

Interim unaudited consolidated Financial Statements

for the period ended
30 June 2023



CONTENTS

3

Information on the Company

4

6M 2023 Highlights

5

Management Report

10

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

11

Interim unaudited consolidated statement of Financial Position

12

Interim unaudited consolidated statement of Cash Flows

14

Interim unaudited consolidated statement of Changes in Equity

15

Notes to the Interim unaudited consolidated Financial Statements

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	Emīls Latkovskis, Chairman of the Board
Reporting period	01.01.2023 – 30.06.2023
Information on shareholders	AS Puzzle International: 85.61% Other shareholders: 14.39%

6M 2023 HIGHLIGHTS

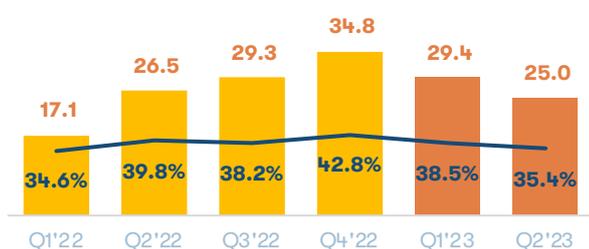
Interest income (€M)



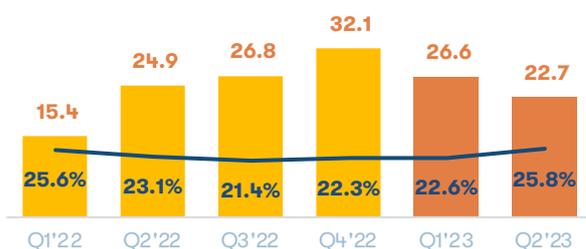
Net Portfolio (€M) (capitalisation ratio, %)



EBITDA (€M) (EBITDA margin, %)



Operating profit (€M) (cost/income, %)



Volumes issued

€384.4m

↑ 21.4% PoP

The Group has issued **€384.4m** in loans during 6M 2023, a 21.4% increase compared to **€316.7m** in 6M 2022. The growth has been driven by the strong customer demand across our operational markets and new product scaling

Net portfolio

€175.5m

↑ 35.6% PoP

Our net portfolio has reached **€175.5m**, being an increase by **€46.1m** (+35.6%) vs 6M 2022, supported by the growing loan sales, scaling of the instalment loan product and continuous portfolio quality improvements during the period

Cost/income ratio

24.1%

↓ 3 bps PoP

Cost/income ratio has remained stable, resulting in **24.1% for the period**, a decrease by 3 bps compared to 6M 2022 (24.2%). Despite the top line growth and new product development, the Group maintains a tight cost oversight

EBITDA

€54.3m

37.0% margin

EBITDA of **€54.3m** was delivered during the period (**margin of 37.0%**), an increase by 24.7% compared to 6M 2022, the main driver being the significant revenue growth and healthy portfolio dynamics

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 Philippines. As at 30 June 2023, the Group had stopped active operations in 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 affordability of products.

The Group was established on 8 April, 2019. The share capital of the Company as at 30 June 2023 was EUR 340 thousand divided into 3 177 018 ordinary shares, 51 000 non-voting shares and 171 982 personal shares with nominal value of EUR 0.1 each.

A steady growth in the first 6 months of 2023

During the period, the Group maintained a solid financial performance across all key financial metrics. By the end of June 2023, the Group’s net portfolio amounted to EUR 175.5 million, an increase of 8.1% compared to EUR 162.3 million at the end of 2022. Interest income grew by 26.7% compared to the same period previous year (6M 2022 – EUR 115.9 million), amounting to EUR 146.8 million. In the first half of 2023, the Group recorded a net profit of EUR 33.5 million, surpassing the 6M 2022 result (EUR 24.4 million) by 37.3%.

The Group’s loan issuance volume reached EUR 384.4 million during the period, being an increase of 21.4% compared to EUR 316.7 million issued in the same period last year. Despite gradually reducing issuance volumes in Vietnam, the Group delivered growth by broadening the product range offered in the existing markets, as well as scaling recently launched products in newer markets, such as the Philippines.

In March 2023, for the third consecutive year, the Group was recognised as one of the fastest growing European companies by The Financial Times. The Group was not only ranked as the 25th fastest growing fintech company in Europe but was also the 1st Baltic fintech company included in the ranking for three consecutive times.

In April, the Group’s EUR 50 million bond issue with an annual interest rate of 11% + 3M EURIBOR and the maturity on 30 September 2025 was admitted to trading on the Nasdaq First North market, becoming the Group’s third bond issue being listed on the First North alternative market.

At the beginning of May, the Group achieved a milestone of EUR 2.0 billion in total loans issued to customers since its inception. The Group surpassed the 1st billion mark within 53 months after the launch of operations in 2017, while the 2nd billion was reached in just 19 months.

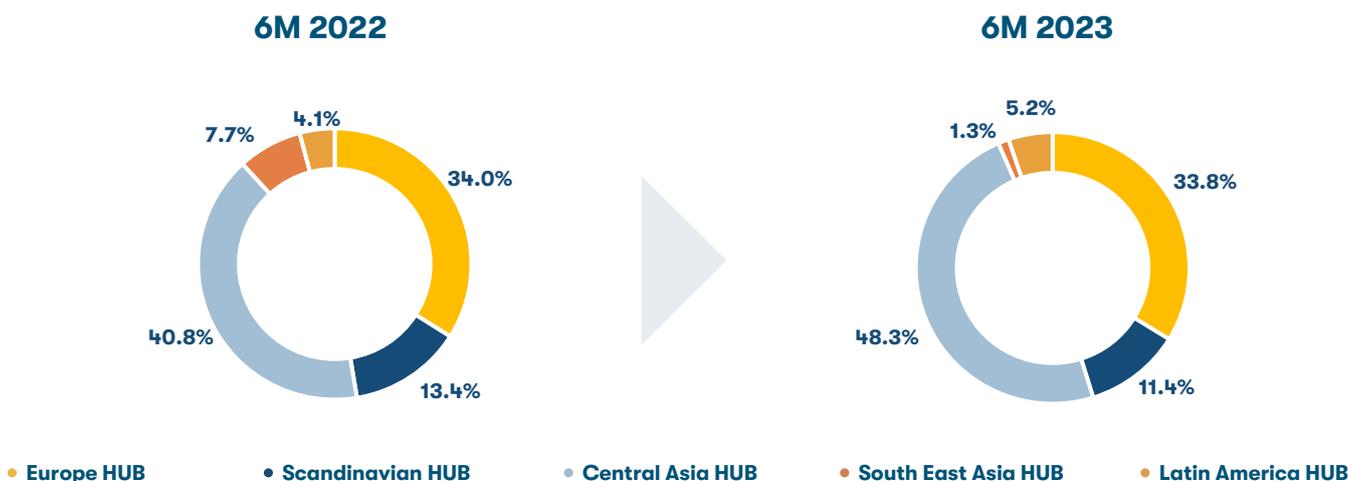
To further support the Group’s geographic and product line expansion, the Group registered another EUR 50 million bond issue at the end of May, with a maturity in November 2026. The issuance was organized in the form of a private placement and bonds bear an annual interest rate of 11% + 3M EURIBOR.

