 883
Trade receivables	516 378	1 148 320
Receivables for provided management services	377 854	894 248
Receivables for attracted funding through P2P platform (see Note 23)	242 373	2 001 921
Cash in transit	166 990	1 064 510
Security deposits	148 541	206 879
Advances to employees	39 997	45 745
Other debtors*	11 747 672	2 562 769
TOTAL	**18 326 058**	**11 134 977**

* Other debtors balance includes profit-sharing arrangements, receivable from payments institutions, prepayments for goods and others. Recoverability of Other debtors are assessed by the Group based on the ECL model. Considering that there are no historical events of default and payments are made based on agreed terms, other debtor balance is classified as fully recoverable and no impairment loss recognized.

(21) Cash and cash equivalents

	31.12.2021 EUR	31.12.2020 EUR
Cash and cash equivalents	7 227 342	8 713 085
TOTAL	**7 227 342**	**8 713 085**

In certain countries the Group provides the possibility to its customer to receive and pay back loans in cash, therefore it holds petty cash at the period end.

(22) Share capital and dividend distribution

Share capital

The Company is incorporated on 8 April 2019. Share capital of the Company as at 31 December 2021 is EUR 340 000 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. In 2020 during the subscriptions to new shares EUR 27 040 of share premium was 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. See also Note 31 Share-based payment.

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	Share capital EUR	Number of Class A Shares	Personnel shares	Total number of Shares
Opening balance as at 31 December 2020	340 000	3 109 090	290 910	3 400 000
Denomination	-	-	-	-
Subscriptions	-	-	-	-
Redemptions	-	-	-	-
Closing balance as at 31 December 2021	**340 000**	**3 109 090**	**290 910**	**3 400 000**

Dividend distribution

Sun Finance Group AS in 2021 has declared interim dividends in total amount of EUR 40 531 252 (2020 – EUR 7 288 046). According to Commercial law interim dividends can be distributed from the period after the end of the previous financial year, but not more than 85 per cent of the profit gained within the period when interim dividends are determined. The Company has prepared interim financial statements on accumulative basis from the beginning of financial year for each interim period and applied 85 per cent cap from the total net profit for applicable period less interim dividends already distributed. Total interim dividends distributed in 2021 equals to 92 per cent from the total cumulative profit of interim periods.

(23) Loans and borrowings

Non-current	31.12.2021 EUR	31.12.2020 EUR
Bonds	24 905 905	4 039 000
Subordinated loans	18 193 319	20 243 802
Loan from related parties	9 035 355	3 615 996
Loan non-related parties	3 683 773	7 126 512
Lease liabilities (see Note 28 Leases)	2 235 808	1 416 416
TOTAL	**58 054 160**	**36 441 726**

Current	31.12.2021 EUR	31.12.2020 EUR
Financing received from P2P investors	16 104 247	39 660 862
Bonds	15 000 000	8 883 909
Loan from non-related parties	3 643 551	2 412 987
Lease liabilities (see Note 28 Leases)	413 788	219 625
Subordinated loans	195 600	-
Loan from related parties	95 827	-
	35 453 013	**51 177 383**
TOTAL	**93 507 173**	**87 619 109**

Detailed information regarding Loans and borrowings can be seen below:

	Currency	Maturity	Interest rate per annum	Principal amount 31.12.2021 EUR	Accrued interest 31.12.2021 EUR	Principal amount 31.12.2020 EUR	Accrued interest 31.12.2020 EUR
Bonds	EUR	Sep 2022 & Feb 2023 & Jun 2024	12% & 11%	39 905 905	-	12 922 909	-
Subordinated loans	EUR	Sep 2024	12%	18 193 319	195 600	20 193 319	50 483
Financing received from P2P investors	EUR, PLN	2022	8,5% - 13,5%	16 043 290	60 957	39 316 179	344 682
Loans from related parties	EUR	Apr, Nov 2023 & Sep 2024 & Jun 2025	12% - 17%	9 035 355	95 827	3 612 458	3 538
Loan from non-related parties	EUR, SEK	Apr 2023-Jun 2025	12% - 17%	7 064 867	262 457	9 327 194	212 305
Lease (refer Note 28)	SEK			2 649 596	-	1 636 042	-
TOTAL				**92 892 332**	**614 841**	**87 008 101**	**611 008**

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 31 December 2021, a total of EUR 15 million (as at 31 December 2020, a total of EUR 4,04 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 36 for further information about commitments and other additional information.

