

# AS SUN FINANCE GROUP

## Consolidated financial statements

as at and for the year ended  
31 December 2023



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# INFORMATION ON THE COMPANY

|  |   |
|--|---|
| Name of the Company                    | <b>Sun Finance Group</b>  |
| Legal status                           | <b>Joint Stock Company</b>  |
| Number, place and date of registration | <b>40203205428, Riga, 8 April 2019</b>  |
| Legal and postal address               | <b>Skanstes Street 52, Riga, Latvia, LV-1013</b>  |
| Board members and their positions      | <b>Emils Latkovskis, Chairman of the Board</b>  |
| Reporting period                       | <b>01.01.2023 – 31.12.2023</b>  |
| Information on shareholders            | <b>AS Puzzle International: 84.23 %<br/>Other shareholders: 15.77%</b>                  |
| Auditors                               | <b>AS Baker Tilly Baltics<br/>Kronvalda Bulvaris 10-32<br/>Riga, Latvia<br/>LV-1010</b> |

# FY'23 HIGHLIGHTS

**9**  
OPERATING COUNTRIES

**>16.5m**  
REGISTERED USERS

LOANS ISSUED SINCE  
INCEPTION

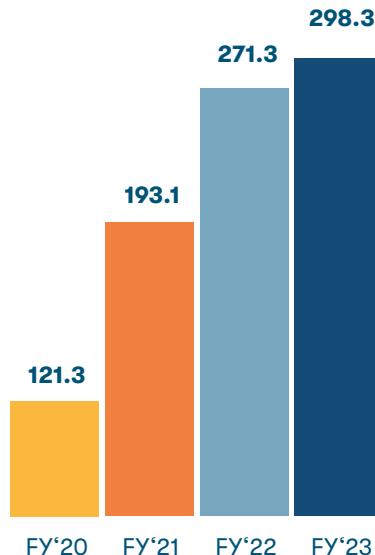
**€77m**

BONDS LISTED ON NASDAQ  
FIRST NORTH

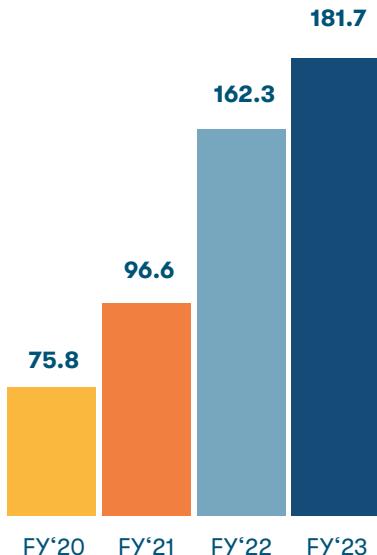
**1 333**

GROUP'S EMPLOYEES

## INTEREST INCOME (€M)\*



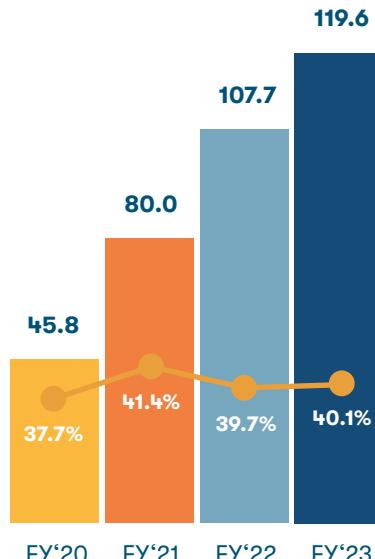
## NET PORTFOLIO (€M)



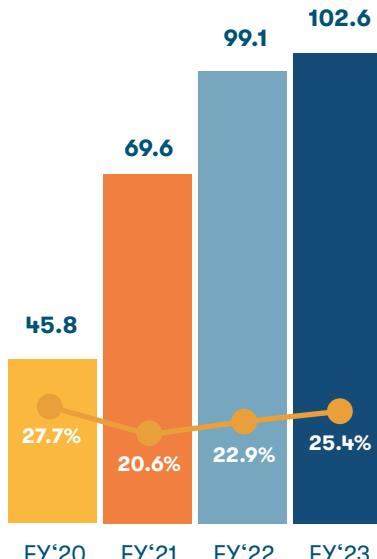
\*Including discontinued operations

**>€3.0bn**

## EBITDA (€M) (EBITDA MARGIN %)



## OPERATING PROFIT (€M) (COST/INCOME %)



## One of Europe's fastest growing fintech's

For the fourth consecutive year, Sun Finance has been recognised by The Financial Times as one of the Fastest Growing European Companies. In 2021, the Group was ranked the fastest growing fintech company in Europe, while in 2022, it secured the 3rd position. The list published in March 2023 placed the Group as the 25th fastest growing fintech in Europe, making Sun Finance the 1st Baltic fintech company to be included in the ranking for three consecutive years. The Group has sustained its growth trajectory, maintaining its position among the fastest growing European companies in 2024 - a notable milestone not only in the Baltic region but also at the European level.



NO.1 FASTEST-GROWING FINTECH IN EUROPE IN 2021

## Caring for others

For the fourth consecutive year, our headquarters office has actively participated in the WWF Green Office program, which is dedicated to reducing greenhouse gas emissions and minimizing the ecological footprint of the workplace. The Group has attained the highest level of the Carbon Footprint Standard and, back in 2021, achieved the status of a Carbon Neutral Company. Additionally, Sun Finance Group is deeply committed to charitable endeavours, particularly those focused on aiding shelter animals and less fortunate segments of society. As part of our corporate culture, we encourage employees to engage with their local communities through various initiatives, offering an additional day off for such purpose and providing financial support for their chosen projects.



## Personal Finance Tech of the Year and Director of the Year

In 2023, at the prestigious European Fintech Awards ceremony, Sun Finance was recognised as the 'Personal Finance Tech of the Year,' and the company's CEO, Toms Jurjevs, was honored as 'Director of the Year'.



# 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 9 countries globally – Poland, Latvia, Kazakhstan, Denmark, Mexico, Sweden, Philippines, Kenya and Spain.

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

The Group was established on 8 April, 2019. The share capital of the Company as at 31 December 2023 was EUR 340 thousand divided into 3 229 434 (2022: 3 177 018) ordinary shares, 66 300 (2022: 51 000) non-voting shares and 104 266 (2022: 171 982) personal shares with nominal value of EUR 0.1 each.

## A steady growth maintained throughout 2023

During the period, the Group maintained strong financial performance across all key financial metrics. By the end of 2023, the Group’s net portfolio amounted to EUR 181.7 million, an increase of 12.0% compared to EUR 162.3 million at the end of 2022. Interest income for continued operations grew by 30.9% compared to the same period previous year (2022 – EUR 213.0 million), amounting to EUR 278.7 million. Including discontinued operations, interest income for 2023 reached EUR 298.3 million, marking an 10.0% increase from EUR 271.3 million in 2022. Furthermore, the Group recorded a net profit of EUR 72.1 million, surpassing the 2022 result (EUR 65.5 million) by 10.0%.

The Group’s loan issuance volume reached EUR 823.8 million during the period, being an increase of 17.1% compared to EUR 703.7 million issued in the same period last year. The growth was delivered by broadening the Group’s product range in existing markets, as well as scaling recently launched products in newer markets, such as the Philippines and Kenya.

In January 2023, due to the small size of operations and the uncertainty around the investment environment in Vietnam, the Group made the decision to wind down its operations in this country. Thereafter, the respective subsidiaries were disposed from the Group.

In March 2023, the Group was recognised as one of the fastest growing European companies by The Financial Times. The Group was not only ranked as one of the 25th fastest growing fintech companies 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 bond issue at the end of May 2023, with a maturity in November 2026, bearing an annual interest rate of 11% + 3M EURIBOR. The issuance was organized in the form of a private placement and the final issue size amounted to EUR 27 million. The bonds have been listed on the Nasdaq First North market since 11 March 2024.

At the beginning of July, the Group acquired AS Zenka Group, an online lending company operating in Kenya. As a result of this acquisition, the Group further expanded its geographic footprint by entering the rapidly growing African lending market.

During 2023, the Group showed an overall upward trend in key business metrics, including the total number of employees – 1 333 (in 2022: 1 160). 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 25.4% during the period.

# 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 new 3.5-year corporate bond private placement in Nasdaq CSD with an annual interest rate of 11.0% + 3M EURIBOR. The issue size is EUR 27 million and 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](http://www.mintos.com)). Throughout 2023, loans from 3 out of the Group's 9 markets were listed on the marketplace – Poland, Latvia, and 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. After acquiring a majority stake in AS Zenka Group, an online lending company operating in Kenya, the Group will also continue to scale operations across the 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 on improvements in the current product offering as well as developing new products. As part of this process, the Group maintains a focus on enhancing the product range offered in the current operational markets.

## Key highlights of the Group's financial performance during the period

Interest income for the twelve months ended 31 December 2023 for continued operations amounted to EUR 278.7 million, compared to EUR 213.0 million in 2022, which represents an increase of 30.9%. The total interest income, including discontinued operations, reached EUR 298.3 million, marking an 10.0% increase from EUR 271.3 million in 2022. The increase in interest income was achieved by maintaining continuous growth in our established markets, as well as by completing an acquisition of AS Zenka Group, an online lending company operating in Kenya.

The balance of outstanding net loans at the end of 2023 was EUR 181.7 million, a 12.0% increase compared to EUR 162.3 million as of 31 December 2022. This increase was driven by a steady growth of the longer-term line of credit and instalment loan products' share in the Group's portfolio composition, combined with continuous improvements in the loan portfolio dynamics in the more established operational markets.

The Group's net profit for the year ended 31 December 2023 amounted to EUR 72.1 million, a 10.0% increase from EUR 65.5 million reported for the twelve months ended 31 December 2022. The increase in net profit has been accomplished as a result of the growth in interest income during the period in combination with the Group's tight operational cost oversight.

Overall, the Group has delivered stable growth in all key performance indicators during the reporting period by consistently improving the products offered to its loyal customer base in established operational markets, while also expanding its presence into new geographical regions.

## 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. Management believes that for the Group, interest rate risk is not material since all loans are issued and received at fixed rates. Whilst all loans and advances to customers are issued and received at fixed rates and the majority of the Group's borrowings are subject to floating interest rates, management believes that for the Group, the interest rate risk is not material. The floating part of the borrowings is linked to the interest rate set by the European Central Bank which has kept the rate stable recently and there are not indications about the expected increases. The management actively manages this risk.

### Currency risk

The Group has assets and liabilities denominated in several foreign currencies. Foreign currency risk arises when the actual or forecasted assets in a foreign currency are either greater or less than the liabilities in that currency. Please see Note 3<sup>4</sup> for more detailed analysis of Group's sensitivity to different currencies in which we operate in.

### Price risk

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

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

## Sun Finance Group/ Ownership

AS Sun Finance Group is the holding company of the Sun Finance Group (the "Group"). As of 31 December 2023, the Group has active lending operations in 9 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  
30 June 2024



# CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

|   | Notes | 2023<br>EUR        | 2022<br>EUR<br>restated |
|---|-------|--------------------|-------------------------|
| Interest income   | 6     | 278 710 692        | 212 997 766             |
| Interest expense  | 7     | (17 785 932)       | (12 531 639)            |
| <b>Net interest income</b>  |       | <b>260 924 760</b> | <b>200 466 127</b>      |
| Net impairment losses on loans and receivables                                  | 8     | (22 891 935)       | (24 555 904)            |
| Gain/(losses) from derecognition of financial assets measured at amortised cost | 18    | (92 285 427)       | (60 117 113)            |
| Operating costs   | 9,31  | (85 581 058)       | (61 964 448)            |
| Other operating income  | 10    | 42 450 090         | 44 934 925              |
| Other operating expense   | 11    | (5 021 856)        | (9 274 300)             |
| Net foreign exchange result   | 12    | (1 227 742)        | (2 359 040)             |
| <b>Profit before tax</b>  |       | <b>96 366 832</b>  | <b>87 130 247</b>       |
| Corporate income tax  | 13    | (24 305 009)       | (21 636 161)            |
| <b>PROFIT FOR THE PERIOD</b>  |       | <b>72 061 823</b>  | <b>65 494 086</b>       |
| <u>Profit attributable to:</u>  |       |                    |                         |
| Equity holders of the Group   |       | 69 725 011         | 63 158 683              |
| Non-controlling interests   |       | 2 336 812          | 2 335 403               |
| Profit for the period   |       | 72 061 823         | 65 494 086              |
| <u>Other comprehensive income / (loss)</u>                                      |       |                    |                         |
| Foreign currency translation differences on foreign operations                  |       |                    |                         |
| Equity holders of the Group   |       | (646 535)          | 497 639                 |
| Non-controlling interests   |       | 23 197             | (22 885)                |
| Total comprehensive income for the period                                       |       | 71 438 485         | 65 968 840              |
| <u>Total comprehensive income / (loss) attributable to:</u>                     |       |                    |                         |
| Equity holders of the Group   |       | 69 078 476         | 63 656 321              |
| Non-controlling interests   |       | 2 360 009          | 2 312 519               |
| Total comprehensive income for the period                                       |       | 71 438 485         | 65 968 840              |

The accompanying notes on pages 15 to 65 form an integral part of these consolidated financial statements.