Shortly after the reporting period end, the Group announced an acquisition of AS Zenka Group, an online lending company operating in Kenya. As a result of this acquisition, the Group has further expanded its geographic footprint by entering the African lending market. AS Zenka Group’s financial results will be consolidated in the Group’s financial statements starting from Q3 2023.

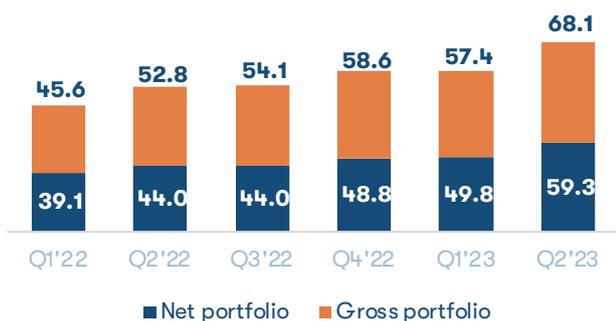
The Group continues operating in a regional hub structure, streamlining its operations, and maintaining a lean organizational structure. As a result of this approach, the Group has maintained a cost-to-income ratio of 24.1% during the period.

MANAGEMENT REPORT

Performance overview by Geography



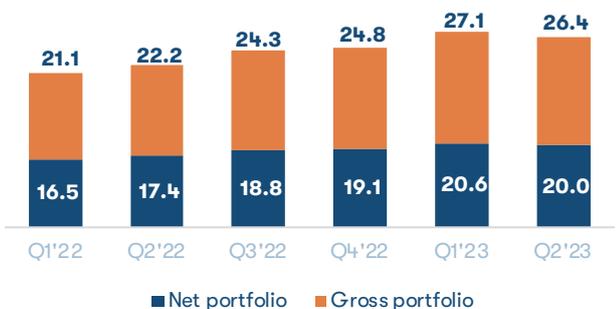
Portfolio – Europe HUB (Q1'22 – Q2'23)



Despite being the Group's most mature and stable market in terms of operations and industry development stage, the European HUB has demonstrated considerable growth during Q2'23.

As a result of the strong customer demand observed, the Group continues working on diversifying product offering in the region.

Portfolio – Scandinavia HUB (Q1'22 – Q2'23)

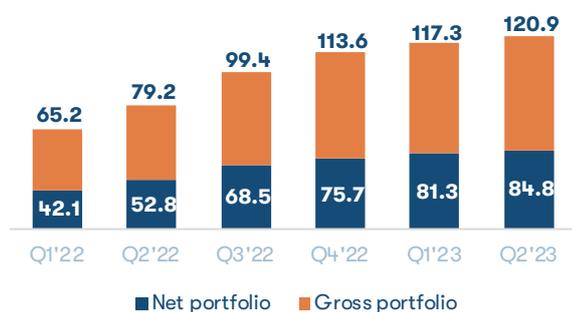


The Scandinavian HUB continues to deliver solid and stable financial performance across all key financial indicators.

To facilitate the strong customer demand, the Group has worked on expanding the existing product line during the period, expected to further strengthen its position in the market.

MANAGEMENT REPORT

Portfolio – Central Asia HUB (Q1'22 – Q2'23)

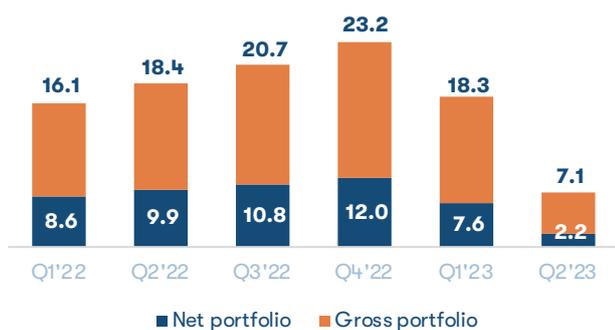


During 6M 2023, the Central Asian HUB maintained its growth trajectory, resulting in a notable net portfolio increase and robust profitability.

The gradual scaling of the instalment product has been the main growth driver in the market.

In the upcoming periods, the Group expects to further develop recently launched products and strengthen its position in the region.

Portfolio – South East Asia HUB (Q1'22 – Q2'23)

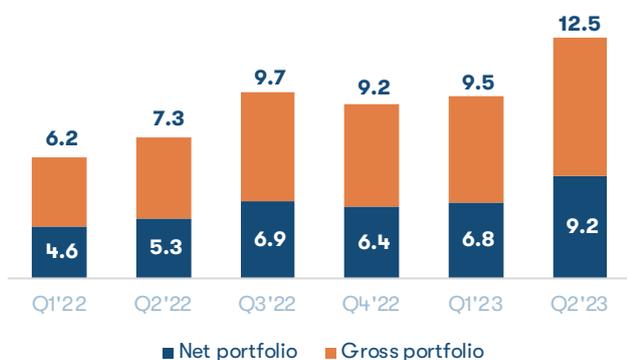


During the first half of 2023, the Group stopped active operations in Vietnam, resulting in a significant decrease in the Southeast Asian HUB loan portfolio.