On 27 April 2021, Sun Finance Treasury successfully issued its second 2-year private placement 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 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 36 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 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 36 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.

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 assigs 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 36 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 31 December 2021 amounted to EUR 242 373 (31.12.2020: EUR 2 001 921). Payables for attracted funding's through P2P platform represents the returns of funds and as at December 2021 amounted to EUR 2 970 (31.12.2020: was EUR 198 789).

(24) Prepayments and payments received from clients

	31.12.2021 EUR	31.12.2020 EUR
Overpayment received from clients	1 071 752	467 014
Faulty payments received	61 912	45 327
TOTAL	**1 133 664**	**512 341**

(25) Trade and other payables

	31.12.2021 EUR	31.12.2020 EUR
Trade and other payables	3 358 899	2 041 082
Deferred income*	2 355 842	2 357 017
Salaries payable	377 710	300 603
Unpaid dividends	263 901	604 310
Payables for attracted funding through P2P platform (see Note 23)	2 970	198 789
Other liabilities	-	61 263
TOTAL	**6 359 322**	**5 563 064**

* Deferred income consists of Interest income calculated using the effective interest method allocated over the relevant period.

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(26) Taxes payable

	31.12.2021 EUR	31.12.2020 EUR
Value added tax	986 436	359 573
Social security contributions	261 011	166 974
Personal income tax	169 550	165 031
Other taxes	111 445	38 125
TOTAL	**1 528 442**	**729 703**

(27) Accrued liabilities

	31.12.2021 EUR	31.12.2020 EUR
Accruals for vacation	572 603	452 414
Other accrued liabilities	2 655 978	915 901
TOTAL	**3 228 581**	**1 368 315**

(28) Leases

The Group applied IFRS 16 with the date of initial application of 8 April 2019.
The Group leases mainly only office premises and vehicles. The leases typically run for a period from 1 to 10 years with an option to renew the lease after that date. Lease payments are usually increased annually to reflect market rent rates.

(29) Related party transactions

The main ultimate beneficial shareholder of the Group, Aigars Kesenfelds, entities controlled by this individual or close family members of this individual are classified as Shareholder controlled companies. Key management persons and entities controlled and jointly controlled by them are classified as Other related parties.

Receivables and payables incurred are not secured with any kind of pledge.

Notes to the Consolidated Financial Statements

	Shareholder controlled companies 31.12.2021 EUR	Other related parties 31.12.2021 EUR	Shareholder controlled companies 31.12.2020 EUR	Other related parties 31.12.2020 EUR
Receivables from related parties:				
Other loans and receivables	-	-	440	10 072
Trade and other receivables	2 629	367	13 786	-
Borrowings and payable to related parties:				
Loan and borrowings	-	9 332 449	-	3 615 996
Trade and other payables	32 338	13 068	47 569	6 525

The income and expense items with related parties for 2021 and 2020 were as follows:

	Shareholder controlled companies 2021 EUR	Other related parties 2021 EUR	Shareholder controlled companies 2020 EUR	Other related parties 2020 EUR
Interest income from related parties:				
Other income	-	160	139 440	55 672
Interest expenses from related parties:				
Interest expenses	-	890 782	-	399 195
Other income:				
Service income	16 179	1 075	-	-
Other expenses:				
Service expense	544 062	167 496	751 535	89 807
Other transaction with related party:	-	-	34 407	1 800 000*

* Acquisition of shares of SF Treasury SG PTE LTD, see also Note 16.

(30) 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 2020	Level 1 EUR	Level 2 EUR	Level 3 EUR	Total fair values EUR	Total carrying amount EUR
Financial assets					
Cash and cash equivalents	-	-	-	8 713 085	8 713 085
Loans and advances due from customers	-	-	75 821 923	75 821 923	75 821 923
Other financial assets	-	-	14 512 975	14 512 975	14 512 975
Total financial assets			**90 334 898**	**99 047 983**	**99 047 983**
Financial liabilities					
Loans and borrowings	-	-	87 619 109	87 619 109	87 619 109
Accounts payable to suppliers	-	-	6 931 379	6 931 379	6 931 379
Other liabilities	-	-	512 341	512 341	512 341
Total financial liabilities			**95 062 829**	**95 062 829**	**95 062 829**
31 December 2021					
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	-	-	19 350 056	19 350 056	19 350 056
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**

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.