Emils Latkovskis  
Chairman of the Board  
30 June 2024



# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

|   | Notes | 31.12.2023<br>EUR  | 31.12.2022<br>EUR  |
|---|-------|--------------------|--------------------|
| <b>ASSETS</b>                               |       |                    |                    |
| Property and equipment, right-of-use assets | 15    | 3 788 904          | 3 991 087          |
| Intangible assets and goodwill              | 16    | 13 846 542         | 8 370 248          |
| <b>Tangible and intangible assets</b>       |       |                    |                    |
| Other loans and receivables                 |       | 44 832             | 231 987            |
| Other non-current financial assets          | 17    | 70 069             | 130 078            |
| <b>Non-current financial assets</b>         |       |                    |                    |
| Deferred tax asset                          | 14    | 2 827 507          | 1 638 835          |
| <b>Total non-current assets</b>             |       |                    |                    |
| Loans and advances to customers             | 18    | 181 733 771        | 162 332 273        |
| Prepaid expense                             |       | 1 213 992          | 1 413 417          |
| Other receivables                           | 19    | 28 467 803         | 22 253 732         |
| Other loans and receivables                 |       | 11 780             | 12 588             |
| Cash and cash equivalents                   | 20    | 22 641 935         | 10 784 579         |
| <b>Total current assets</b>                 |       |                    |                    |
| <b>TOTAL ASSETS</b>                         |       |                    |                    |
|   |       | <b>254 647 135</b> | <b>211 158 824</b> |

The accompanying notes on pages 15 to 65 form an integral part of these consolidated financial statements.

Emils Latkovskis  
Chairman of the Board  
30 June 2024



# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

|   | Notes | 31.12.2023<br>EUR  | 31.12.2022<br>EUR  |
|---|-------|--------------------|--------------------|
| <b>SHAREHOLDERS' EQUITY</b>                                       |       |                    |                    |
| Share capital and Share premium                                   | 21    | 367 040            | 367 040            |
| Reserves  | 2,31  | 1 654 000          | 1 530 053          |
| Currency translation reserve                                      |       | 32 149             | 678 684            |
| Retained earnings   |       | 90 772 364         | 62 815 417         |
| <b>Total equity attributable to equity holders of the Company</b> |       | <b>92 825 553</b>  | <b>65 391 194</b>  |
| Non-controlling interest  |       | 1 997 014          | 642 685            |
| <b>TOTAL EQUITY</b>   |       | <b>94 822 567</b>  | <b>66 033 879</b>  |
| <b>LIABILITIES</b>  |       |                    |                    |
| Loans and borrowings  | 22    | 78 989 228         | 78 267 868         |
| Deferred tax liabilities  | 14    | 162 046            | 165 130            |
| <b>Non-current liabilities</b>                                    |       | <b>79 151 274</b>  | <b>78 432 998</b>  |
| Loans and borrowings  | 22    | 47 686 412         | 44 107 088         |
| Prepayments and other payments received from clients              | 23    | 6 176 647          | 5 763 337          |
| Trade and other payables  | 24    | 8 158 751          | 6 669 370          |
| Corporate income tax payable                                      | 13    | 11 140 334         | 4 993 938          |
| Taxes payable   | 25    | 2 686 643          | 2 430 051          |
| Accrued liabilities   | 26    | 4 824 507          | 2 728 163          |
| <b>Current liabilities</b>  |       | <b>80 673 294</b>  | <b>66 691 947</b>  |
| <b>TOTAL LIABILITIES</b>  |       | <b>159 824 568</b> | <b>145 124 945</b> |
| <b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>                 |       | <b>254 647 135</b> | <b>211 158 824</b> |

The accompanying notes on pages 15 to 65 form an integral part of these consolidated financial statements.

Emils Latkovskis  
Chairman of the Board  
30 June 2024



# CONSOLIDATED STATEMENT OF CASH FLOWS

|  | Notes  | 2023<br>EUR        | 2022<br>EUR<br>restated |
|--|--------|--------------------|-------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |        |                    |                         |
| Profit before taxes  |        | 96 366 832         | 90 705 216              |
| Adjustments for:   |        |                    |                         |
| Depreciation and amortization  | 9, 28  | 2 645 064          | 1 838 550               |
| Goodwill write-off   | 16     | 250 214            | 8 802 829               |
| Sold portfolio write-off   |        | 158 975 445        | 106 952 962             |
| Increase in impairment allowance   | 8, 28  | 35 516 919         | 52 392 874              |
| Write-off and disposal of intangible and property and equipment assets                                   | 15, 16 | 565 351            | 183 723                 |
| Provisions (except doubtful debt allowance)  |        | 1 219 257          | (502 975)               |
| Increase of reserves   |        | 123 947            | 190 211                 |
| Non-controlling interest retained earnings   |        | 314 041            | 261 278                 |
| Interest income  |        | (19 819)           | (30 143)                |
| Interest expenses  | 7      | 17 785 932         | 12 531 639              |
| Loss from discontinued operations  | 28     | 2 652 019          | -                       |
| Other non-cash items, including loss/(gain) on disposals   |        | (757 867)          | -                       |
| Profit or loss before adjustments for the effect of changes to current assets and short-term liabilities |        | <b>315 637 335</b> | <b>273 326 164</b>      |
| Adjustments for:   |        |                    |                         |
| Increase in loans and advances to customers  |        | (211 414 456)      | (225 107 597)           |
| Increase in other assets   |        | (5 850 972)        | (4 556 122)             |
| Increase in accounts payable to suppliers, contractors, and other creditors                              |        | 3 402 533          | 5 842 173               |
| <b>Gross cash flows from operating activities</b>  |        | <b>101 774 440</b> | <b>49 504 618</b>       |
| Corporate income tax paid  |        | (17 352 349)       | (30 824 410)            |
| <b>Net cash flows from operating activities</b>  |        | <b>84 422 091</b>  | <b>18 680 208</b>       |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>  |        |                    |                         |
| Purchase of property and equipment and intangible assets   | 15, 16 | (3 222 626)        | (2 366 575)             |
| Loans issued to related and other parties  |        | (1 768 159)        | (35 195)                |
| Received loan repayment  |        | 224 185            | 72 970                  |
| Interest received  |        | 56 997             | 4 175                   |
| Acquisition of subsidiaries, net of cash acquired  |        | 1 324 933          | -                       |
| Disposal of discontinued operations, net of cash disposed  | 28     | (3 245 644)        | -                       |
| <b>Net cash flows used in investing activities</b>   |        | <b>(6 630 314)</b> | <b>(2 324 625)</b>      |

The accompanying notes on pages 15 to 65 form an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

|   | Note | 2023<br>EUR         | 2022<br>EUR         |
|---|------|---------------------|---------------------|
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                     |      |                     |                     |
| Loans received and notes issued                                 |      | 84 334 428          | 27 136 058          |
| Repayment of loans  |      | (81 934 938)        | (2 436 769)         |
| Interest payments   |      | (14 318 087)        | (10 772 825)        |
| Funding received from P2P                                       |      | 87 970 063          | 31 070 673          |
| Repayment of funding received from P2P                          |      | (99 461 298)        | (27 999 773)        |
| Return to Investors   |      | (42 812 637)        | (29 622 102)        |
| <b>Net cash flows used in financing activities</b>              |      | <b>(66 222 469)</b> | <b>(12 624 738)</b> |
| <b>Net increase in cash and cash equivalents</b>                |      | <b>11 569 308</b>   | <b>3 730 845</b>    |
| <b>Cash and cash equivalents at the beginning of the period</b> |      | <b>10 784 579</b>   | <b>7 227 342</b>    |
| Effect of exchange rate fluctuations on cash                    |      | 288 048             | (173 608)           |
| <b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>       | 16   | <b>22 641 935</b>   | <b>10 784 579</b>   |

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Emils Latkovskis  
Chairman of the Board  
30 June 2024



# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

|   | Share capital  | Share premium | Currency translation reserve | Other reserves   | Retained earnings | Total               | Non-controlling interests | Total               |
|---|----------------|---------------|------------------------------|------------------|-------------------|---------------------|---------------------------|---------------------|
| Group   | EUR            | EUR           | EUR                          | EUR              | EUR               | EUR                 | EUR                       | EUR                 |
| <b>01.01.2022</b>   | <b>340 000</b> | <b>27 040</b> | <b>181 045</b>               | <b>1 339 842</b> | <b>28 007 816</b> | <b>29 895 743</b>   | <b>(751 894)</b>          | <b>29 143 849</b>   |
| <b>Changes in ownership</b>   |                |               |                              |                  |                   |                     |                           |                     |
| Acquisition/ (Disposal) of non-controlling interest without change in control | -              | -             | -                            | -                | 68 918            | <b>68 918</b>       | 126 775                   | <b>195 693</b>      |
| <b>Total comprehensive income</b>   |                |               |                              |                  |                   |                     |                           |                     |
| Profit for the reporting period   | -              | -             | -                            | -                | 63 158 683        | <b>63 158 683</b>   | 2 335 403                 | <b>65 494 086</b>   |
| Other comprehensive income  | -              | -             | 497 639                      | -                | -                 | <b>497 639</b>      | (22 885)                  | <b>474 754</b>      |
| <b>Transactions with shareholders recorded directly in equity</b>             |                |               |                              |                  |                   |                     |                           |                     |
| Value of employee services (Note 31)  | -              | -             | -                            | 181 000          | -                 | <b>181 000</b>      | -                         | <b>181 000</b>      |
| Reserves  | -              | -             | -                            | 9 211            | -                 | <b>9 211</b>        | -                         | <b>9 211</b>        |
| Earnings allocation   | -              | -             | -                            | -                | (28 420 000)      | <b>(28 420 000)</b> | (1 044 714)               | <b>(29 464 714)</b> |
| <b>01.01.2023</b>   | <b>340 000</b> | <b>27 040</b> | <b>678 684</b>               | <b>1 530 053</b> | <b>62 815 417</b> | <b>65 391 194</b>   | <b>642 685</b>            | <b>66 033 879</b>   |
| <b>Changes in ownership</b>   |                |               |                              |                  |                   |                     |                           |                     |
| Acquisition/ (Disposal) of non-controlling interest without change in control | -              | -             | -                            | -                | (9 064)           | <b>(9 064)</b>      | 691 586                   | <b>682 522</b>      |
| <b>Total comprehensive income</b>   |                |               |                              |                  |                   |                     |                           |                     |
| Profit for the reporting period   | -              | -             | -                            | -                | 69 725 011        | <b>69 725 011</b>   | 2 336 812                 | <b>72 061 823</b>   |
| Other comprehensive income  | -              | -             | (646 535)                    | -                | -                 | <b>(646 535)</b>    | 23 197                    | <b>(623 338)</b>    |
| <b>Transactions with shareholders recorded directly in equity</b>             |                |               |                              |                  |                   |                     |                           |                     |
| Value of employee services (Note 31)  | -              | -             | -                            | 135 000          | -                 | <b>135 000</b>      | -                         | <b>135 000</b>      |
| Reserves  | -              | -             | -                            | (11 053)         | -                 | <b>(11 053)</b>     | -                         | <b>(11 053)</b>     |
| Earnings allocation   | -              | -             | -                            | -                | (41 759 000)      | <b>(41 759 000)</b> | (1 697 266)               | <b>(43 456 266)</b> |
| <b>31.12.2023</b>   | <b>340 000</b> | <b>27 040</b> | <b>32 149</b>                | <b>1 654 000</b> | <b>90 772 364</b> | <b>92 825 553</b>   | <b>1 997 014</b>          | <b>94 822 567</b>   |

The accompanying notes on pages 15 to 65 form an integral part of these consolidated financial statements.