The financial impact of exiting the Vietnamese market has been already fully reflected in 6M 2023 financial results.

Nonetheless, the Philippines demonstrates continuous growth in loan issuance volumes and overall business activity.

Portfolio – Latin America HUB (Q1'22 – Q2'23)



The Latin American Hub demonstrated a steady increase in loan issuance volumes during the period, followed by a solid growth in revenues.

The Group closely monitors customer dynamics to maintain a healthy portfolio quality as the loan sales volumes increase.

MANAGEMENT REPORT

Financing

In April 2023, the Group's 3-year corporate bond placement for EUR 50 million, with an annual interest rate of 11.0% + 3M EURIBOR and the maturity on 30 September 2025, was admitted to trading on the Nasdaq First North market.

In May 2023, the Group registered a 3.5-year corporate bond private placement in Nasdaq CSD, for EUR 50 million with an annual interest rate of 11.0% + 3M EURIBOR. The bond maturity is on 30 November 2026.

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). Throughout 6M 2023, loans from 3 out of the 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, in the upcoming periods, the Group will be focusing on the following:

- Horizontal growth: geographies. The Group is in the process of reviewing new geographies and preliminary testing and setting up operations in new countries across different regional HUBs. At the beginning of July 2023, the Group acquired a majority stake in AS Zenka Group, an online lending company operating in Kenya, as a result entering the rapidly developing African lending market. The Group will maintain the Zenka brand name for operations in the region.
- 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 enhance the product range offered in the current operational markets, as well as to continue further scaling the instalment loan product during 2023.

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

Key financial metrics & ratios	2022				2023		2022	2023
	Q1	Q2	Q3	Q4	Q1	Q2	6M	6M
Turnover	49.4	66.5	76.7	81.3	76.3	70.5	115.9	146.8
EBITDA	17.1	26.5	29.3	34.8	29.4	25.0	43.6	54.3
EBITDA margin (%)	34.6%	39.8%	38.2%	42.8%	38.5%	35.4%	37.6%	37.0%
Net loan portfolio	111.0	129.4	149.0	162.3	170.6	175.5	129.4	175.5
Capitalization ratio (%) ¹	34.4%	35.8%	37.3%	40.7%	43.7%	43.4%	35.8%	43.4%
Interest coverage ratio ²	6.8x	7.3x	7.8x	8.4x	8.5x	7.6x	7.3x	7.6x
Unencumbered receivables ratio ³	2.6x	3.0x	2.8x	2.1x	2.1x	1.9x	3.0x	1.9x
Cost/Income Ratio (%) ⁴	25.6%	23.1%	21.4%	22.3%	22.6%	25.8%	24.2%	24.1%

¹ Capitalization ratio equals Total Shareholders' Equity at the end of period divided by Net loan portfolio at the end of the same period

² Interest coverage ratio equals trailing 12-month EBITDA divided by trailing 12-month Interest expense

³ Unencumbered receivables ratio equals Net unencumbered loan portfolio divided by Total unsecured financial indebtedness

⁴ Cost / Income ratio is calculated by dividing Operating costs with operating income

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.

MANAGEMENT REPORT

Credit risk

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

Liquidity risk

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

Market risk

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

Interest rate risk

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

Currency risk

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

Price risk

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

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

Sun Finance Group/ Ownership

AS Sun Finance Group is the holding company of the Sun Finance Group (the "Group"). As of 30 June 2023, 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
31 August 2023



INTERIM UNAUDITED CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	01.01.2023 – 30.06.2023 EUR	01.01.2022 – 30.06.2022 EUR
Interest income	6	146 845 304	115 858 295
Interest expense	7	(8 188 954)	(5 623 772)
Net interest income		138 656 350	110 234 523
Net impairment losses on loans and receivables	8	(16 570 813)	(19 189 913)
Gain/(losses) from derecognition of financial assets measured at amortized cost	11	(46 200 275)	(29 515 287)
Operating costs		(38 538 007)	(30 595 062)
Other operating income		15 191 390	11 323 787
Other operating expense		(7 582 056)	(5 104 916)
Net foreign exchange result		94 137	(674 282)
Profit before tax		45 050 726	36 478 850
Corporate income tax	9	(11 596 217)	(12 107 633)
PROFIT FOR THE PERIOD		33 454 509	24 371 217
<u>Profit attributable to:</u>			
Equity holders of the Group		31 732 866	23 492 518
Non-controlling interests		1 721 643	878 699
Profit for the period		33 454 509	24 371 217
<u>Other comprehensive income / loss</u>			
Foreign currency translation differences on foreign operations			
Equity holders of the Group		(835 095)	590 010
Non-controlling interests		(21 596)	(5 660)
Total comprehensive income for the period		32 597 818	24 955 567
<u>Total comprehensive income/(loss) attributable to:</u>			
Equity holders of the Group		30 897 771	24 082 528
Non-controlling interests		1 700 047	873 039
Total comprehensive income for the period		32 597 818	24 955 567

The accompanying notes on pages 15 to 38 form an integral part of these Interim unaudited consolidated Financial Statements.