(31) Share based payments

The Group may grant share options of Subsidiaries to its employees. Share options are generally awarded on the first day of employment. A share-based payment is primarily a payment in equity instruments of the entity. The Group does not have a present obligation to settle in cash therefore awards are classified as equity settled. The Group does not have a past practice of cash settlement for these awards. The standard vesting period is for 4 years.

Equity-settled transactions
The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model. That cost is recognized in employee benefits expense together with a corresponding increase in equity (other capital reserves) over the period in which the service and where applicable the performance conditions are fulfilled (the vesting period). The cumulative expense recognized for equity-settled transactions at each

reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest.

No expense is recognized for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. Where awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied. Management has considered the financial position of the Subsidiaries and the Group 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 and effectively indicate that at 31 December 2021 fair value of the employee options would be amounted to EUR 1 338 000 (31.12.2020 – EUR 1 210 000). Fair value is measured using discounted cash flow and market multiple approach. Share option fair value at grant date estimated at EUR 17,03 per share.

93 306 share options have been granted up to 31 December 2021 (2020: 82 805). The exercise price for the option is 0 EUR and the weighted average remaining contracted life for the share options outstanding as at 31 December 2021 is 6 months. There have been 2 072 share options forfeited during the year. There have been no exercised or expired share options during the year.

(32) Maturity analysis

The following table shows discounted financial assets and liabilities by remaining contractual maturity dates as at 31 December 2020.

Assets EUR	On demand/ less than 1 month	From 1 to 3 month	From 3 to 6 month	From 6 month to 1 year	More than 1 year	Overdue	TOTAL
Cash and cash equivalents	8 713 085	-	-	-	-	-	**8 713 085**
Loans and advances to customers	58 801 497	-	-	-	-	17 020 426	**75 821 923**
Other loans and receivables	-	58 719	-	2 639 208	204 059	440	**2 902 426**
Other receivables	11 610 549	-	-	-	-	-	**11 610 549**
Total financial assets	**79 125 131**	**58 719**	**-**	**2 639 208**	**204 059**	**17 020 866**	**99 047 983**

Liabilities EUR	Demand less than 1 month	From 1 to 3 month	From 3 to 6 month	From 6 month to 1 year	More than 1 year	Overdue	TOTAL
Loans and borrowings	39 660 862	-	1 118 355	10 398 166	36 441 726	-	**87 619 109**
Accounts payable to suppliers	3 206 047	-	-	-	-	-	**3 206 047**
Corporate income tax payable	6 729 631	-	-	-	-	-	**6 729 631**
Taxes payable	729 703	-	-	-	-	-	**729 703**
Total financial liabilities	**50 326 243**	**-**	**1 118 355**	**10 398 166**	**36 441 726**	**-**	**98 284 490**
Net position	**28 798 888**	**58 719**	**(1 118 355)**	**(7 758 958)**	**(36 237 667)**	**17 020 866**	**763 493**
Net cumulative position	**28 798 888**	**28 857 607**	**27 739 252**	**19 980 294**	**(16 257 373)**	**763 493**	**-**

The following table shows discounted financial assets and liabilities by remaining contractual maturity dates as at 31 December 2021.

Assets EUR	On demand/ less than 1 month	From 1 to 3 month	From 3 to 6 month	From 6 month to 1 year	More than 1 year	Overdue	TOTAL
Cash and cash equivalents	7 227 342	-	-	-	-	-	**7 227 342**
Loans and advances to customers	74 445 317	-	-	-	-	22 125 224	**96 570 541**
Other loans and receivables	-	-	12 867	6 973	236 929	-	**256 769**
Other receivables	19 093 287	-	-	-	-	-	**19 093 287**
Total financial assets	**100 765 946**	**-**	**12 867**	**6 973**	**236 929**	**22 125 224**	**123 147 939**