Emils Latkovskis  
Chairman of the Board  
30 June 2024

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## (1) Reporting entity

AS Sun Finance Group (the “Company”) is registered in Skanstes 52, Riga, Latvia, LV-1013 (reg.no: 40203205428). The Company is operating as the holding company for several subsidiaries in Europe, Scandinavia, Central Asia, Southeast Asia, Latin America and Africa (together referred to as the ‘Group’). The Group entities provide consumer loans to customers and currently the Group has active lending operations in Poland, Latvia, Kazakhstan, Kyrgyz Republic, Denmark, Mexico, Sweden, Azerbaijan, Sri Lanka, Philippines, Kenya and Spain.

AS Sun Finance Group was established in April 2019.

## (2) Basis of preparation

These consolidated annual financial statements as of and for the year ended 31 December 2023 are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). The Group’s consolidated annual financial statements and its financial result are affected by accounting policies, assumptions, estimates and management judgement (Note 3), which necessarily have to be made in the course of preparation of the annual consolidated financial statements.

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

These consolidated financial statements were approved by the Company’s Board on 30 June 2024. The shareholders have the power to reject the financial statements prepared and presented by the Board, and the right to request that new financial statements are prepared.

### a) Basis of Measurement

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

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

### b) Functional and presentation currency

The consolidated financial statements are presented in euro (EUR), unless stated otherwise. EUR is chosen as presentation currency since most of the Group’s operational activities are based in European Union. During 2023 Group companies operated in the functional currencies of EUR, DKK, PLN, KZT, KGS, SEK, VND, MXN, PHP, USD, AZN and KES, 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 consolidated financial statements except for new International Accounting Standards Board standards and pronouncements which are applied when they become effective.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## Basis of Consolidation

### (i) Subsidiaries

Subsidiaries are those entities controlled by the Company as at 31 December 2023. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Thus, the Group controls an entity if and only if the Group has all the following:

- (a) power over the entity
- (b) exposure, or rights, to variable returns from its involvement with the entity and
- (c) the ability to use its power over the entity to affect the amount of the investor's returns.

Subsidiaries are excluded from consolidated financial statements from the date when control effectively ceases.

### (ii) Interest in joint arrangements, associates and other unconsolidated subsidiaries

Significant judgements and assumptions are made assessing the interest in joint arrangements, associates and other unconsolidated subsidiaries. The Company assess the interest according to IFRS 12 and IFRS 10. The Company has no interest in joint arrangements, associates or other unconsolidated subsidiaries.

### (iii) Transactions eliminated on consolidation

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

### (iv) Foreign currency

#### (i) Foreign currency transactions

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

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognised in statement of comprehensive income. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated into EUR using the following exchange rates.

|     | 31.12.2023   | 31.12.2022   |
|-----|--------------|--------------|
| PLN | 4.33950      | 4.68080      |
| DKK | 7.45290      | 7.43650      |
| KZT | 502.24000    | 492.86000    |
| KGS | 98.5328      | 91.4377      |
| MXN | 18.72310     | 20.85600     |
| SEK | 11.09600     | 11.12180     |
| VND | 26 795.78663 | 25 841.35000 |
| PHP | 61.28300     | 59.32000     |
| USD | 1.10500      | 1.06660      |
| KES | 173.77970    | —            |

#### (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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## (v) 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.

## (vi) Financial Instruments

### (i) Recognition

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

### (ii) Classification and Measurement

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

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

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

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

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

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

### (iii) Business model assessment

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective - the risks that affect the performance of the business model and the way those risks are managed. The expected frequency, value and timing of sales are also important aspects of the Group's assessment. The business model assessment is based on reasonably expected. If cash flows after initial recognition are realized in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward. The assessed business model is with the intention to hold financial assets in order to collect contractual cash flows, but when assets no longer meet the credit risk criteria of the Group credit policy – to sell the underperformed portfolio.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

## (v) Derecognition

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

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

## (vi) Modification of financial assets and liabilities

Any modification to financial contract that is measured at amortised cost needs to be either derecognised or appropriately measured if modification is considered as non-substantial. Both qualitative and quantitative factors are considered in order to assess if the modification is substantial or not. For modifications that do not result in derecognition, the gross carrying amount of the asset is recalculated by discounting the modified contractual cash flows using credit-impaired effective interest rate (EIR). A credit-adjusted effective interest rate is used for expected credit losses of purchased or originated credit-impaired financial assets. The credit-adjusted effective interest rate reflects expected credit losses of the financial asset. When assessing whether or not financial asset is credit impaired, the Group evaluates whether the cash flows of the modified asset are substantially different and the Group considers the following qualitative factors:

- Significant changes in expected cash-flows
- Significant change in agreement terms
- Whether legal obligations have been extinguished.

Changes in the contractual cash flows of the asset are recognized in statement of comprehensive income and any costs or fees incurred adjust the carrying amount of the modified financial asset and are amortized over the remaining term of the modified instrument. Therefore, the original effective interest rate (EIR) determined at initial recognition is revised on modification to reflect any costs or fees incurred.

## (vii) Fair value measurement principles

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

## (viii) Loans and advances

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

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

## (ix) Write-off

The Group considers any kind of financial asset completely unrecoverable and write off the financial asset from balance sheet entirely, if all legal actions have been performed to recover financial asset and the Group has no reasonable expectations of recovering the exposure.

## (vi) Property, plant and equipment

### (i) Owned assets

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

### (ii) Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of the individual assets. Depreciation commences on the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and ready for use. The carrying values of equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

The estimated useful lives are as follows:

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## (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                          | 3-4 years |

### (i) Internally generated intangible assets

Internally generated intangible assets primarily include the development costs of Group's information management systems. These costs are capitalized only if they satisfy the criteria as defined by IAS38 and described below.

Internal and external development costs on management information systems arising from the development phase are capitalized. Significant maintenance and improvement costs are added to the initial cost of assets if they specifically meet the capitalization criteria.

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

Internally generated intangible assets are amortized over their useful lives of 4 years, software and other intangible assets - over 3 years. The main internally generated intangible assets are CRM systems.

According to IAS38, development costs shall be capitalized if, and only if, the Group can meet all of the following criteria:

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

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

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

Additional information is included in Note 16.

### (ii) Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any. For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination. Such units represent the smallest groups of assets that generate cash inflows from continuing use that are largely independent of the cash flows of other assets or CGUs. A

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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. These calculations require the use of estimates as disclosed in Note 16.

## (viii) Impairment

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

At each reporting date the Group assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. The Group analyses its portfolio of loans and receivables due from customers by segregating receivables in categories according to each receivables days past due (DPD) metrics. The collective expected credit loss model (ECL) that is predominantly based on DPD is applied by the Group in assessment of impairment for loans and receivables due from customers. IFRS 9 accelerates the recognition of impairment losses and leads to higher impairment allowances at the date of initial application.

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

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

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

#### Definition of default

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

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

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

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

- The Probability of Default (PD) is an estimate of the likelihood of default over a given time horizon;
- The Exposure at Default (EAD) is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments, whether scheduled by contract or otherwise;

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

- The Loss Given Default (LGD) is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realization of any collateral sell of defaulted loans. It is usually expressed as a percentage of the EAD. LGD is based on discounted cash flows on defaulted loans.

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

The carrying amount of the asset is reduced through the use of an allowance account and recognition of the loss in Statement of Comprehensive Income. Allowances for credit losses on loans and receivables are assessed collectively. Collectively assessed impairment allowances cover credit losses inherent in portfolios of loans with similar credit risk characteristics when there is objective evidence to suggest that they contain impaired financial assets, but the individual impaired items cannot yet be identified.

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

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

## (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, i.e., 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## (ix) Provisions and contingencies

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

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

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

### Provisions for tax liabilities

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

### Accruals for unused vacations

As at the period end, an accrued expense for unused vacations has been recognized in accordance with local legislation in each separate country of operation and is based on the number of vacation days unused as at 31 December 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate. The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

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

## Initial recognition exemptions applied

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

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

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

### Short term leases:

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

### Leases of low-value assets:

The Group defines a low-value asset as one:

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

## (xii) Transactions with peer-to-peer platforms

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

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

Receivable is arising from assignments made through P2P platform where the related investment is not yet transferred to the Group (Note 19).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

P2P platform commissions and service fees incurred by the Group are fees charged by P2P platform for servicing the funding attracted through peer-to-peer platform and are disclosed in Note 7 and Note 9.

## Funding attracted through P2P 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 P2P platform (Note 22) and are treated as loans received.

## Assignments with recourse rights (buy back guarantee)

Assignments with recourse rights provide for direct recourse to the Group, thus do not meet the requirements to be classified as pass-through arrangement in accordance with IFRS 9. Specifically, neither investors, nor the P2P platform bear any risks in relation to creditworthiness of the Group's borrower. The Group is obliged, on first demand of the P2P platform, to repay all monies due if loan agreement with borrower defaults. Additionally, the Group retains the risks and rewards of ownership of the financial asset.

Therefore, the Group's respective debt instruments do not qualify to be considered for partial derecognition and interest expense paid to investors is shown in gross amount under Interest expense calculated using effective interest method.

## (xiii) Dividends

Dividend distribution to the shareholders of the Group is recognized as a liability and as distribution of retained earnings in the financial statements in the period in which the dividends are approved by the shareholders, the later applicable also for interim dividends.

## (xiv) Taxation

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

### (i) Current tax – general terms

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

### (ii) Current tax for entities in Latvia

In Latvia legal entities are not required to pay income tax on earned profits in accordance with local legislation on Corporate Income Tax. Instead of this, Corporate income tax would be paid at 20% rate of gross amount on distributed profits and deemed profit distributions. Corporate income tax on dividends would be recognized in the statement of profit and loss as expense in the reporting period when respective dividends are declared, while, as regards other deemed profit items, at the time when expense is incurred in the reporting year.

### (iii) Deferred tax – general terms

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## (iv) Deferred tax for entities in Latvia

Under IAS 12 Income taxes, deferred tax assets and liabilities should be recognized by applying a rate expected to be applied to retained earnings. Taking into account the specific nature of Corporate income tax law the rate 20% is only applied to distributed profits, while the 0% rate applied to retained earnings. The Group has decided to use these beneficial tax regimes to reinvest profits in further development of respective subsidiaries in Latvia, therefore it does not plan to distribute dividends from these subsidiaries in foreseeable future, therefore, no deferred income tax liabilities are recognised. Maximum possible tax liability in case all retained earnings were distributed is disclosed in Note 14.

## (xv) Income and expense recognition

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

### (i) Interest income and expense

Interest income and expense are recognised in statement of comprehensive income using the effective interest rate method. Loan extension fees and guarantee 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

Other fees and commissions, that are not part of the effective interest rate, are recognised as the related services are performed and control over a service is transferred to a customer. These services are provided only upon voluntary requests by clients and include credit restructuring assistance, communication with banks to facilitate sooner payments processing and others. 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 and payment is received.

### (iii) Penalty fee income

Income from penalty fee is 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 contracts 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. These contracts are in the scope of IFRS 15 and the Group recognize the income in the same period when the profit is earned (recognized).

### (vi) Other income/Income from insurance broker activities

Income from insurance broker activities include income whereby the loan issuers involved act as an agent selling insurance issued from third party companies to clients. Loan issuers does not bear the insurance risk on these transactions. Income is recognized as the service has been performed and control over service is transferred to the customer.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## (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 options are classified as an equity-settled share-based payment transaction in Group's financial statements in accordance with IFRS 2. There are cash settlement alternatives. Group record expenses related to this transaction and recognize a respective component of equity.

## (xvii) Related parties

The parties are considered related when one party has a possibility to control the other one or has significant influence over the other party in making financial and operating decisions. Related parties of the Group are shareholders who could control or who have significant influence over the Group in accepting operating business decisions, key management personnel of the Group including members of Supervisory body – close family members of any above-mentioned persons, as well as entities over which those persons have a control or significant influence.

## (xviii) Non-controlling interest

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

## (xix) Business combinations

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

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

## (xx) Changes in accounting policies

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

### New standards and interpretations adopted

The Group have adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2023.

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

- IFRS 17 Insurance Contracts: Initial Application of IFRS 17 and IFRS 9 - Amendments issued on 9 December 2021
- IAS 12 Deferred tax related to Assets and Liabilities arising from a Single Transaction – Amendments
- IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies - Amendments
- IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates – Amendments
- IFRS 17 Insurance Contracts, including amendments to IFRS 17 - Amendments issued on 25 June 2020
- IAS 12 Income tax: International Tax Reform – Pillar Two Model Rules – Amendments

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2024 and have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Group are set out below.