Emils Latkovskis
Chairman of the Board
31 August 2023



INTERIM UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30.06.2023 EUR	31.12.2022 EUR
NON-CURRENT ASSETS			
Property and equipment		4 030 140	3 991 087
Intangible assets and goodwill	10	8 553 561	8 370 248
Other loans and receivables		45 034	231 987
Non-current financial assets		69 797	130 078
Deferred tax asset		1 806 878	1 638 835
Total non-current assets		14 505 410	14 362 235
CURRENT ASSETS			
Loans and advances to customers	11	175 461 717	162 332 273
Prepaid expense		1 465 611	1 413 417
Other receivables		21 546 662	24 328 817
Other loans and receivables		53 357	12 588
Cash and cash equivalents		17 034 653	8 709 494
Total current assets		215 562 000	196 796 589
TOTAL ASSETS		230 067 410	211 158 824
SHAREHOLDER'S EQUITY			
Share capital and Share premium	12	367 040	367 040
Reserves		1 519 000	1 530 053
Currency translation reserve		(156 410)	678 684
Retained earnings		73 071 358	62 815 417
Total equity attributable to equity holders of the Company		74 800 988	65 391 194
Non-controlling interest		1 287 692	642 685
TOTAL EQUITY		76 088 680	66 033 879
NON-CURRENT LIABILITIES			
Loans and borrowings	13	67 095 141	78 267 868
Non-current liabilities		67 095 141	78 267 868
CURRENT LIABILITIES			
Loans and borrowings	13	61 181 937	44 107 088
Prepayments and other payments received from clients		4 101 056	2 423 998
Trade and other payables		9 733 633	10 008 709
Corporate income tax payable		4 586 746	4 993 938
Taxes payable		2 786 115	2 430 051
Accrued liabilities		4 494 102	2 728 163
Deferred tax liabilities		-	165 130
Current liabilities		86 883 589	66 857 077
TOTAL LIABILITIES		153 978 730	145 124 945
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		230 067 410	211 158 824

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Emīls Latkovskis
Chairman of the Board
31 August 2023



CONSOLIDATED STATEMENT OF CASH FLOWS

	01.01.2023 – 30.06.2023 EUR	01.01.2022 – 30.06.2022 EUR
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxes	45 050 726	36 478 850
Adjustments for:		
Depreciation and amortization	948 364	694 071
Impairment of goodwill	-	4 401 415
Sold portfolio write-off	79 136 079	52 133 300
Increase in impairment allowance	16 570 813	19 189 913
Write-off and disposal of intangible and property and equipment assets	347 302	1 290 808
Provisions (except doubtful debt allowance)	3 116 678	1 146 094
Increase in reserves	(11 053)	-
Non-controlling interest retained earnings	(298 244)	(52 606)
Interest income	(17 763)	(14 812)
Interest expenses	8 188 954	5 623 772
Profit or loss before adjustments for the effect of changes to current assets and short-term liabilities	153 031 856	120 890 805
Adjustments for:		
Increase in loans and advances to customers	(108 836 335)	(104 149 543)
(Increase)/ decrease in other assets	2 622 201	(6 566 127)
Increase in accounts payable to suppliers, contractors, and other creditors	1 592 916	6 407 396
Gross cash flows from operating activities	48 410 638	16 582 531
Corporate income tax paid	(12 003 409)	(17 457 143)
Net cash flows used in operating activities	36 407 229	(874 612)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment and intangible assets	(1 528 296)	(2 158 516)
Loans issued to related parties	(1 201 857)	(5 150)
Received loan repayment	10 175	43 527
Interest received	2 969	3 983
Net cash flows used in investing activities	(2 717 009)	(2 116 156)

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Emīls Latkovskis
Chairman of the Board
31 August 2023



CONSOLIDATED STATEMENT OF CASH FLOWS

Notes	01.01.2023 – 30.06.2023 EUR	01.01.2022 – 30.06.2022 EUR
CASH FLOWS FROM FINANCING ACTIVITIES		
Loans received and notes issued	9 193 130	7 174 933
Repayment of loans	(13 937 206)	(4 785 378)
Interest payments	(6 290 329)	(4 304 439)
Funding received from P2P	30 096 274	14 759 300
Repayment of funding received from P2P	(21 248 131)	(4 732 382)
Dividend payments	(22 953 392)	(5 462 455)
Net cash flows from financing activities	(25 139 654)	2 649 579
Net increase/(decrease) in cash and cash equivalents	8 550 566	(341 189)
Cash and cash equivalents at the beginning of the period	8 709 494	7 227 342
Effect of exchange rate fluctuations on cash	(225 406)	(91 293)
Cash and cash equivalents at the end of the period	17 034 653	6 794 860

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Emils Latkovskis
Chairman of the Board
31 August 2023



INTERIM UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Currency translation reserve	Reserve	Retained earnings	Total	Non-controlling interests	Total equity
Group	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
01.01.2022	340 000	27 040	181 045	1 339 842	28 007 816	29 895 743	(751 894)	29 143 849
Changes in ownership								
Acquisition/ (Disposal) of non-controlling interest without change in control	-	-	-	-	68 918	68 918	126 775	195 693
Total comprehensive income								
Profit for the reporting period	-	-	-	-	63 158 683	63 158 683	2 335 403	65 494 086
Other comprehensive income	-	-	497 639	-	-	497 639	(22 885)	474 754
Transactions with shareholders recorded directly in equity								
Value of employee services	-	-	-	181 000	-	181 000	-	181 000
Reserves	-	-	-	9 211	-	9 211	-	9 211
Dividends	-	-	-	-	(28 420 000)	(28 420 000)	(1 044 714)	(29 464 714)
31.12.2022	340 000	27 040	678 684	1 530 053	62 815 417	65 391 194	642 685	66 033 879
Changes in ownership								
Acquisition/ (Disposal) of non-controlling interest without change in control	-	-	-	-	698 076	698 076	90 704	788 780
Total comprehensive income								
Profit for the reporting period	-	-	-	-	31 732 865	31 732 865	1 721 643	33 454 508
Other comprehensive income	-	-	(835 094)	-	-	(835 094)	(21 596)	(856 690)
Transactions with shareholders recorded directly in equity								
Reserves	-	-	-	(11 053)	-	(11 053)	-	(11 053)
Dividends	-	-	-	-	(22 175 000)	(22 175 000)	(1 145 744)	(23 320 744)
30.06.2023	340 000	27 040	(156 410)	1 519 000	73 071 358	74 800 988	1 287 692	76 088 680

The accompanying notes on pages 15 to 38 form an integral part of these Interim unaudited consolidated Financial Statements.

Emils Latkovskis
Chairman of the Board
31 August 2023



NOTES TO THE INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(1) Reporting entity

AS Sun Finance Group (the “Company”) is registered in Skanstes 52, Riga, Latvia, LV-1013 (reg.no: 40203205428). AS Sun Finance Group was established in April 2019. The Company is operating as the holding company for several subsidiaries in Europe, Scandinavia, Central and Southeast Asia and South America (together referred to as the ‘Group’). The Group entities provide consumer loans to customers and currently the Group actively operates in Poland, Latvia, Kazakhstan, Denmark, Mexico, Sweden and Philippines.