Liabilities EUR	Demand less than 1 month	From 1 to 3 month	From 3 to 6 month	From 6 month to 1 year	More than 1 year	Overdue	TOTAL
Loans and borrowings	16 697 488	-	1 183 238	17 572 287	58 054 160	-	**93 507 173**
Accounts payable to suppliers	6 359 322	-	-	-	-	-	**6 359 322**
Corporate income tax payable	10 742 068	-	-	-	-	-	**10 742 068**
Taxes payable	1 528 422	-	-	-	-	-	**1 528 442**
Total financial liabilities	**35 327 320**	**-**	**1 183 238**	**17 572 287**	**58 054 160**	**-**	**112 137 005**
Net position	**65 438 626**	**-**	**(1 170 371)**	**(17 565 314)**	**(57 817 231)**	**22 125 224**	**11 010 934**
Net cumulative position	**65 438 626**	**65 438 626**	**64 268 255**	**46 702 941**	**(11 114 290)**	**11 010 934**	**-**

(33) Analysis of financial liabilities' contractual undiscounted cash flows

The table below presents the cash flows payable by the Group under contractual financial liabilities by remaining contractual maturities as at the reporting date.

The amounts disclosed in the table are the contractual undiscounted cash flows in comparison with the carrying amounts of financial liabilities comprising discounted cash flows as at the reporting date.

The analysis as at 31 December 2020 was as follows:

Non-derivative liabilities	Carrying amount	Total nominal inflow/ (outflow)	On demand/ less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 month to 12 months	More than 1 year
Loans and borrowings	87 619 109	97 239 848	40 160 586	1 572 538	2 444 847	12 546 813	40 515 064
Accounts payable to suppliers	3 206 047	3 206 047	3 206 047	-	-	-	-
Total	**90 825 156**	**100 445 895**	**43 366 633**	**1 572 538**	**2 444 847**	**12 546 813**	**40 515 064**
Credit related commitments	**-**	**-**	**-**	**-**	**-**	**-**	**-**

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The analysis as at 31 December 2021 was as follows:

Non-derivative liabilities	Carrying amount	Total nominal inflow/ (outflow)	On demand/ less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 month to 12 months	More than 1 year
Loans and borrowings	93 507 173	110 148 675	16 918 456	2 267 596	3 441 752	20 666 286	66 854 585
Accounts payable to suppliers	6 359 322	6 359 322	6 359 322	-	-	-	-
Total	**99 866 495**	**116 507 997**	**23 277 778**	**2 267 596**	**3 441 752**	**20 666 286**	**66 854 585**
Credit related commitments	**-**	**-**	**-**	**-**	**-**	**-**	**-**

(34) Currency analysis

The following table shows the currency structure of financial assets and liabilities at 31 December 2020:

Assets EUR	EUR	PLN	DKK	SEK	VND	KZT	MXN	Other	TOTAL
Cash and cash equivalents	2 546 201	312 400	1 251 341	1 086 808	680 411	1 621 393	963 124	251 407	**8 713 085**
Loans and advances to customers	13 735 589	17 850 031	12 145 369	3 529 499	3 581 723	21 568 267	3 291 956	119 489	**75 821 923**
Other financial assets	9 160 142	1 694 001	999 931	153 069	375 864	1 871 332	36 884	221 752	**14 512 975**
Total financial assets	**25 441 932**	**19 856 432**	**14 396 641**	**4 769 376**	**4 637 998**	**25 060 992**	**4 291 964**	**592 648**	**99 047 983**

Liabilities EUR	EUR	PLN	DKK	SEK	VND	KZT	MXN	Other	TOTAL
Loans and borrowings	82 352 910	2 590 115	205 567	2 293 422	-	116 905	57 528	2 662	**87 619 109**
Accounts payable to suppliers	2 172 608	526 187	943 329	172 974	809 843	1 912 408	287 677	106 353	**6 931 379**
Other financial liabilities	45 327	74 347	115 472	214 644	42 506	17 857	-	2 188	**512 341**
Total financial liabilities	**84 570 845**	**3 190 649**	**1 264 368**	**2 681 040**	**852 349**	**2 047 170**	**345 205**	**111 203**	**95 062 829**
Net position	**(59 128 913)**	**16 665 783**	**13 132 273**	**2 088 336**	**3 785 649**	**23 013 822**	**3 946 759**	**481 445**	**3 985 154**