- IFRS 16 Leases: Lease Liability in a Sale and Leaseback – Amendments (effective for annual periods beginning on or after 1 January 2024)
- IAS 1 Presentation of Financial Statements – Amendments (effective for annual periods beginning on or after 1 January 2024)
- Classification of Liabilities as Current or Non-current (issued on 23 January 2020)
- Classification of Liabilities as Current or Non-current - Deferral of Effective Date (issued on 15 July 2020)
- Non-current Liabilities with Covenants (issued on 31 October 2022)

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

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

- IFRS 18 Presentation and Disclosure in Financial Statements (issued on 9 April 2024) (IASB: effective for annual periods beginning on or after 1 January 2027)
- IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability - Amendments to (issued on 15 August 2023) (IASB: effective for annual periods beginning on or after 1 January 2025)
- IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements - Amendments (issued on 25 May 2023) (IASB: effective for annual periods beginning on or after 1 January 2024)

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

## (xxi) Changes in classification

During 2023, the Group changed the classification of "Other debtors" under the Note 19 to reflect more precise types of other receivables for the Group. Comparative amounts in the Note 19 were reclassified accordingly. As a result, EUR 307 635 were reclassified from "Other debtors" to "Overpaid taxes" and EUR 8 800 were reclassified from "Other debtors" to "Receivables under profit-sharing arrangements".

During 2023, the Group changed the classification of "Next period income" under Note 23 to reflect liabilities against clients more precisely. Comparative amounts for 2022 were reclassified accordingly. As a result, "Next period income" has been reclassified from position of "Trade and other payables" (Note 24) to "Prepayments and payments received from clients" (Note 23) in amount of 2 840 056 EUR for 2023.

During 2023, the Group changed the classification of "Cash and Cash equivalents" under the Note 20. Position "Cash in transit" has been recognized as cash equivalent due to the short term and high liquidity nature of the respective balances which mostly comprise of transfers between various banks with valuation date after the reporting date, therefore classified from position "Other receivables" to position "Cash and Cash equivalents". Comparative amounts in balance sheet positions and respective notes have been reclassified accordingly. As a result, EUR 2 075 085, has been reclassified from position "Other receivables" to position "Cash and Cash equivalents".

As disclosed in Notes 28 the Group has classified its operations in Vietnam as Discontinued operations. The comparative consolidated statement of comprehensive income for the year 2022 has been restated to show discontinued operations separately from continuing operations. The effect of the reclassification adjustments are disclosed in Note 28.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## (xxii) Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

- represent a separate major line of business or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations;
- are operations that are ceased.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale. When an operation is classified as a discontinued operation, the comparative statement of profit or loss and other comprehensive income (OCI) is represented as if the operation had been discontinued from the start of the comparative year.

## (4) Risk management

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

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

Management has implemented procedures to control the key risks.

### (a) Credit risk

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

Performance of different customer groups is analysed on a regular basis. The Group has established efficient debt collection processes across all the Group's business units. All debt collection methods in each operating market, procedures and instructions which are in place, are adjusted to comply with local legislation and reflect, in the Group's view, best practices in the market. The Group's regular debt collection processes are executed already before payment due date in order to collect cash and to reduce the volume of potentially delayed payments. If cash flows after initial recognition are realized in a way that is different from the Group's original expectations – held to collect, the Group does not change the classification of the remaining financial assets held in that business model as initially business model is based on held to collect principle. The assessed business model is with the intention to hold financial assets in order to collect contractual cash flows. Sales that take place from these portfolios relate to credit events. Loans from portfolios might be sold to debt collector agencies when underlying debtors have defaulted on their obligations. When, and only when, an entity changes its business model for managing financial assets it shall reclassify all affected financial assets.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

No financial liability reclassifications take place. The Group has also implemented strong NPL management driven by automatic forward sales of overdue loans in most of the markets. The Group's key elements of success are high quality loan portfolio, best practices sharing process across countries, implementation of continuous improvements in its debt collection approach and team of qualified and motivated specialists. Management believes that current procedures are sufficient to effectively monitor credit risk of customer groups, in addition the structure of portfolio is based on many small value loans as a result separate customer exposure cannot cause material losses to the Company. Quantitative information on the Group's credit risks is disclosed in Note 35.

## **(b) Liquidity risk**

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity position of the Group is managed by the Treasury department. The Group manages its liquidity risk by arranging an adequate amount of committed credit facilities with related parties and by issuing bonds. The Management believes that current procedures are sufficient to effectively monitor and manage liquidity risk of the Group. Maturity analysis on the Group's financial assets and liabilities is disclosed in Notes 32.

## **(c) Market risk**

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

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

## **(d) Interest rate risk**

Interest rate risk is the risk that movements in interest rates will affect the Group's income or the value of its portfolios of financial assets. Management believes that for the Group, interest rate risk is not material since all loans are issued and received at fixed rates. Whilst all loans and advances to customers are issued and received at fixed rates and the majority of the Group's borrowings are subject to floating interest rates, management believes that for the Group, the interest rate risk is not material. The floating part of the borrowings is linked to the interest rate set by the European Central Bank which has kept the rate stable recently and there are not indications about the expected increases. The management actively manages this risk.

## **(e) Currency risk**

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

An analysis of sensitivity of the Group's net income for the year and equity to changes in the foreign currency exchange rates based on positions existing as at 31 December 2023 and a simplified scenario of a 5% change in PLN, KZT, MXN, SEK, VND, PHP and KES to EUR exchange rates is as follows:

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

|                                     | 31 December 2023       |                    | 31 December 2022       |                    |
|-------------------------------------|------------------------|--------------------|------------------------|--------------------|
|                                     | Net income<br>EUR '000 | Equity<br>EUR '000 | Net income<br>EUR '000 | Equity<br>EUR '000 |
| 5% appreciation of PLN against EUR  | 1,363                  | 1,363              | 1,094                  | 1,094              |
| 5% depreciation of PLN against EUR  | (1,363)                | (1,363)            | (1,094)                | (1,094)            |
| 5 % appreciation of KZT against EUR | 4,209                  | 4,209              | 3,675                  | 3,675              |
| 5% depreciation of KZT against EUR  | (4,209)                | (4,209)            | (3,675)                | (3,675)            |
| 5% appreciation of MXN against EUR  | 505                    | 505                | 341                    | 341                |
| 5% depreciation of MXN against EUR  | (505)                  | (505)              | (341)                  | (341)              |
| 5 % appreciation of SEK against EUR | 893                    | 893                | 522                    | 522                |
| 5% depreciation of SEK against EUR  | (893)                  | (893)              | (522)                  | (522)              |
| 5% appreciation of VND against EUR  | 22                     | 22                 | 549                    | 549                |
| 5% depreciation of VND against EUR  | (22)                   | (22)               | (549)                  | (549)              |
| 5% appreciation of PHP against EUR  | 186                    | 186                | —                      | —                  |
| 5% depreciation of PHP against EUR  | (186)                  | (186)              | —                      | —                  |
| 5% appreciation of KES against EUR  | 128                    | 128                | —                      | —                  |
| 5% depreciation of KES against EUR  | (128)                  | (128)              | —                      | —                  |

## (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 behaviour. Operational risks arise from all of the Group's operations.

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## (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 and reserves) divided by Net Loan portfolio. In order to maintain or adjust the overall capital structure, the Group may issue new Notes, borrow in P2P platform or sell assets to reduce debt. For commitments and contingencies related to capital management refer to Note 36.

## (5) Use of estimates and critical accounting judgments

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

In preparing these consolidated financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements of the Group as at and for the year ended 31 December 2023. Key sources of estimation uncertainty are:

- **Recoverable amount of goodwill (see Note 16).** Goodwill is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. Determining whether goodwill is impaired requires the management to estimate the future cash flows expected to arise from the cash-generating unit. Where the actual future cash flows are less than expected, a material impairment loss may arise.
- **Allowances for credit losses on loans and receivables (see Note 18).** The measurement of impairment losses under IFRS 9 across all categories of financial assets in scope requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances. The Group's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include Probability of Default and Loss Given Default, judgment is applied also when determining significant increase in credit risk.
- **Recoverability of deferred tax asset (see Note 14).** Deferred tax assets are recognized for unused tax losses and other temporary differences to the extent that it is probable that taxable profit will be available against which the losses and temporary differences 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. Budgeting models used are the same as the ones used in goodwill impairment tests. At each reporting date, the Group's management analyses the recoverability of deferred tax and reduces the deferred tax asset if it is no longer probable that during the period of utilization of tax losses future taxable profits will be available against which unused tax losses can be utilized.
- **Capitalization of development costs.** For capitalization of expenses in process of developing Group's enterprise resource planning (ERP) system and other IT systems management uses certain assumptions. Capitalization of salary expenses of IT personnel is based on employee time sheets and personnel involved in development dedicate up to 70% of their time on developing new functionality. Therefore, up to 70% of salary expenses of involved personnel are capitalized under Other intangible assets while remaining 30% are recognized as salary expenses in Statement of profit and loss.
- **Fair value of employee share options (see Note 30).** 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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

obtain rights to acquire Parent company's or certain subsidiaries' shares under several graded vesting scenarios. The respective option would be classified as an equity-settled share-based payment transaction in Group's consolidated financial statements in accordance with IFRS 2. There are cash settlement alternatives. Given absence of an ongoing sale of any of Subsidiaries or the Parent or any listing process initiated and other relevant cash settlement events, then cash settlement is considered not to be probable, and the Group does not have a present obligation to settle in cash. In estimating fair value for the share option, the most appropriate valuation model would depend on the terms and conditions of the grant. In 2019 fair value of employee share options has been estimated by first establishing the fair value at the grant date of the relevant issuer company/Group applying discounted cash flow valuation methodology and same assumptions as the ones used in value in use estimation. Subsequently, the estimate is adjusted by the number of options granted, vesting period and the employee turnover rates in the respective grade. During the fair value estimation process the Management has considered the financial position of the Subsidiaries that have issued share options, the particular features mentioned in the option agreements, such as buy-back options, non-competition clauses embedded in the agreements, restrictions of sales of shares, as well as dividend policy of the Parent Company (for both of the plans described in Note 30).

- **Lease term determination under IFRS 16 (see Note 15).** IFRS 16 requires that in determining the lease term and assessing the length of the non-cancellable period of a lease, an entity shall determine the period for which the contract is enforceable. In assessment of lease term determination, the Group considers the enforceable rights and obligations of both parties. If both the lessee and the lessor can terminate the contract without more than an insignificant penalty at any time at or after the end of the non-cancellable term, then there are no enforceable rights and obligations beyond the non-cancellable term. For lease agreements without a fixed term and agreements that are "rolled over" on monthly basis until either party gives notice the Group considers that it does have enforceable rights and obligations under such agreements, therefore a reasonable estimate of the lease term assessment is made. When determining the lease term, the Group considers all relevant facts and circumstances that create an economic incentive for the lessee to exercise an option to renew or not to exercise an option to terminate early. When assessing whether the Group is reasonably certain to exercise an option to extend, or not to exercise an option to terminate early, the economic reasons underlying the Group's past practice regarding the period over which it has typically used particular types of assets (whether leased or owned) are considered. Furthermore, the following factors are considered: level of rentals in any secondary period compared with market rates, contingent payments, renewal and purchase options, costs relating to the termination of the lease and the signing of a new replacement lease, costs to return the underlying asset, nature and the level of specialization of the leased assets, asset location, availability of suitable alternatives and existence of significant leasehold improvements.
- **Provisions and contingencies (see Note 36).** A provision is recognised in the statement of financial position when the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. The nature of the industry in which the Group operates is associated with inherent contingencies related to legal, tax and regulatory matters, see note 36. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Contingent liabilities are not recognized in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## (6) Interest income

Interest income represents revenue generated during the reporting period from the Group's activities - consumer loans. Interest income includes loan commission income, extension fees, guarantee 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).

|  | 2023<br>EUR        | 2022<br>EUR<br>Restated |
|--|--------------------|-------------------------|
| Interest income calculated using the effective interest method | 249 112 620        | 200 757 215             |
| Interest income and fees                                       | 29 598 072         | 12 240 551              |
| <b>TOTAL</b>   | <b>278 710 692</b> | <b>212 997 766</b>      |

## (7) Interest expense

|   | 2023<br>EUR       | 2022<br>EUR       |
|---|-------------------|-------------------|
| Interest expense on issued bonds                        | 11 089 868        | 6 156 983         |
| Interest expense for loans from non-related parties     | 1 421 634         | 2 567 978         |
| Interest expenses for loans from P2P platform investors | 3 529 315         | 2 074 036         |
| Interest expense for loans from related parties         | 1 664 938         | 1 668 665         |
| Interest expense for lease liabilities                  | 80 177            | 63 977            |
| <b>TOTAL</b>  | <b>17 785 932</b> | <b>12 531 639</b> |

## (8) Net impairment losses on loans and receivables

|   | 2023<br>EUR       | 2022<br>EUR<br>Restated |
|---|-------------------|-------------------------|
| Impairment losses on loans                    | 111 778 297       | 81 816 394              |
| Reversal of provision on debt portfolio sales | (103 007 572)     | (58 850 430)            |
| Written-off debts                             | 14 121 210        | 1 589 940               |
| <b>TOTAL</b>                                  | <b>22 891 935</b> | <b>24 555 904</b>       |

The Group considers any kind of financial asset completely unrecoverable and write off the financial asset from balance sheet entirely, if all legal actions have been performed to recover financial asset and the Group has no reasonable expectations of recovering the exposure.