(2) Basis of preparation

These interim unaudited consolidation Financial Statements (interim financial statements) for the six months ended 30 June 2023 have been prepared in accordance with IAS 34 Interim Financial Reporting, and should be read in conjunction with the Group’s last annual consolidated financial statements as at and for the period ended 31 December 2022 (last annual financial statements). They do not include all of the information required for a complete set of financial statements prepared in accordance with IFRS Standards as adopted by the European Union (EU). However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group’s financial position and performance since the last annual financial statements.

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

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

These interim financial statements were approved by the Company’s Board on 31 August 2023. The shareholders have the power to reject the financial statements prepared and presented by the Board, and the right to request that new financial statements are prepared.

a) Basis of Measurement

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

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

(b) Functional and presentation currency

The interim financial statements are presented in euro (EUR), unless stated otherwise. EUR is chosen as presentation currency since most of the Group’s operational activities are based in European Union. During six months in 2023 Group companies operated in the functional currencies of EUR, DKK, PLN, KZT, SEK, VND, MXN, USD and PHP respectively. The Company’s functional currency is EUR.

(3) Significant accounting policies

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

NOTES TO THE INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Basis of Consolidation

(i) Subsidiaries

Subsidiaries are those enterprises controlled by the Company as at 30 June 2023. 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 unrealized gains/losses arising from intra-Group transactions, are eliminated in preparing the interim financial statements.

(iii) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currency of the operation at the exchange rate set by Central Bank of the country of operation at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the euro applying the reference exchange rate established by the Central Bank at the last day of the reporting year. The differences arising on settlements of transactions or on reporting foreign currency transactions at rates different from those at which these transactions have originally been recorded are recorded in the income statement accounts. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognized in statement of comprehensive income.

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

	30.06.2023	31.12.2022
PLN	4.4388	4.59690
DKK	7.4474	7.43640
KZT	495.6800	487.79000
MXN	18.5983	23.14380
SEK	11.8055	10.25030
VND	26 240.7400	26 546.33000
PHP	60.0820	59.32000
USD	1.0885	1.13260

(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.

NOTES TO THE INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(v) Financial Instruments

(iii) 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.

(iv) 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.

(v) 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.

(vi) 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.

NOTES TO THE INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

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.

(vii) 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.

(viii) 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.

(ix) 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.

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.

NOTES TO THE INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(vi) 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

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 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:

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.

NOTES TO THE INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Internally generated intangible assets cost value is increased by Group's information technology costs - salaries and social security contribution capitalization. Asset useful life is reassessed by management at each year end and amortization periods adapted accordingly.

Internally generated intangible assets are amortized over their useful lives of 4 years, software and other intangible assets - over 3 years. The main internally generated intangible assets are CRM systems. According to IAS38, development costs shall be capitalized if, and only if, the Group can meet all of the following criteria:

- the project is clearly identified and the related costs are itemized and reliably monitored;
- the technical and industrial feasibility of completing the project is demonstrated;
- there is a clear intention to complete the project and to use or sell the intangible asset arising from it;
- the Group has the ability to use or sell the intangible asset arising from the project;
- the Group can demonstrate how the intangible asset will generate probable future economic benefits;
- the Group has adequate technical, financial and other resources to complete the project and to use or sell the intangible asset.

When these conditions are not satisfied, development costs generated by the Group are recognized as an expense when incurred.

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is completed and the asset is available for use.

(ii) Goodwill

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

(viii) Impairment

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

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

NOTES TO THE INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

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

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

NOTES TO THE INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

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.

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

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

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

Impairment for other assets - for other receivables and contract assets that are not related to lease portfolio receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The ECL recorded is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Impairment for loans to related parties - Receivables from related parties inherently are subject to the Group's credit risk. Therefore, a benchmarked PD and LGD rate - based on corporate statistics studies has been applied in determining the ECLs.

Impairment of cash and cash equivalents - For cash and cash equivalents default is considered as soon as balances are not cleared beyond conventional banking settlement timeline, ie., a few days. Therefore, transition is straight from Stage 1 to Stage 3 given the low number of days that it would take the exposure to reach Stage 3 classification, meaning default.

(ix) Provisions and contingencies

Provisions are recognised in the statement of financial position when the Group has a present obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

In 2019 the Group has implemented IFRIC 23 Uncertainty over Income Tax Treatment. Under IFRIC 23 the Group recognize the provisions for the potential tax liabilities if 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.

NOTES TO THE INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Provisions for tax liabilities

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

Accruals for unused vacations

As at the period end, a accrued expense for unused vacations has been recognized in accordance with local legislation in each separate country of operation and is based on the number of vacation days unused as at 30 June 2023 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.

NOTES TO THE INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Initial recognition exemptions applied

As a recognition exemption the Group elects not to apply the recognition requirements of right-of-use asset and lease liability to:

- Short term leases – for all classes of underlying assets; and
- Leases of low-value assets – on a lease-by-lease basis.

For leases qualifying as short-term leases and/or leases of low-value assets, the Group does not recognize a lease liability or right-of-use asset. The Group recognizes the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

- Short term leases A short-term lease is a lease that, at the commencement date, has a lease term of 12 months or less. A lease that contains a purchase option is not a short-term lease. This lease exemption is applied for all classes of underlying assets.
- Leases of low-value assets

The Group defines a low-value asset as one:

- that has a value, when new of EUR 2 000 or less. Group assesses the value of an underlying asset based on the value of the asset when it is new, regardless of the age of the asset being leased;
- the Group can benefit from use of the assets on its own, or together with, other resources that are readily available to the Group; and
- the underlying asset is not dependent on, or highly interrelated with, other assets.