Notes to the Consolidated Financial Statements

The following table shows the currency structure of financial assets and liabilities at 31 December 2021:

Assets EUR	EUR	PLN	DKK	SEK	VND	KZT	MXN	Other	TOTAL
Cash and cash equivalents	1 441 725	44 925	95 960	376 843	1 410 414	2 711 814	936 932	208 729	**7 227 342**
Loans and advances to customers	14 417 975	21 163 328	3 309 462	10 584 928	7 050 299	35 123 438	4 184 665	736 446	**96 570 541**
Other financial assets	10 735 912	1 251 234	313 162	326 735	1 017 316	5 208 137	217 496	280 064	**19 350 056**
Total financial assets	**26 595 612**	**22 459 487**	**3 718 584**	**11 288 506**	**9 478 029**	**43 043 389**	**5 339 093**	**1 225 239**	**123 147 939**

Liabilities EUR	EUR	PLN	DKK	SEK	VND	KZT	MXN	Other	TOTAL
Loans and borrowings	79 930 341	8 073 147	-	4 963 548	-	503 179	36 958	-	**93 507 173**
Accounts payable to suppliers	2 379 421	1 001 829	158 838	760 382	1 958 488	2 926 286	289 624	113 035	**9 587 903**
Other financial liabilities	55 184	130 756	218 304	224 205	79 609	165 582	245 681	14 343	**1 133 664**
Total financial liabilities	**82 364 946**	**9 205 732**	**377 142**	**5 948 135**	**2 038 097**	**3 595 047**	**572 263**	**127 378**	**104 228 740**
Net position	**(55 769 334)**	**13 253 755**	**3 341 442**	**5 340 371**	**7 439 932**	**39 448 342**	**4 766 830**	**1 097 861**	**18 919 199**

(35) Credit risk

The table below shows the Group's maximum exposure to credit risk for the components of the statement of financial position. Exposures are based on net carrying amounts as reported in the statement of financial position.
The Group's maximum credit exposures are shown gross.

	31.12.2021 EUR	31.12.2020 EUR
Cash and cash equivalents	7 227 342	8 713 085
Loans and advances to customers	96 570 541	75 821 923
Other loans and receivables	256 769	2 902 426
Other receivables	18 326 058	11 134 977
Total	**122 380 710**	**98 572 411**

The Group does not hold any collaterals or other credit enhancements.
Information on the credit quality of loans to customers disclosed in Note 19.

(36) 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 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 as at 31 December 2021.

Sun Finance Treasury Notes

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

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 as at 31 December 2021.

Regulatory environment and contingencies

The Group is operating in numerous markets with different regulatory environments. Communication with regulatory authorities and compliance review is daily course of business. Significant management judgement is used for estimating provisions and contingencies in relation to any potential disputes with regulatory authorities. Except as disclosed below, the Group's management has assessed all potential contingencies regarding regulatory compliance and evaluated probability of any contingencies to be low, therefore no specific contingent liability should be disclosed.

SIA Extra Credit (the Company) received decision from 14 October, 2021, from Consumer Right Protection Centre (CRPC) imposing a fine in amount of EUR 90,000 and an obligation to amend company's business practice on applying a voluntary service commission over the limit of total credit costs based on the opinion of CRPC, requesting clients to submit documents on creditworthiness assessment during the extension of loans, etc.

The Company has appealed the decision in full in November, 2021, by providing legally founded position that no violations of any laws have been committed in its commercial practices, supported by one of the most reputable law firms in the financial sector. The Company has reviewed its business processes and implemented changes based on statements indicated in the CRPC decision from 14 October, 2021 as of 1 December, 2021 and as of 4 February, 2022. The Company is in process of new product development, therefore these changes are estimated to have an effect on the Group's results in 2022. As a result of investments made in 2022 for new product development it is estimated that the Company's profit before tax could decrease in 2022 by EUR 8m, while in 2023 and 2024 years profit before tax will return to the level of 2021.