The increase in the write-off costs reflects the growth and maturity of the loan portfolio which implies the accumulation of loans which qualify for the write-off in accordance with the Group's policy. These write-offs mainly relate to the loans issued in 2022 or before and their increase correspond to the significant growth in loans and advances to customers between 31 December 2022 and 2021.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## (9) Operating costs

|   | 2023<br>EUR       | 2022<br>EUR<br>Restated |
|---|-------------------|-------------------------|
| Personnel costs (see also Note 31 Share-based payments) | 19 295 683        | 15 309 289              |
| Marketing and sponsorship                               | 16 613 984        | 13 726 381              |
| Data costs  | 14 265 531        | 9 109 522               |
| Professional services                                   | 10 669 781        | 7 877 461               |
| Debt collection costs                                   | 4 859 181         | 2 789 798               |
| IT expenses   | 3 601 776         | 2 765 046               |
| Bank services   | 3 155 386         | 1 804 663               |
| Communication expenses                                  | 3 084 844         | 2 176 991               |
| Amortization and depreciation                           | 2 639 392         | 1 832 356               |
| Legal and consulting                                    | 2 264 033         | 1 375 857               |
| Rent expenses and utilities                             | 2 019 239         | 1 266 463               |
| Office expenses   | 733 301           | 540 049                 |
| Service fee for 2P2 platform                            | 568 397           | 324 510                 |
| Other costs   | 1 810 530         | 1 066 062               |
| <b>TOTAL</b>  | <b>85 581 058</b> | <b>61 964 448</b>       |

| KEY MANAGEMENT PERSONNEL COMPENSATION | 2023<br>EUR      | 2022<br>EUR      |
|---------------------------------------|------------------|------------------|
| <b>Members of the board</b>           |                  |                  |
| Remuneration*                         | 1 053 057        | 1 189 423        |
| Social security contribution expenses | 169 422          | 192 483          |
| <b>TOTAL</b>                          | <b>1 222 479</b> | <b>1 381 906</b> |

\* Including vacation accruals

| AVERAGE NUMBER OF EMPLOYEES  | 2023         | 2022         |
|------------------------------|--------------|--------------|
| Senior management/Executives | 66           | 56           |
| Employees                    | 1 267        | 1 104        |
| <b>TOTAL</b>                 | <b>1 333</b> | <b>1 160</b> |

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## (10) Other operating income

|  | 2023<br>EUR       | 2022<br>EUR<br>Restated |
|--|-------------------|-------------------------|
| Income from profit sharing arrangements **                     | 28 365 531        | 16 382 750              |
| Income from insurance broker activities ***                    | 7 889 758         | 2 575 309               |
| Income from management services*                               | 4 943 579         | 4 730 372               |
| Income from discontinued operations (see note 28)              | 146 716           | 20 986 499              |
| Interest income from issued loans to related and other parties | 8 247             | 1 405                   |
| Other income   | 1 096 259         | 258 590                 |
| <b>TOTAL</b>   | <b>42 450 090</b> | <b>44 934 925</b>       |

\* The Group provides management services to its related parties and other parties.

\*\* Based on the profit-sharing arrangement the Group has granted to third party a solution to provide credit scoring services to the Group's customers in some countries (in 2023 new cooperation agreement was signed between one of the Group's subsidiary and third party entity) and in exchange the Group has unconditional rights and third-party shareholder upon the approval of annual financial statements has an obligation to approve a distribution to the Group a net profit in the range of 96-99%. This entity does not qualify for the Group subsidiary or related party. The annual financial statements of this entity for the period ended 31 December 2023 have not yet approved.

In 2022 the Group entered into additional profit-sharing arrangement with the same third party providing credit scoring services to one of the Group's subsidiaries. The cost related to the provision of these scoring services amounted to EUR 9 031 thousand (2022: EUR 5 338 thousand) and recognized Data costs (Note 9).

These contracts are in the scope of IFRS 15 and the Group recognized the income for the profit earned by third party up to the end of year 2023. The corporate income tax on deemed profit or the net amount of profit distribution will be subject to the tax of 20/80 and will be recognized in the period of deemed profit distribution.

\*\*\*Income generated from activities whereby the loan issuers involved act as an agent selling insurance issued from third party companies to clients. Insurance service commission rates are based on the conditions of each policy and can reach up to 90% of the insurance premium. Income is in the scope of IFRS 15 and is recognized as the service has been performed and control over service is transferred to the customer.

## (11) Other operating expense

|                                  | 2023<br>EUR      | 2022<br>EUR<br>Restated |
|----------------------------------|------------------|-------------------------|
| Write-off of assets*             | 1 064 831        | 28 478                  |
| Provisions (see Note 36)         | 1 628 734        | -                       |
| Donation                         | 509 201          | 21 510                  |
| Other personnel expenses         | 361 422          | 277 034                 |
| Penalties paid                   | 211 483          | 87 366                  |
| Other expenses**                 | 995 971          | 57 083                  |
| Goodwill write-off (see Note 16) | 250 214          | 8 802 829               |
| <b>TOTAL</b>                     | <b>5 021 856</b> | <b>9 274 300</b>        |

\* Write-off of uncollectable other loans and receivable and intangible as well as fixed assets.

\*\* For the year 2023: mostly consist of contribution to the budget of Stabilization Fund in Kyrgyzstan (see Note 36).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## (12) Net foreign exchange result

|                        | 2023<br>EUR        | 2022<br>EUR<br>Restated |
|------------------------|--------------------|-------------------------|
| Currency exchange gain | 2 759 146          | 1 076 174               |
| Currency exchange loss | (3 986 888)        | (3 435 214)             |
| <b>TOTAL</b>           | <b>(1 227 742)</b> | <b>(2 359 040)</b>      |

## (13) Corporate income tax

|   | 2023<br>EUR       | 2022<br>EUR<br>Restated |
|---|-------------------|-------------------------|
| Corporate income tax                        | 20 731 397        | 19 350 917              |
| Deferred corporate income tax (see Note 14) | (487 661)         | 127 516                 |
| Withholding tax                             | 4 061 273         | 2 157 728               |
| <b>TOTAL</b>                                | <b>24 305 009</b> | <b>21 636 161</b>       |

|                              | 31.12.2023<br>EUR | 31.12.2022<br>EUR |
|------------------------------|-------------------|-------------------|
| Corporate income tax payable | 11 140 334        | 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 addition see Note 14), in Kazakhstan – 20%, in Poland – 19%, in Sweden - 20.6%, in Mexico – 30%, in Kenya – 30%. Income tax expenses in other countries are not significant.

### Reconciliation of effective income tax:

|  | 2023<br>EUR       | 2022<br>EUR<br>Restated |
|--|-------------------|-------------------------|
| <b>Accounting profit before income tax</b>                             | <b>96 366 832</b> | <b>87 130 247</b>       |
| Theoretical corporate income tax at the applicable rate*               | 18 705 869        | 13 637 955              |
| Withholding tax  | 4 061 273         | 2 157 728               |
| Tax effect of permanent differences related to non-deductible expenses | 1 537 867         | 5 840 478               |
| <b>Corporate income tax for the reporting year</b>                     | <b>24 305 009</b> | <b>21 636 161</b>       |

The effective tax rate of the Group in 2023 was 25.22%\* (2022 restated was 24.83%\*). The effective tax rate in 2023 and 2022 was mainly impacted by the fact that the impairment (provisions) for loans and receivables are recognised as non-deductible for the corporate income tax purposes in Poland thus is considered as a permanent difference. Management utilizes both in-house tax expertise and external consultants to ensure compliance with tax legislation in the countries in which the Group operates.

\* Applicable tax rate used for each subsidiary of the Group.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## (14) Deferred tax asset and liabilities

Deferred tax relates to the following temporary differences:

### Movement in temporary differences during the year ended 31 December 2022

| EUR  | Net balance as at 01.01.2022 | Profit or loss statement 2022 | Effect of changes in foreign exchange rates | Balance as at 31.12.2022 |                     |                          |
|--|------------------------------|-------------------------------|---|--------------------------|---------------------|--------------------------|
|  |                              |                               |   | Net                      | Deferred tax assets | Deferred tax liabilities |
| Tax loss carry-forward                                   | 835 704                      | (55 225)                      | (10 461)                                    | 770 018                  | 770 018             | -                        |
| Impairment and write-off losses on loans and receivables | 515 389                      | (341 743)                     | (4 071)                                     | 169 575                  | 169 575             | -                        |
| Unused vacation and other cost accruals                  | 30 850                       | 11 456                        | (257)                                       | 42 049                   | 42 049              | -                        |
| Fixed assets   | (165 305)                    | -                             | 925   | (164 380)                | 750                 | (165 130)                |
| Other assets   | 403 137                      | 257 996                       | (4 690)                                     | 656 443                  | 656 443             | -                        |
| <b>Net deferred corporate income tax assets</b>          | <b>1 619 775</b>             | <b>(127 516)</b>              | <b>(18 554)</b>                             | <b>1 473 705</b>         | <b>1 638 835</b>    | <b>(165 130)</b>         |

### Movement in temporary differences during the year ended 31 December 2023

| EUR  | Net balance as at 01.01.2023 | Profit or loss statement 2023 | Acquisition of a subsidiary | Effect of changes in foreign exchange rates | Balance as at 31.12.2023 |                     |                          |
|--|------------------------------|-------------------------------|-----------------------------|---|--------------------------|---------------------|--------------------------|
|  |                              |                               |                             |   | Net                      | Deferred tax assets | Deferred tax liabilities |
| Tax loss carry-forward                                   | 770 018                      | 94 845                        | (52 301)                    | (17 069)                                    | 795 493                  | 795 493             | -                        |
| Impairment and write-off losses on loans and receivables | 169 575                      | (99 294)                      | 1 079 163                   | (118 156)                                   | 1 031 288                | 1 031 288           | -                        |
| Unused vacation and other cost accruals                  | 42 049                       | (1 989)                       | -                           | 1 359                                       | 41 419                   | 41 419              | -                        |
| Fixed assets   | (164 380)                    | 3 941                         | 3 560                       | 2 622                                       | (154 257)                | 7 789               | (162 046)                |
| Other assets   | 656 443                      | 490 158                       | (229 209)                   | 34 126                                      | 951 518                  | 951 518             | -                        |
| <b>Net deferred corporate income tax assets</b>          | <b>1 473 705</b>             | <b>487 661</b>                | <b>801 213</b>              | <b>(97 118)</b>                             | <b>2 665 461</b>         | <b>2 827 507</b>    | <b>(162 046)</b>         |