(xii) Transactions with peer-to-peer platforms

Certain subsidiaries, as loan originators, have signed cooperation agreements with operator of a peer-to-peer (P2P) investment internet-based platform. Cooperation agreements and the related assignment agreements are in force until parties agree to terminate. Purpose of the cooperation agreement for the Group is to attract funding through the P2P platform.

P2P platform is acting as an agent in transferring cash flows between the Group and investors. Receivable for attracted funding from investors through P2P platform corresponds to the due payments from P2P platform. The Group retains the legal title to its debt instruments (including payment collection) but transfers a part of equitable title and interest to investors through P2P platform.

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

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

Funding attracted through peer-to-peer platform

Liabilities arising from assignments with or without recourse rights are initially recognized at cost, being the fair value of the consideration received from investors net of issue costs associated with the loan.

Liabilities to investors are recognized in statement of financial position caption Loans and borrowings attracted through peer-to-peer platform (Note 13) and are treated as loans received.

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.

NOTES TO THE INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

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. Any differences arising from the translation of the financial statements of foreign operations into functional and presentation currencies.

(xiv) Taxation

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

(i) Current tax – general terms

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

(ii) Current tax for entities in Latvia

In Latvia legal entities are not required to pay income tax on earned profits in accordance with local legislation on Corporate Income Tax. Instead of this, Corporate income tax would be paid at 20% rate on distributed profits and deemed profit distributions. Corporate income tax on dividends would be recognized in the statement of profit and loss as expense in the reporting period when respective dividends are declared, while, as regards other deemed profit items, at the time when expense is incurred in the reporting year. The Group has decided to use these beneficial tax regimes to reinvest profits in further development of respective subsidiaries, therefore it does not plan to distribute dividends from subsidiaries in these countries in the next 3 years.

(iii) Deferred tax – general terms

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

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

(iii) Deferred tax for entities in Latvia

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

NOTES TO THE INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(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.

NOTES TO THE INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(xviii) Non-controlling interest

Non-controlling interest is that part of the net results and of the equity of a subsidiary attributable to interests which are not owned, directly or indirectly, by the Group. Non-controlling interest forms a separate component of the Group's equity.

(xix) Business combinations

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

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

(4) Risk management

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

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

Management has implemented procedures to control the key risks.

(a) Credit risk

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

NOTES TO THE INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

improvements in its debt collection approach and team of qualified and motivated specialists. Management believes that current procedures are sufficient to effectively monitor credit risk of customer groups, in addition the structure of portfolio is based on many small value loans as a result separate customer exposure cannot cause material losses to the Company.

(b) Liquidity risk

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

(c) Market risk

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

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

(d) Interest rate risk

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

(e) Currency risk

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

(f) Price risk

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

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

(g) Operational risks

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

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

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

NOTES TO THE INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

management of operational risk in the following areas:

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

(h) Capital management

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

(5) Use of estimates and critical accounting judgments

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

In preparing these consolidated financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements of the Group as at and for the period ended 31 December 2022. Key sources of estimation uncertainty are:

- Recoverable amount of goodwill (see Note 10)

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

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

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

- Recoverability of deferred tax asset

Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The deferred tax assets are recognized based on profitability assumptions over 3 year horizon. In developing these assumptions, the Group considers both positive and negative evidence of past performance and future development plans to ensure that assumptions used are reasonable, realistic and achievable. The future taxable profit of 2023 has been approved by the Management Board, while 2024-2025 is considered as plausible taxable profit of the Group. Budgeting models used are the

NOTES TO THE INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

same as the ones used in goodwill impairment tests. At each reporting date, the Group's management analyses the recoverability of deferred tax and reduces the deferred tax asset if it is no longer probable that during the period of utilization of tax losses future taxable profits will be available against which unused tax losses can be utilized.

- Capitalization of development costs

For capitalization of expenses in process of developing Group's enterprise resource planning (ERP) system and other IT systems management uses certain assumptions. Capitalization of salary expenses of IT personnel is based on employee time sheets and personnel involved in development dedicate up to 70% of their time on developing new functionality. Therefore, up to 70% of salary expenses of involved personnel are capitalized under Other intangible assets while remaining 30% are recognized as salary expenses in Statement of profit and loss.

- Fair value of employee share options

The Group's employees have entered a share option agreement with the Parent Company or the Parent Company's shareholders and Subsidiaries. Under the agreements respective employees obtain rights to acquire Parent company's or certain subsidiaries' shares under several graded vesting scenarios. The respective option would be classified as an equity-settled share-based payment transaction in Group's consolidated financial statements in accordance with IFRS 2. There are cash settlement alternatives. Given absence of an ongoing sale of any of Subsidiaries or the Parent or any listing process initiated and other relevant cash settlement events, then cash settlement is considered not to be probable and the Group does not have a present obligation to settle in cash.

In estimating fair value for the share option, the most appropriate valuation model would depend on the terms and conditions of the grant. In 2019 fair value of employee share options has been estimated by first establishing the fair value at the grant date of the relevant issuer company/group applying discounted cash flow valuation methodology and same assumptions as the ones used in value in use estimation. Subsequently, the estimate is adjusted by the number of options granted, vesting period and the employee turnover rates in the respective grade. During the fair value estimation process the Management has considered the financial position of the Subsidiaries that have issued share options, the particular features mentioned in the option agreements, such as buy-back options, non-competition clauses embedded in the agreements, restrictions of sales of shares, as well as dividend policy of the Parent Company

- Lease term determination under IFRS 16

IFRS 16 requires that in determining the lease term and assessing the length of the non-cancellable period of a lease, an entity shall determine the period for which the contract is enforceable. In assessment of lease term determination, the Group considers the enforceable rights and obligations of both parties. If both the lessee and the lessor can terminate the contract without more than an insignificant penalty at any time at or after the end of the non-cancellable term, then there are no enforceable rights and obligations beyond the non-cancellable term. For lease agreements without a fixed term and agreements that are "rolled over" on monthly basis until either party gives notice the Group considers that it does have enforceable rights and obligations under such agreements, therefore a reasonable estimate of the lease term assessment is made.