As per CRPC opinion, the Company's customers have a right to claim for repayment of voluntary service commissions over the limit of total credit costs as interpreted by CRPC. The Group's management has assessed all potential contingencies regarding this case and believes that the ultimate liability, if any, arising from such actions or complaints, will not have a material adverse effect on the financial condition or the financial results of the Group. Management estimates and observes that possible contingent liabilities will result in insignificant number and value of customer requests in total amount of EUR 40,000. Estimate is based on the initial levels of customer claims observed at the end of 2021 and at the beginning of 2022.

Tax contingencies

The Group is operating in the numerous markets with different taxation requirements in respect of the corporate income tax, withholding taxes, value added tax, personnel taxation and etc. The Group also has a significant volume of the intergroup transactions subject to transfer pricing regulations. The Group is in the process of the preparation of the transfer pricing documentation and estimates that the taxation authority will accept a tax treatment.

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

The component auditor of the Group's subsidiary in Vietnam has issued a modified audit report in respect of the corporate income tax risks with the total unrecognized tax contingent liabilities as of 31 December, 2021 in amount of EUR 2.5m. The Group has obtained an opinion from two accounting firms in Vietnam representing a reputable international accounting networks. The Group's management and tax advisers are in opinion that the Group can defend its current corporate income tax treatment and, therefore, no provisions have recognized in these financial statements. There are no disputes with the local tax authorities in regard to the corporate income tax treatment applied by the Group.

Notes to the Consolidated Financial Statements

(37) Group entities

As at 31 December 2021 and 31 December 2020 the Group consisted of the following entities:

Name of entity	Registered office	Ownership 31.12.2021	Ownership 31.12.2020	Acquisition/ establishment date
Sun Finance Europe AS	Skanstes 52 Riga LV-1013 Latvia	99,25%	100%	09.04.2019
Sun Finance Central Asia AS	Skanstes 52 Riga LV-1013 Latvia	100%	100%	09.04.2019
Sun Finance Latin America AS *	Skanstes 52 Riga LV-1013 Latvia	99,80%	100%	17.06.2019
Sun Finance Scandinavia AS	Skanstes 52 Riga LV-1013 Latvia	95%	95%	09.04.2019
Sun Finance Asia AS *	Skanstes 52 Riga LV-1013 Latvia	98,50%	100%	15.10.2019
Sun Finance Treasury Limited	Suite 20 The Penthouse 4th Floor Ewropa Business Centre Dun Karm Street Birkirkara BKR9034 Malta	97,12%	100%	21.05.2019
SF Capital KG SIA	Skanstes 52 Riga LV-1013 Latvia	100%	100%	09.04.2019
Extra Credit SIA	Skanstes 52 Riga LV-1013 Latvia	97.25%	100%	09.04.2019
LTF2018 SIA	Mukusalas 41 Riga LV-1004 Latvia	0%	100%	21.05.2019
Capitolia ApS	Nørregade 6 1165 København K Denmark	95%	100%	09.04.2019
Capvia LLP	8th floor, "Turar" business-center, 502 Seifullin ave., 050012, Almaty, Kazakhstan	90%	90%	09.04.2019
Fincap LLP	8th floor, "Turar" business-center, 502 Seifullin ave., 050012, Almaty, Kazakhstan	90%	90%	09.04.2019
Creditum LLP	8th floor, "Turar" business-center, 502 Seifullin ave., 050012, Almaty, Kazakhstan	97,50%	98%	03.12.2019
Sofi Finance LLP *	8th floor, "Turar" business-center, 502 Seifullin ave., 050012, Almaty, Kazakhstan	97,50%	98%	12.12.2019
Proximus Finance S. de R.L. de C.V.	Shakespeare 30 floor 3 Col. Nueva Anzures Miguel Hidalgo Cd. de México C.P 11590 Mexico City	97,30%	98%	31.10.2019