At the year-end 2023 the Group has recognised a deferred corporate income tax asset in total amount of EUR 2 827 507 (31.12.2022: EUR 1 638 835) and a deferred tax liability of EUR 162 046 (31.12.2022: EUR 165 130) in subsidiaries located in following countries: Kazakhstan, Poland, Philippines, Mexico and Kenya. Deferred corporate income tax asset and liability of EUR 487 661 (in 2022 was EUR 127 516) has a decrease and impacted the Group's profit or loss statement of the year ended 31 December 2023. All the tax asset recognised is considered as recoverable based on projected performance, results of subsidiaries.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## (15) Property and equipment, Right-of-use assets

|   | Computer equipment | Other equipment | Leasehold improvements | Right-of-use assets (office premises) | Total            |
|---|--------------------|-----------------|------------------------|---------------------------------------|------------------|
| Cost  | EUR                | EUR             | EUR                    | EUR                                   | EUR              |
| <b>01.01.2022</b>                           | <b>718 378</b>     | <b>702 772</b>  | <b>240 257</b>         | <b>3 397 481</b>                      | <b>5 058 888</b> |
| Additions                                   | 608 679            | 319 160         | 25 385                 | 302 015                               | 1 255 239        |
| Disposals and write-offs                    | (86 279)           | (56 429)        | -                      | -                                     | (142 708)        |
| Reclassification                            | 196 572            | (196 572)       | -                      | -                                     | -                |
| Effect of changes in foreign exchange rates | 3 684              | (4 630)         | (1 427)                | 1 821                                 | (552)            |
| <b>31.12.2022</b>                           | <b>1 441 034</b>   | <b>764 301</b>  | <b>264 215</b>         | <b>3 701 317</b>                      | <b>6 170 867</b> |
| <b>01.01.2023</b>                           | <b>1 441 034</b>   | <b>764 301</b>  | <b>264 215</b>         | <b>3 701 317</b>                      | <b>6 170 867</b> |
| Additions                                   | 423 583            | 317 588         | 21 172                 | 553 736                               | 1 316 079        |
| Acquisition of a subsidiary                 | 191 147            | 32 114          | 90 787                 | -                                     | 314 048          |
| Disposals and write-offs                    | (133 026)          | (109 513)       | (15 271)               | (234)                                 | (258 044)        |
| Effect of changes in foreign exchange rates | (17 497)           | (21 284)        | (8 862)                | 1 002                                 | (46 641)         |
| <b>31.12.2023</b>                           | <b>1 905 241</b>   | <b>983 206</b>  | <b>352 041</b>         | <b>4 255 821</b>                      | <b>7 496 309</b> |
| <b>Accumulated depreciation</b>             |                    |                 |                        |                                       |                  |
| <b>01.01.2022</b>                           | <b>346 013</b>     | <b>151 560</b>  | <b>50 270</b>          | <b>588 292</b>                        | <b>1 136 135</b> |
| Depreciation                                | 300 094            | 123 680         | 23 741                 | 639 592                               | 1 087 107        |
| Disposals and write-offs                    | (40 231)           | (9 360)         | -                      | -                                     | (49 591)         |
| Reclassification                            | 23 047             | (23 047)        | -                      | -                                     | -                |
| Effect of changes in foreign exchange rates | 3 452              | (1 013)         | (904)                  | 4 594                                 | 6 129            |
| <b>31.12.2022</b>                           | <b>632 375</b>     | <b>241 820</b>  | <b>73 107</b>          | <b>1 232 478</b>                      | <b>2 179 780</b> |
| <b>01.01.2023</b>                           | <b>632 375</b>     | <b>241 820</b>  | <b>73 107</b>          | <b>1 232 478</b>                      | <b>2 179 780</b> |
| Depreciation                                | 341 201            | 181 383         | 31 765                 | 829 837                               | 1 384 186        |
| Acquisition of a subsidiary                 | 170 376            | 31 356          | 80 692                 | -                                     | 282 424          |
| Reclassification                            | (86 197)           | (47 237)        | (251)                  | -                                     | (133 685)        |
| Effect of changes in foreign exchange rates | 5 662              | (5 745)         | (7 984)                | 2 767                                 | (5 300)          |
| <b>31.12.2023</b>                           | <b>1 063 417</b>   | <b>401 577</b>  | <b>177 329</b>         | <b>2 065 082</b>                      | <b>3 707 405</b> |
| <b>Balance as at 01.01.2023</b>             | <b>808 659</b>     | <b>522 481</b>  | <b>191 108</b>         | <b>2 468 839</b>                      | <b>3 991 087</b> |
| <b>Balance as at 31.12.2023</b>             | <b>841 824</b>     | <b>581 629</b>  | <b>174 712</b>         | <b>2 190 739</b>                      | <b>3 788 904</b> |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## (16) Intangible assets and goodwill

|                         | 31.12.2023<br>EUR | 31.12.2022<br>EUR |
|-------------------------|-------------------|-------------------|
| Goodwill                | 11 255 566        | 6 050 710         |
| Other intangible assets | 2 590 976         | 2 319 538         |
| <b>TOTAL</b>            | <b>13 846 542</b> | <b>8 370 248</b>  |

### Other intangible assets

|   | Goodwill          | Internally developed<br>intangible assets | Other intangible<br>assets | Total             |
|---|-------------------|---|----------------------------|-------------------|
| Cost  | EUR               | EUR                                       | EUR                        | EUR               |
| <b>01.01.2022</b>                           | <b>18 112 849</b> | <b>2 593 251</b>                          | <b>194 456</b>             | <b>20 900 556</b> |
| Additions                                   | -                 | 947 018                                   | 164 319                    | <b>1 111 337</b>  |
| Disposals                                   | -                 | (14 225)                                  | (76 381)                   | <b>(90 606)</b>   |
| Effect of changes in foreign exchange rates | 81 956            | -   | 3 782                      | <b>85 738</b>     |
| <b>31.12.2022</b>                           | <b>18 194 805</b> | <b>3 526 044</b>                          | <b>286 176</b>             | <b>22 007 025</b> |
| <b>01.01.2023</b>                           | <b>18 194 805</b> | <b>3 526 044</b>                          | <b>286 176</b>             | <b>22 007 025</b> |
| Additions                                   | 5 154 612         | 1 257 009                                 | 661 578                    | <b>7 073 199</b>  |
| Acquisitions through business combinations  | -                 | -   | 785 510                    | <b>785 510</b>    |
| Disposals                                   | -                 | (841 211)                                 | (120 101)                  | <b>(961 312)</b>  |
| Effect of changes in foreign exchange rates | 300 458           | -   | 18 749                     | <b>319 207</b>    |
| <b>31.12.2023</b>                           | <b>23 649 875</b> | <b>3 941 842</b>                          | <b>1 631 912</b>           | <b>29 223 629</b> |

### Accumulated amortisation and impairment

|   |                   |                  |                  |                   |
|---|-------------------|------------------|------------------|-------------------|
| <b>01.01.2022</b>                           | <b>3 341 266</b>  | <b>723 473</b>   | <b>18 037</b>    | <b>4 082 776</b>  |
| Amortisation                                | -                 | 666 407          | 85 171           | <b>751 578</b>    |
| Impairment                                  | 8 802 829         | -                | -                | <b>8 802 829</b>  |
| Effect of changes in foreign exchange rates | -                 | -                | (406)            | <b>(406)</b>      |
| <b>31.12.2022</b>                           | <b>12 144 095</b> | <b>1 389 880</b> | <b>102 802</b>   | <b>13 636 777</b> |
| <b>01.01.2023</b>                           | <b>12 144 095</b> | <b>1 389 880</b> | <b>102 802</b>   | <b>13 636 777</b> |
| Amortisation                                | -                 | 1 026 170        | 234 708          | <b>1 260 878</b>  |
| Impairment                                  | 250 214           | -                | -                | <b>250 214</b>    |
| Acquisitions through business combinations  | -                 | -                | 716 596          | <b>716 596</b>    |
| Amortisation of disposals                   | -                 | (466 465)        | (52 540)         | <b>(519 005)</b>  |
| Effect of changes in foreign exchange rates | -                 | -                | 31 627           | <b>31 627</b>     |
| <b>31.12.2023</b>                           | <b>12 394 309</b> | <b>1 949 585</b> | <b>1 033 193</b> | <b>15 377 087</b> |
| <b>Balance as at 01.01.2023</b>             | <b>6 050 710</b>  | <b>2 136 164</b> | <b>183 374</b>   | <b>8 370 248</b>  |
| <b>Balance as at 31.12.2023</b>             | <b>11 255 566</b> | <b>1 992 257</b> | <b>598 719</b>   | <b>13 846 542</b> |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## Business combination and goodwill

|                                | Sun Finance<br>Latin America<br>(Proximus) | Zenka Group      | Panamerican      | SF Treasury SG   | Luma Finans      | Other          | Total              |
|--------------------------------|--|------------------|------------------|------------------|------------------|----------------|--------------------|
|                                | EUR  | EUR              | EUR              | EUR              | EUR              | EUR            | EUR                |
| <b>01.01.2021</b>              | <b>2 295 500</b>                           | -                | <b>3 050 071</b> | <b>5 653 202</b> | <b>3 394 067</b> | <b>378 743</b> | <b>14 771 583</b>  |
| Exchange differences           | 251 804                                    | -                | (54 670)         | 154 226          | (265 958)        | (3 446)        | <b>81 956</b>      |
| Write-off                      | -  | -                | (2 995 401)      | (5 807 428)      | -                | -              | <b>(8 802 829)</b> |
| <b>31.12.2022</b>              | <b>2 547 304</b>                           | -                | -                | -                | <b>3 128 109</b> | <b>375 297</b> | <b>6 050 710</b>   |
| <b>01.01.2023</b>              | <b>2 547 304</b>                           | -                | -                | -                | <b>3 128 109</b> | <b>375 297</b> | <b>6 050 710</b>   |
| Considerations paid            | -  | -                | -                | -                | -                | -              | -                  |
| Total identifiable net assets  | -  | 5 397 500        | -                | -                | -                | -              | <b>5 397 500</b>   |
| Non-controlling interest       | -  | (242 888)        | -                | -                | -                | -              | <b>(242 887)</b>   |
| <b>Goodwill at acquisition</b> | -  | <b>5 154 612</b> | -                | -                | -                | -              | <b>5 154 612</b>   |
| Exchange differences           | 290 184                                    | -                | -                | -                | 7 273            | 3 001          | <b>300 458</b>     |
| Write-off                      | -  | -                | -                | -                | -                | (250 214)      | <b>(250 214)</b>   |
| <b>31.12.2023</b>              | <b>2 837 488</b>                           | <b>5 154 612</b> | -                | -                | <b>3 135 382</b> | <b>128 084</b> | <b>11 255 566</b>  |

## 2023:

### Zenka Group

To diversify and expand its operating activity to new jurisdictions the Group acquired 95.5% of shares of Zenka Group's subsidiaries from unrelated party on 03.07.2023. Total cost of acquisition and value of previously held equity interest amounted to EUR 1 which represents the fair value of the total consideration paid. Zenka acquisition resulted in the recognition of goodwill of EUR 5 154 612 in 2023. Core business of the subsidiary is holding of CGU in Kenya with main identifiable assets - loans to customers. NCI of Zenka Group is based on their proportionate interest relatively to the purchase price which is not significant. The acquisition is expected to increase the Group's profitability due to synergies arising from the Group's technological and human capital resources and the acquiree's operational infrastructure and accessibility to Kenya market. The major classes of assets and liabilities assumed consist of loans and receivables from customers, cash and cash equivalents and borrowings from external parties with total negative net book value of EUR 5.7 million on the date of acquisition. Additional quantitative information is not disclosed due to its commercial sensitivity. There are no other major assets or liabilities assumed. Given the short term nature of the acquired assets and liabilities their book value approximates their fair value on the date of acquisition.

### Goodwill impairment test

#### 2022:

As at 31 December 2022, goodwill was tested for impairment. The goodwill impairment test was performed for each cash generating unit separately. The recoverable amounts for each unit were calculated based on their value in use, determined by discounting the future cash flows expected to be generated from the continuing activities of the units. Future cash flows discounted by estimated weighted average costs of capital („WACC“). The value-in-use calculations are most sensitive to projected operating cash-flow, terminal growth rates used to extrapolate cash flows beyond the budget period, and discount rates.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. Cash flows beyond the budget period of 5 years are estimated by terminal value using the exit ratio.
3. Discount rates used varies from 12.89% to 18% and calculated by weighted average costs of capital (WACC) of each CGU.

In 2022 the Group has reassessed its CGU allocation and synergies between the combination of CGU in Vietnam and has changed the approach and estimates assigned to combination of CGU due to changes in business processes and new product development which has resulted in SF Treasury SG goodwill impairment. The Group as at goodwill acquisition date has assessed CGU as a combination of the group of companies in Vietnam as a synergy of provided services and relation of the lending product. Based on the changes in the business processes and additional product launches, the Group has concluded that the CGU must be applied to the main CGU of the stand-alone lending unit rather than the combination of the assets or group of CGU, therefore the Group in 2022 has assess the carrying value of CGU based on Digital Credit as an independent asset group which represent the lowest level within the entity at which the goodwill is monitored for internal management purposes. Based on the performed assessment, the Group has identified and recognized goodwill impairment of SF Treasury SG in amount of EUR 5 807 428. The impairment loss on goodwill in SF Treasury SG CGU is included in Other operating expense Note 11.