When determining the lease term, the Group considers all relevant facts and circumstances that create an economic incentive for the lessee to exercise an option to renew or not to exercise an option to terminate early. When assessing whether the Group is reasonably certain to exercise an option to extend, or not to exercise an option to terminate early, the economic reasons underlying the Group's past practice regarding the period over which it has typically used particular types of assets (whether leased or owned) are considered. Furthermore, the following factors are considered: level of rentals in any secondary period compared with market rates, contingent payments, renewal and purchase options, costs relating to the termination of the lease and the signing of a new replacement lease, costs to return the underlying asset, nature and the level of specialization of the leased assets, asset location, availability of suitable alternatives and existence of significant leasehold improvements.

NOTES TO THE INTERIM UNAUDITED 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 (see Note 10).

	01.01.2023 – 30.06.2023 EUR	01.01.2022 – 30.06.2022 EUR
Interest income calculated using the effective interest method	123 934 804	91 310 902
Interest income and fees	22 910 500	24 547 393
TOTAL	146 845 304	115 858 295

(7) Interest expense

	01.01.2023 – 30.06.2023 EUR	01.01.2022 – 30.06.2022 EUR
Interest expenses for loans from P2P platform investors	1 558 051	840 854
Interest expense on issued bonds	4 999 465	2 713 815
Interest expense for loans from non-related parties	1 044 860	1 283 153
Interest expense for loans from related parties	579 303	785 029
Interest expense for lease liabilities	7 275	921
TOTAL	8 188 954	5 623 772

(8) Net impairment losses on loans

	01.01.2023 – 30.06.2023 EUR	01.01.2022 – 30.06.2022 EUR
Impairment losses on loans	58 670 306	47 531 794
Reversal of provision on debt portfolio sales	(61 489 293)	(39 940 575)
Written-off debts	19 389 800	12 287 093
Recovery from written-off loans	-	(688 399)
TOTAL	16 570 813	19 189 913

NOTES TO THE INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(9) Corporate income tax

	01.01.2023 – 30.06.2023 EUR	01.01.2022 – 30.06.2022 EUR
Corporate income tax	10 355 960	10 401 620
Deferred corporate income tax	(155 579)	-
Withholding tax	1 395 836	1 706 013
TOTAL	11 596 217	12 107 633

	30.06.2023 EUR	31.12.2022 EUR
Corporate income tax payable	4 586 746	4 993 938

Current corporate income tax rate for the Group subsidiaries are the following: in Latvia – 20% or 20/80 of the net amount of distributed profit or deemed profit, in Kazakhstan – 20%, in Poland – 19%, in Denmark – 22%, in Sweden - 20.6%, in Vietnam - 20%, in Mexico – 30%, in Philippines – 20%.

(10) Intangible assets and goodwill

	30.06.2023 EUR	31.12.2022 EUR
Goodwill	6 050 408	6 050 710
Other intangible assets	2 503 153	2 319 538
TOTAL	8 553 561	8 370 248

(11) Loans and receivables from customers

Credit quality of loan portfolio:

	Gross receivables 30.06.2023 EUR	Allowance for doubtful debts 30.06.2023 EUR	Net receivables 30.06.2023 EUR	Gross receivables 31.12.2022 EUR	Allowance for doubtful debts 31.12.2022 EUR	Net receivables 31.12.2022 EUR
Performing	209 457 682	42 709 742	166 747 940	203 595 457	48 945 809	154 649 648
Non-performing*	30 028 678	21 314 901	8 713 777	25 718 445	18 035 820	7 682 625
TOTAL	239 486 360	64 024 643	175 461 717	229 313 902	66 981 629	162 332 273

*Non-performing – loans over 90 days past due

Allowance for doubtful debts	30.06.2023 EUR	31.12.2022 EUR
Balance at the beginning of the period	66 981 629	42 049 856
Charge for the period	58 670 306	108 501 891
Derecognized on disposal of portfolio	(61 489 293)	(83 285 725)
Currency effect	(137 998)	(284 393)
Balance at period end	64 024 644	66 981 629

Net losses arising from derecognition of financial instruments through debt sales transaction is EUR 46 200 275 (in 2022: EUR 29 515 287).

NOTES TO THE INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(12) Share capital

The Company is incorporated on 8 April 2019. Share capital of the Company as at 30 June 2023 is EUR 340 000 and it is divided into 3 177 018 ordinary shares, 51 000 non-voting shares and 171 982 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 and Class B 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.

	Share capital EUR	Number of Class A Shares	Number of Class B Shares	Personnel shares	Total number of Shares
Opening balance as at 31 December 2022	340 000	3 177 018	51 000	171 982	3 400 000
Subscriptions	-	-	-	-	-
Redemptions	-	-	-	-	-
Closing balance as at 30 June 2023	340 000	3 177 018	51 000	171 982	3 400 000

(13) Loans and borrowings

Non-current	30.06.2023 EUR	31.12.2022 EUR
Bonds	55 499 055	51 574 000
Subordinated loans	3 500 000	14 193 319
Loan from related parties	4 685 922	9 020 844
Loan non-related parties	1 602 874	1 929 780
Lease liabilities	1 807 290	1 549 925
TOTAL	67 095 141	78 267 868

Current	30.06.2023 EUR	31.12.2022 EUR
Financing received from P2P investors	31 735 845	21 069 077
Bonds	19 381 000	14 563 943
Loan from non-related parties	5 357 149	4 198 365
Lease liabilities	560 475	3 677 789
Subordinated loans	54 849	437 314
Loan from related parties	4 092 619	160 600
	61 181 937	44 107 088
TOTAL	128 277 078	122 374 956

NOTES TO THE INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Detailed information regarding Loans and borrowings can be seen below:

	Currency	Maturity	Interest rate per annum	Principal amount 30.06.2023	Accrued interest 30.06.2023	Principal amount 31.12.2022	Accrued interest 31.12.2022
				EUR	EUR	EUR	EUR
Bonds	EUR	Jun 2024 & Sep 2025 & Nov 2026	11% & 11% + 3M EURIBOR	74 880 055	-	66 137 943	-
Subordinated loans	EUR	Sep 2024	12%	3 500 000	54 849	14 193 319	160 600
Financing received from P2P investors	EUR PLN	June 2023	8.5% - 13.5%	31 555 381	180 464	20 944 070	125 007
Loans from related parties	EUR	Aug, Dec 2023 & Jun, Sep 2024 & Apr, Jun 2025	14%	8 652 433	126 108	12 537 663	160 970
Loan from non-related parties	EUR	Sep 2023-May 2026	8% - 15%	6 580 746	379 277	5 428 704	319 586
Lease	SEK			2 367 765	-	2 367 094	-
TOTAL				127 536 380	740 698	121 608 793	766 163

Bonds

On 27 April 2021, Sun Finance Treasury successfully issued its 2-year private placement subordinated bond (EE3300002088) registered on the NASDAQ CSD SE for EUR 30 million with a coupon of 12% per annum, paid quarterly. In February 2023, the subordinated bond was redeemed at maturity. As at 31 December 2022, a total of EUR 16.1 million was subscribed out of the total private placement of the EUR 30 million Notes. Interest expenses and income from coupons are disclosed on net basis. Please see Note 15 for further information about commitments and other additional information.

On 20 July 2021, Sun Finance Treasury issued its 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 in August 2021. The bond will mature in June 2024. As at 30 June 2023, a total of EUR 19.4 million (as at 31 December 2022, a total of EUR 19.0 million) was subscribed out of the total private placement of the EUR 20 million Notes. Interest expenses and income from coupons are disclosed on net basis. Please see Note 15 for further information about commitments and other additional information.

On 19 August 2022, Sun Finance Treasury issued 3-year private placement bond (LV0000860112) registered on the NASDAQ CSD for EUR 50 million with a coupon of 11% + 3M EURIBOR per annum, paid monthly. The bond successfully refinanced Sun Finance Treasury EUR 15 million bond (LV0000802445) with maturity in September 2022. The bond will mature in September 2025. As at 30 June 2023, a total of EUR 48.0 million (as at 31 December 2022, a total of EUR 32.19 million) was subscribed out of the total private placement of the EUR 50 million Notes. Interest expenses and income from coupons are disclosed on net basis. Please see Note 15 for further information about commitments and other additional information.

On 31 May 2023, Sun Finance Treasury issued 3.5-year private placement bond (LV0000802692) registered on the NASDAQ CSD for EUR 50 million with a coupon of 11% + 3M EURIBOR per annum, paid monthly. The bond will mature in November 2026. As at 30 June 2023 a total of EUR 7.5 million was subscribed out of the total private placement of the EUR 50 million Notes. Interest expenses and income from coupons are disclosed on net basis. Please see Note 15 for further information about commitments and other additional information.

NOTES TO THE INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

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 August and November of 2023, June and September of 2024, and April and June of 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 8-15%.

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

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

Funds are transferred to/from Group's bank accounts once per week. Receivable is arising from assignments made through P2P platform where the related investment is not yet transferred to the Group as at 30 June 2023 amounted to EUR 148 274 (31.12.2022: EUR 277 747). Payables for attracted funding's through P2P platform represents the returns of funds and as at 30 June 2023 amounted to EUR 80 795 (31.12.2022: was EUR 138 134).

NOTES TO THE INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(14) Fair value of financial instruments

Financial instruments not measured at fair value

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

31 December 2022	Level 1 EUR	Level 2 EUR	Level 3 EUR	Total fair values EUR	Total carrying amount EUR
Financial assets					
Cash and cash equivalents	-	-	-	8 709 494	8 709 494
Loans and advances due from customers	-	-	162 332 273	162 332 273	162 332 273
Other financial assets	-	-	26 116 887	26 116 887	26 116 887
Total financial assets			188 449 160	197 158 654	197 158 654
Financial liabilities					
Loans and borrowings	-	-	122 374 956	122 374 956	122 374 956
Accounts payable to suppliers	-	-	12 736 872	12 736 872	12 736 872
Other liabilities	-	-	2 423 998	2 423 998	2 423 998
Total financial liabilities			137 535 826	137 535 826	137 535 826
30 June 2023					
	Level 1 EUR	Level 2 EUR	Level 3 EUR	Total fair values EUR	Total carrying amount EUR
Financial assets					
Cash and cash equivalents	-	-	-	17 034 653	17 034 653
Loans and advances due from customers	-	-	175 461 717	175 461 717	175 461 717
Other financial assets	-	-	23 180 461	23 180 461	23 180 461
Total financial assets			198 642 178	215 676 831	215 676 831
Financial liabilities					
Loans and borrowings	-	-	128 277 078	128 277 078	128 277 078
Accounts payable to suppliers	-	-	14 227 735	14 227 735	14 227 735
Other liabilities	-	-	4 101 056	4 101 056	4 101 056
Total financial liabilities			146 605 869	146 605 869	146 605 869

NOTES TO THE INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

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.

(15) Commitments and contingencies

Cooperation agreement with P2P platforms

Cooperation agreements with P2P platforms require to maintain positive amount of equity (including subordinated loans) at all times in. Management of the Group monitors and increases the share capital if needed to satisfy this requirement.

The Group is subject to additional financial covenants relating to its attracted funding through P2P platform. The Group is regularly monitoring respective indicators and ensures that covenants are satisfied. The Group as a whole is in compliance with these covenants at 30 June 2023.

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 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.

NOTES TO THE INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Notes issued in 2022

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 1.4x There are no other limitations regarding additional and permitted debt and securities.

Notes issued in 2023

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 1.4x There are no other limitations regarding additional and permitted debt and securities.

The Group is in compliance with all covenants at 30 June 2023.

(16) Subsequent events

On 3 July 2023, the Group acquired a majority stake in AS Zenka Group, an online lending company operating in Kenya, as a result entering the rapidly developing African lending market. The Group will maintain the Zenka brand name for operations in the region.

A photograph of a modern, multi-story office building with a glass facade, illuminated from within. The building is set against a dramatic sunset sky with orange and red clouds. The Sun Finance logo is visible on the top right of the building. In the foreground, there is a road with light trails from cars and a few pedestrians.

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

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