Notes to the Consolidated Financial Statements

Name of entity	Registered office	Ownership 31.12.2021	Ownership 31.12.2020	Acquisition/ establishment date
Ducatos Sp.z.o.o.	ul. Postępu 18b 02-676 Warszawa, Poland	93,85%	100%	13.12.2019
Primastar Sp.z.o.o.	ul. Domaniewska 47/10 02-672 Warszawa, Poland	97,13%	100%	21.05.2019
Panamerican Limited	Suite 20 The Penthouse 4th Floor Ewropa Business Centre Dun Karm Street Birkirkara BKR9034 Malta	93,85%	93,85%	13.12.2019
Fincap MChJ *	IRRIGATOR MAVZESI 3-UY Mirzo-Ulugbek district Tashkent Uzbekistan	100%	100%	16.04.2019
Somo Pawshop ALC *	Kyrgyz Republic Bishkek Toktogul Street 257 Frunze + Shopping Center boutique 9	100%	100%	09.04.2019
Fincap LLC *	Kyrgyz Republic Bishkek 19 Razzakova str. BC Russia 13th floor office 1302	100%	100%	22.04.2019
Dali Dali AS	Skanstes street 52, Riga, LV-1013, Latvia	73,70%	100%	13.05.2020
Luma Finans AB	Hammarby Street 93, Stockholm, 120 63, Sweden	94%	100%	23.01.2020
MFO Salem Credit TOO *	8th floor, “Turar” business-center, 502 Seifullin ave., 050012, Almaty, Kazakhstan	96%	98%	13.05.2020
SFDM, S.A. DE C.V.*	Shakespeare 30 floor 3 Col. Nueva Anzures Miguel Hidalgo Cd. de México C.P 11590 Mexico City	97,80%	98%	08.06.2020
SOFI SOLUTIONS LTD.CO.	397 Dien Bien Phu Street, Ward 4, District 3, Ho Chi Minh City, Vietnam	96,50%	100%	22.02.2020
DIGITAL CREDIT TRADING SERVICE COMPANY LIMITED	162 Nguyen Tri Thanh Street, Ward 2, District 10, Ho Chi Minh City, Viet Nam	96,50%**	0%**	22.02.2020
SF CAPITAL SG PTE. LTD.*	111 NORTH BRIDGE ROAD #08-18; PENINSULA PLAZA SINGAPORE (179098)	96,50%	100%	15.05.2020
SF TREASURY SG PTE.LTD.	111 NORTH BRIDGE ROAD #08-18; PENINSULA PLAZA SINGAPORE (179098)	98,50%	100%	22.02.2020
Sofi Lending Inc.	Unit 1405, East Tower, Philippine Stock Exchange Centre, Exchange Road, Ortigas Center, Pasig City, Metro Manila, Philippines	98,45%	99,999955%	22.02.2020

Notes to the Consolidated Financial Statements

Name of entity	Registered office	Ownership 31.12.2020	Ownership 31.12.2019	Acquisition/ establishment date
Sofi Finance LLC *	Kyrgyz Republic, Bishkek, 19 Razzakova str., BC Russia, 13th floor	100%	100%	06.08.2020
PT SOFI CAPITAL INDONESIA	Multivision Tower 25th Floor, Jl. Kuningan Mulia Lot 9B, Jakarta 12980 Indonesia	83,50%	85%	22.02.2020
Lumify AS*	c/o Advokatfirmaet Schjødt AS; Ruseløkkveien 14, 0251 OSLO, Norway	95%	100%	27.05.2020
SF Group Private Limited	No 47, Alexandra place, Colombo, 00700, Sri Lanka	96,50%	100%	22.02.2020
SF Lithuania UAB*	Upės g. 23, LT-08128 Vilnius, Lithuania	99,25%	100%	30.11.2020
MFO POS Credit*	8th floor, "Turar" business-center, 502 Seifullin ave., 050012, Almaty, Kazakhstan	98%	-	10.03.2021
MFO SF Offline*	8th floor, "Turar" business-center, 502 Seifullin ave., 050012, Almaty, Kazakhstan	98%	-	10.03.2021
FINANZA SIA	Skanstes 52 Riga LV-1013 Latvia	97,25%	-	23.03.2021
SF GROUP Limited Company	397 Dien Bien Phu Street, Ward 04, District 3, Ho Chi Minh City, Vietnam	96,50%	-	11.05.2021
FINCAP VN COMPANY LIMITED	54 Street No. 4, Do Thanh Apartment, Ward 04, District 3, Ho Chi Minh City, Vietnam	100%***	-	22.02.2021
Talaros Sp. z.o.o	ul. Domaniewska, No. 37, office 2.43, 02-672, Warszawa, Poland	99,25%	-	19.08.2021
LLC NCI SF Azerbaijan	Suleyman Rakhimov street, 179A, AZ1014, Baku, Azerbaijan	100%	-	28.08.2021
MFO Hava Finance	8th floor, "Turar" business-center, 502 Seifullin ave., 050012, Almaty, Kazakhstan	97,50%	-	15.10.2021
Sotero LV SIA	Skanstes 52 Riga LV-1013 Latvia	97,25%	-	19.10.2021
Lumino Finance Oy*	Urho Kekkosen katu 4-6 E. 00100 Helsinki	95%	-	30.12.2021

* These entities have been established by the Group.