In 2022 the Group has reviewed its business plan for CGU in Poland (Panamerican). In 2022 amendments to regulation have been introduced to the market, accordingly financial budgets for following years were adjusted. Accordingly, the Group estimated the recoverable amount of goodwill for this CGU. Taking into account the uncertainties related to the estimated cash flows of new product the Group reassessed its estimates and impaired the goodwill in Panamerican in full amount. The impairment loss on goodwill in Panamerican CGU is included in Other operating expense Note 11.

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

## 2023:

As at 31 December 2023, goodwill was tested for impairment. The goodwill impairment test was performed for each cash generating unit separately. The recoverable amounts for each unit were calculated based on their value in use, determined by discounting the future cash flows expected to be generated from the continuing activities of the units. Future cash flows discounted by estimated weighted average costs of capital („WACC“). The value-in-use calculations are most sensitive to projected operating cash-flow, terminal growth rates used to extrapolate cash flows beyond the budget period, and discount rates.

1. Projected operating cash-flows. These calculations use the pre-tax cash flow projections based on the financial budgets prepared by management covering five-year period. Sales and costs estimates are based on the past performance, current stage of business development of each CGU and management expectations of legal environment and market development.
2. Cash flows beyond the budget period of 5 years are estimated by terminal value using the exit ratio.
3. Discount rates used varies from 13% to 18% and calculated by weighted average costs of capital (WACC) of each CGU.

In 2023 the Group has reviewed its business plan for CGU in Poland (Sun Finance Treasury). In 2023 due to changes in business strategy and amendments to regulation have been introduced to the market, accordingly financial budgets for following years were adjusted. Accordingly, the Group estimated the recoverable amount of goodwill for this CGU. Taking into account the uncertainties related to the estimated cash flows the Group reassessed its estimates and impaired the goodwill in Sun Finance Treasury in full amount EUR 250 214. The impairment loss on goodwill in Sun Finance Treasury CGU is included in Other operating expense Note 11.

The Group does not disclose the estimated recoverable amount of CGU and values assigned to key assumptions because reasonably possible changes in key assumptions on which management has based its determination of CGU recoverable amount would not cause the CGU carrying amount to exceed its recoverable amount.

**(17) Non-current financial assets**

|                                   | 31.12.2023<br>EUR | 31.12.2022<br>EUR |
|-----------------------------------|-------------------|-------------------|
| Investments in equity instruments | 66 920            | 68 762            |
| Other financial assets            | 3 149             | 61 316            |
| <b>TOTAL</b>                      | <b>70 069</b>     | <b>130 078</b>    |

**(18) Loans and advances from customers**

Credit quality of loan portfolio:

|                     | Gross<br>receivables<br>31.12.2023 | Allowance for<br>doubtful debts<br>31.12 2023 | Net<br>receivables<br>31.12 2023 | Gross<br>receivables<br>31.12 2022 | Allowance for<br>doubtful debts<br>31.12 2022 | Net<br>receivables<br>31.12 2022 |
|---------------------|------------------------------------|---|----------------------------------|------------------------------------|---|----------------------------------|
|                     | EUR                                | EUR   | EUR                              | EUR                                | EUR   | EUR                              |
| No days past due    | 163 460 941                        | 18 206 585                                    | 145 254 356                      | 150 011 046                        | 20 695 112                                    | 129 315 934                      |
| 1-30 days past due  | 29 734 767                         | 11 685 250                                    | 18 049 517                       | 28 404 493                         | 12 427 117                                    | 15 977 376                       |
| 31-60 days past due | 17 426 120                         | 10 492 471                                    | 6 933 649                        | 15 502 553                         | 9 904 284                                     | 5 598 269                        |
| 61-90 days past due | 12 787 217                         | 8 015 255                                     | 4 771 962                        | 9 677 365                          | 5 919 296                                     | 3 758 069                        |
| 91+ days past due   | 30 160 309                         | 23 436 022                                    | 6 724 287                        | 25 718 445                         | 18 035 820                                    | 7 682 625                        |
| <b>TOTAL</b>        | <b>253 569 354</b>                 | <b>71 835 583</b>                             | <b>181 733 771</b>               | <b>229 313 902</b>                 | <b>66 981 629</b>                             | <b>162 332 273</b>               |

Loan portfolio split by regions:

|                 | Gross<br>receivables<br>31.12.2023 | Allowance for<br>doubtful debts<br>31.12 2023 | Net<br>receivables<br>31.12 2023 | Gross<br>receivables<br>31.12 2022 | Allowance for<br>doubtful debts<br>31.12 2022 | Net<br>receivables<br>31.12 2022 |
|-----------------|------------------------------------|---|----------------------------------|------------------------------------|---|----------------------------------|
|                 | EUR                                | EUR   | EUR                              | EUR                                | EUR   | EUR                              |
| Europe          | 78 087 958                         | 10 753 314                                    | 67 334 644                       | 61 038 874                         | 11 062 433                                    | 49 976 441                       |
| Central Asia    | 113 979 357                        | 39 816 011                                    | 74 163 346                       | 113 592 127                        | 37 877 104                                    | 75 715 023                       |
| Latin America   | 12 318 159                         | 3 756 932                                     | 8 561 227                        | 9 163 401                          | 2 714 313                                     | 6 449 088                        |
| Scandinavia     | 35 700 995                         | 9 443 495                                     | 26 257 500                       | 22 309 752                         | 4 353 199                                     | 17 956 553                       |
| South East Asia | 7 945 375                          | 4 959 717                                     | 2 985 658                        | 23 209 748                         | 10 974 580                                    | 12 235 168                       |
| Africa          | 5 537 510                          | 3 106 114                                     | 2 431 396                        | -                                  | -   | -                                |
| <b>TOTAL</b>    | <b>253 569 354</b>                 | <b>71 835 583</b>                             | <b>181 733 771</b>               | <b>229 313 902</b>                 | <b>66 981 629</b>                             | <b>162 332 273</b>               |

At the end 2023, the net portfolio had grown to EUR 181.7 million (at the end of 2022: EUR 162.3 million), driven by the strong customer demand in our operational markets, expansion of the product range offered and continuous portfolio quality improvements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

| Allowance for doubtful debts                  | 31.12.2023<br>EUR | 31.12.2022<br>EUR |
|---|-------------------|-------------------|
| <b>Balance at the beginning of the period</b> | <b>66 981 629</b> | <b>42 049 856</b> |
| Acquisitions through business combinations    | 6 356 788         | -                 |
| Charge for the period*                        | 123 467 946       | 108 501 891       |
| Derecognized on disposal of portfolio**       | (124 288 460)     | (83 285 725)      |
| Currency effect                               | (682 320)         | (284 393)         |
| <b>Balance at period end</b>                  | <b>71 835 583</b> | <b>66 981 629</b> |

\* For discontinued operations in 2023 EUR 11 689 650 (in 2022: EUR 26 685 497)

\*\* For discontinued operations in 2023 EUR 21 280 888 (in 2022: EUR 24 435 295)

Net losses arising from derecognition of financial instruments through debt sales transaction is EUR 92 285 426 (in 2022: EUR 60 117 113). Loans and advances from customers mainly represent short term loans thus no significant variations between 12-month ECL and LTECL is observed due to nature of the short term loan portfolio.

## (19) Other receivables

|  | 31.12.2023<br>EUR | 31.12.2022<br>EUR |
|--|-------------------|-------------------|
| Receivables for sold financial assets**                              | 12 271 586        | 3 575 959         |
| Receivables under profit-sharing arrangements                        | 6 870 032         | 15 897 089        |
| Overpaid taxes   | 4 552 965         | 1 041 512         |
| Receivables for attracted funding through P2P platform (see Note 22) | 514 369           | 277 747           |
| Security deposits  | 244 926           | 150 416           |
| Receivables for provided management services                         | 164 564           | 459 650           |
| Advances to employees  | 18 105            | 268 152           |
| Other debtors*   | 3 831 256         | 583 207           |
| <b>TOTAL</b>   | <b>28 467 803</b> | <b>22 253 732</b> |

\* Other debtors balance includes advance payments for services, receivables from intermediary service provider and others. Recoverability of Other debtors and Receivables under profit-sharing arrangements are assessed by the Group based on the ECL model. Considering that there are no historical events of default and payments are made based on agreed terms, balances of Other debtors and Receivables under profit-sharing arrangements are classified as fully recoverable, and no significant impairment loss identified and recognized.

\*\* Receivables for sold financial assets increased by EUR 8.7 million due to portfolio increase (mainly attributable to Kazakhstan). Recoverability of Receivables for sold financial assets are assessed by the Group based on the ECL model. Considering that there are no historical events of default and payments are made based on agreed terms, balances of Receivables for sold financial assets are classified as fully recoverable, and no significant impairment loss identified and recognized.

## (20) Cash and cash equivalents

|                           | 31.12.2023<br>EUR | 31.12.2022<br>EUR |
|---------------------------|-------------------|-------------------|
| Cash and cash equivalents | 22 641 935        | 10 784 579        |
| <b>TOTAL</b>              | <b>22 641 935</b> | <b>10 784 579</b> |

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## (21) Share capital and dividend distribution

### Share capital

The Company is incorporated on 8 April 2019. Share capital of the Company as at 31 December 2023 is EUR 340 000 and it is divided into 3 229 434 ordinary shares, 66 300 non-voting shares and 104 266 personal shares with nominal value of EUR 0.1 each. Class A shares issued are fully paid.

The holders of ordinary class A shares are entitled to receive dividends as declared from time-to-time and are entitled to one vote per share at annual and general meetings of the Group. The holders of non-voting preferred personnel shares 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. See also Note 31 Share-based payment.

|                   | <b>Share capital<br/>EUR</b> | <b>Number of<br/>Class A Shares</b> | <b>Number of<br/>Class B Shares</b> | <b>Personnel<br/>shares</b> | <b>Total number of<br/>Shares</b> |
|-------------------|------------------------------|-------------------------------------|-------------------------------------|-----------------------------|-----------------------------------|
| <b>01.01.2022</b> | <b>340 000</b>               | <b>3 109 090</b>                    | -                                   | <b>290 910</b>              | <b>3 400 000</b>                  |
| Subscriptions     | -                            | 67 928                              | 51 000                              | -                           | 118 928                           |
| Redemptions       | -                            | -                                   | -                                   | (118 928)                   | (118 928)                         |
| <b>31.12.2022</b> | <b>340 000</b>               | <b>3 177 018</b>                    | <b>51 000</b>                       | <b>171 982</b>              | <b>3 400 000</b>                  |
| <b>01.01.2023</b> | <b>340 000</b>               | <b>3 177 018</b>                    | <b>51 000</b>                       | <b>171 982</b>              | <b>3 400 000</b>                  |
| Subscriptions     | -                            | 52 416                              | 15 300                              | -                           | 67 716                            |
| Redemptions       | -                            | -                                   | -                                   | (67 716)                    | (67 716)                          |
| <b>31.12.2023</b> | <b>340 000</b>               | <b>3 229 434</b>                    | <b>66 300</b>                       | <b>104 266</b>              | <b>3 400 000</b>                  |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## (22) Loans and borrowings

| <b>Non-current</b>                     | <b>31.12.2023<br/>EUR</b> | <b>31.12.2022<br/>EUR</b> |
|--|---------------------------|---------------------------|
| Bonds                                  | 63 043 401                | 51 574 000                |
| Loan from related parties              | 13 299 307                | 9 020 844                 |
| Lease liabilities (see Note 27 Leases) | 1 986 940                 | 1 929 780                 |
| Loan non-related parties               | 659 580                   | 1 549 925                 |
| Subordinated loans                     | -                         | 14 193 319                |
| <b>TOTAL</b>                           | <b>78 989 228</b>         | <b>78 267 868</b>         |
| <b>Current</b>                         | <b>31.12.2023<br/>EUR</b> | <b>31.12.2022<br/>EUR</b> |
| Financing received from P2P investors  | 21 870 188                | 21 069 077                |
| Bonds                                  | 18 765 842                | 14 563 943                |
| Loan from non-related parties          | 3 704 881                 | 4 198 365                 |
| Loan from related parties              | 3 039 176                 | 3 677 789                 |
| Lease liabilities (see Note 27 Leases) | 306 325                   | 437 314                   |
| Subordinated loans                     | -                         | 160 600                   |
|  | <b>47 686 412</b>         | <b>44 107 088</b>         |
| <b>TOTAL</b>                           | <b>126 675 640</b>        | <b>122 374 956</b>        |

Detailed information regarding Loans and borrowings can be seen below:

|                                       | <b>Currency</b> | <b>Maturity</b>               | <b>Interest rate per annum</b> | <b>Principal amount<br/>31.12.2023</b> | <b>Accrued interest<br/>31.12.2023</b> | <b>Principal amount<br/>31.12.2022</b> | <b>Accrued interest<br/>31.12.2022</b> |
|---------------------------------------|-----------------|-------------------------------|--------------------------------|--|--|--|--|
|                                       |                 |                               |                                | <b>EUR</b>                             | <b>EUR</b>                             | <b>EUR</b>                             | <b>EUR</b>                             |
| Bonds                                 | EUR             | Jun 2024, Sep 2025 & Nov 2026 | 11% & 11%+3M Euribor           | 81 809 243                             | -                                      | 66 137 943                             | -                                      |
| Subordinated loans                    | EUR             | Sep 2024                      | 12%                            | -                                      | -                                      | 14 193 319                             | 160 600                                |
| Financing received from P2P investors | EUR/PLN         | 2024                          | 9% - 13%                       | 21 759 889                             | 110 299                                | 20 944 070                             | 125 007                                |
| Loans from related parties            | EUR             | 2024, 2025, 2026 & 2027       | 7% - 17%                       | 16 035 972                             | 302 511                                | 12 537 663                             | 160 970                                |
| Loan from non-related parties         | EUR/SEK         | 2024 & Nov 2025               | 8% - 15%                       | 4 134 847                              | 229 614                                | 5 428 704                              | 319 586                                |
| Lease (refer to Note 27)              |                 |                               |                                | 2 293 265                              | -                                      | 2 367 094                              | -                                      |
| <b>TOTAL</b>                          |                 |                               |                                | <b>126 033 216</b>                     | <b>642 424</b>                         | <b>121 608 793</b>                     | <b>766 163</b>                         |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## Bonds

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 31 December 2023, a total of EUR 18.76 million (as at 31 December 2022, a total of EUR 19.38 million) was subscribed out of the total private placement of the EUR 20 million Notes. Interest expenses and income from coupons are disclosed on net basis. Please see Note 36 for further information about commitments and other additional information.