** As at the end of year 2020 this entity is controlled by the Group through the agreement with nominee shareholder. From 07.07.2021 this entity is fully owned by the Group.

*** As at the end of year 2021 this entity is controlled by the Group through the agreement with nominee shareholder.

Notes to the Consolidated Financial Statements

(38) Subsequent events

On 24 March 2022, the Group listed the 3-year corporate bond for EUR 20 000 000 with an annual interest rate of 11.0%, registered in July, for trading on the Nasdaq First North market. Bond maturity is June 2024.

In 2022 The Swedish Consumer Agency finalized review of creditworthiness assessment for Group's operating company in Sweden. The Swedish Consumer Agency proposed to amend Company's creditworthiness assessment and applied fine in amount of SEK 4 500 000. Applied fine is reflected in these Consolidated Financial Statements as an expense. Company has implemented all recommended amendments and no further obligations are applied to the Company.

The recent developments in Ukraine have not directly affected Group's operations; however, the management closely monitors the situation in global financial markets and countries where the Group operates.

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Sun Finance Group AS

Our Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Sun Finance Group AS (the Group) set out on pages 11 to 66 of the accompanying annual report, which comprise:

- the Consolidated Statement of Financial Position as at 31 December 2021,
- the Consolidated Statement of Profit and Loss and Other Comprehensive income for the year then ended,
- the Consolidated Statement of Changes in Equity for the year then ended,
- the Consolidated Statement of Cash Flows for the year then ended, and
- the Notes to the Consolidated Financial Statements, which include a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2021, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS).

Basis for Opinion

In accordance with the Law on Audit Services of the Republic of Latvia (the Law on Audit Services) we conducted our audit in accordance with International Standards on Auditing adopted in the Republic of Latvia (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We are independent from the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants, including International Independence Standards (IESBA Code) and independence requirements included in the Law on Audit Services that are relevant to our audit of the financial statements in the Republic of Latvia. We have also fulfilled our other professional ethics responsibilities and objectivity requirements in accordance with the IESBA Code, including International Independence Standards, and Law on Audit Services.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to Note 22 of the financial statements, which describes the Group's treatment of the regulation for calculation of interim dividends as per Commercial Law of the Republic in Latvia. Our opinion is not modified in respect of this matter.

Reporting on Other Information

The Company management is responsible for the other information. The other information is the Management Report, as set out on pages 6 to 9 of the accompanying Annual Report and Information about the Company, as set out on page 3 of the Annual Report.

Our opinion on the financial statements does not cover the other information included in the Annual Report, and we do not express any form of assurance conclusion thereon, except as described in the *Other reporting responsibilities in accordance with the legislation of the Republic of Latvia* section of our report.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed and in light of the knowledge and understanding of the entity and its environment obtained in the course of our audit, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Other reporting responsibilities in accordance with the legislation of the Republic of Latvia

In addition, in accordance with the Law on Audit Services with respect to the Management Report, our responsibility is to consider whether the Management Report is prepared in accordance with the requirements of the Law On the Annual Reports and Consolidated Annual Reports.

Based solely on the work required to be undertaken in the course of our audit, in our opinion:

- the information given in the Management Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Management Report has been prepared in accordance with the requirements of the Law On the Annual Reports and Consolidated Annual Reports.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with IFRSs as adopted by the European Union as far as they have not been amended by Special Purpose Accounting Principles and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.
Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Baker Tilly Baltics AS
Licence No. 80

Ēriks Bahirs
Certified Auditor
Certificate No.136
Member of the Board

Rīga, 5 May 2022

Modern **finance.** For a modern **society.**

AS SUN FINANCE GROUP

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