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 31 December 2023, a total of EUR 48.78 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 36 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 27 million with a coupon of 11% + 3M EURIBOR per annum, paid monthly. The bond will mature in November 2026. As at 31 December 2023, a total of EUR 14.26 million was subscribed out of the total private placement of the EUR 27 million Notes. Interest expenses and income from coupons are disclosed on net basis. Please see Note 36 for further information about commitments and other additional information.

## Subordinated loans

Subordinated loans comprise of loan received from unrelated party. The Group entered into a Subordinated loan agreement in July 2019 with 3-year maturity. In 2021, Subordinated loan term was extended to September 2024. 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% 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. Subordinated loans have been completely repaid during 2023.

## 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 for some loan as long as 2027.

## Loans from non-related parties

Loans from non-related parties comprise loans received 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. Please see Note 36 in respect of assets pledge given to P2P platform operator.

Funds are transferred to/from Group's bank accounts once per week. Receivable is arising from assignments made through P2P platform where the related investment is not yet transferred to the Group as at 31 December 2023 amounted to EUR 514 369 (31.12.2022: EUR 277 747). Payables for attracted funding's through P2P platform represents the returns of funds and as at December 2023 amounted to EUR 84 377 (31.12.2022: was EUR 138 134).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Cash flows from financing activities:

|                                       | 01.01.2022<br>EUR | Cash Flow<br>EUR  | Calculated interest<br>EUR | Foreign exchange effect<br>EUR | 31.12.2022<br>EUR  |
|---------------------------------------|-------------------|-------------------|----------------------------|--------------------------------|--------------------|
| Bonds                                 | 39 905 905        | 20 075 055        | 6 156 983                  | -                              | 66 137 943         |
| Subordinated loans                    | 18 388 919        | (5 992 198)       | 1 957 198                  | -                              | 14 353 919         |
| Financing received from P2P investors | 16 104 247        | 3 070 899         | 2 074 036                  | (180 105)                      | 21 069 077         |
| Loan from related parties             | 9 131 182         | 1 875 347         | 1 695 582                  | (3 478)                        | 12 698 633         |
| Loan from non-related parties         | 7 327 324         | (1 722 110)       | 610 780                    | (467 703)                      | 5 748 291          |
| Lease liabilities                     | 2 649 596         | (309 629)         | 37 060                     | (9 933)                        | 2 367 094          |
| <b>TOTAL</b>                          | <b>93 507 173</b> | <b>16 997 364</b> | <b>12 531 639</b>          | <b>(661 219)</b>               | <b>122 374 957</b> |

|                                       | 01.01.2023<br>EUR  | Cash Flow<br>EUR    | Calculated interest<br>EUR | Foreign exchange effect<br>EUR | Acquisition      | Write off        | 31.12.2023<br>EUR  |
|---------------------------------------|--------------------|---------------------|----------------------------|--------------------------------|------------------|------------------|--------------------|
|                                       |                    |                     |                            |                                | EUR              | EUR              |                    |
| Bonds                                 | 66 137 943         | 4 581 432           | 11 089 868                 | -                              | -                | -                | 81 809 243         |
| Subordinated loans                    | 14 353 919         | (15 165 934)        | 812 015                    | -                              | -                | -                | -                  |
| Financing received from P2P investors | 21 069 077         | (11 491 236)        | 3 529 315                  | 1 220 801                      | 7 542 231        | -                | 21 870 188         |
| Loan from related parties             | 12 698 633         | 178 432             | 1 664 938                  | 13 456                         | 1 929 899        | (146 875)        | 16 338 483         |
| Loan from non-related parties         | 5 748 291          | (1 987 443)         | 609 619                    | (6 006)                        | -                | -                | 4 364 461          |
| Lease liabilities                     | 2 367 094          | (152 316)           | 75 229                     | (1 692)                        | -                | -                | 2 142 382          |
| <b>TOTAL</b>                          | <b>122 374 957</b> | <b>(24 037 065)</b> | <b>17 785 933</b>          | <b>1 226 559</b>               | <b>9 472 130</b> | <b>(146 875)</b> | <b>126 675 639</b> |

## (23) Prepayments and payments received from clients

|   | 31.12.2023<br>EUR | 31.12.2022<br>EUR |
|---|-------------------|-------------------|
| Overpayment received from clients         | 3 305 105         | 2 371 351         |
| Next period income*                       | 2 840 056         | 3 339 339         |
| Payments received from ceased receivables | 31 486            | 52 647            |
| <b>TOTAL</b>                              | <b>6 176 647</b>  | <b>5 763 337</b>  |

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## (24) Trade and other payables

|   | 31.12.2023<br>EUR | 31.12.2022<br>EUR |
|---|-------------------|-------------------|
| Trade and other payables  | 6 914 792         | 5 466 442         |
| Salaries payable  | 493 585           | 496 685           |
| Payables for attracted funding through P2P platform (see Note 22) | 84 377            | 138 134           |
| Other liabilities   | 665 997           | 568 109           |
| <b>TOTAL</b>  | <b>8 158 751</b>  | <b>6 669 370</b>  |

## (25) Taxes payable

|                               | 31.12.2023<br>EUR | 31.12.2022<br>EUR |
|-------------------------------|-------------------|-------------------|
| Value added tax               | 1 609 051         | 1 236 493         |
| Social security contributions | 389 581           | 395 593           |
| Personal income tax           | 214 536           | 196 742           |
| Other taxes                   | 473 475           | 601 223           |
| <b>TOTAL</b>                  | <b>2 686 643</b>  | <b>2 430 051</b>  |

## (26) Accrued liabilities

|                           | 31.12.2023<br>EUR | 31.12.2022<br>EUR |
|---------------------------|-------------------|-------------------|
| Accruals for vacation     | 885 581           | 667 965           |
| Provisions (see Note 36)  | 1 628 734         | -                 |
| Other accrued liabilities | 2 310 192         | 2 060 198         |
| <b>TOTAL</b>              | <b>4 824 507</b>  | <b>2 728 163</b>  |

## (27) Leases

The Group applied IFRS 16 with the date of initial application of 8 April 2019.

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

Discounted lease liabilities as at 31 December 2023 amount to EUR 2 293 265 (2022: EUR 2 367 094).

In 2023 EUR 516 437 was recognized as net expenses in the income statement in respect of operating leases, including EUR 64 422 of interest expenses (2022: EUR 62 605).

Cash outflow for leases EUR 152 316 in 2023.

## (28) Discontinued operations

In 2023 Group made the decision to wind down its operations in Vietnam. In November 2023 and December 2023, the operating subsidiaries in Vietnam were sold to other parties and simultaneously the Group lost its control over the respective entities (for the

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

list of disposed entities refer to Note 37). Non-operating holding companies' business plans are yet to be determined and hence they are presented as continued operations.

The Group had been diligently operating in Vietnam within the legal framework and complying with relevant industry regulations and the local market practices since 2019. In 2022 the regulatory bodies started applying repressive measures towards the entire industry without disclosing particular legislative or compliance breaches. Starting from April 2023 the regulatory bodies applied restrictive measures on business activity of the Group entities in Vietnam by suspending business operations. Since restrictions were applied authorities have neither officially communicated the reasons of the restrictions or any legislative non-compliances nor started any legal proceedings against the subsidiaries. A legal case been started against the member of the management of the former subsidiary in relation to the interpretation of legal framework for the issue of loans with interest over the limit set by the legal framework as interpreted by authorities.

After the disposal of the respective entities, the Group does not have information on internal communication or correspondence with the regulatory bodies, if any. The Group has obtained an external legal advisor's opinion representing a reputable law firm in Vietnam, who is acting as defendant's advocacy in the above mentioned case. The law firm's legal advisers are in opinion that it is unlikely that the former Group subsidiaries or other Group's entities might be challenged on legislative noncompliance by the regulatory bodies or by civil cases initiated by entities' clients and other parties on the effect of such noncompliance. However, given the substance of the case described above it is assessed that an outflow of benefits is possible hence a provision for contingent liabilities in amount of EUR 0.75 million is recognized.

The comparative consolidated statement of comprehensive income has been restated to show discontinued operations separately from continuing operations. The Group has applied interpretation of IFRS 5 disclosure requirements and has not allocated to the result of discontinued operations the effect of intergroup transactions with entities classified as Discontinued operations. Therefore interest expense in amount of EUR 0 (2022: EUR 0.4 million) and other operating costs for management and other services in amount of EUR 6.3 million (2022: EUR 7.5 million) are presented as part of the continued operations.

The contribution to results of Vietnam entities for the period are presented below:

| <b>Result of discontinued operations</b>  | <b>2023<br/>EUR</b> | <b>2022<br/>EUR</b> |
|---|---------------------|---------------------|
| Interest income   | 19 622 128          | 58 334 831          |
| Interest expense  | -                   | -                   |
| <b>Net interest income</b>  | <b>19 622 128</b>   | <b>58 334 831</b>   |
| Net impairment losses on loans and receivables                                  | (12 624 984)        | (27 836 971)        |
| Gain/(losses) from derecognition of financial assets measured at amortised cost | (732 689)           | 528 188             |
| Operating costs   | (2 260 034)         | (7 218 578)         |
| Other operating income  | 18 189              | 724 224             |
| Other operating expense   | (244 407)           | (17 834)            |
| Net foreign exchange result   | (32 205)            | 47 608              |
| <b>Profit before tax</b>  | <b>3 745 998</b>    | <b>24 561 468</b>   |
| Corporate income tax  | (947 263)           | (3 574 969)         |
| <b>Profit for the period until loss of control</b>                              | <b>2 798 735</b>    | <b>20 986 499</b>   |
| Loss from sale of discontinued operations, net of tax                           | (2 652 019)         | -                   |
| <b>PROFIT FOR THE PERIOD FROM DISCONTINUED OPERATIONS</b>                       | <b>146 716</b>      | <b>20 986 499</b>   |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

| <b>Cash flows (used in) discontinued operations</b>              | <b>2023<br/>EUR</b> | <b>2022<br/>EUR</b>       |
|--|---------------------|---------------------------|
| Net cash from operating activities                               | 5 215 227           | 9 336 338                 |
| Net cash used in investing activities                            | (1 462 073)         | (479)                     |
| Net cash used in financing activities                            | (882 907)           | (10 145 822)              |
| <b>NET CASH FLOW FOR THE PERIOD</b>                              | <b>2 870 247</b>    | <b>(809 963)</b>          |
| <b>Effect of disposal on the financial position of the Group</b> |                     | <b>31.12.2023<br/>EUR</b> |
| Tangible and intangible assets                                   | 5 264               |                           |
| Other loans and receivables*                                     | 1 701 174           |                           |
| Cash and cash equivalents**                                      | 3 245 644           |                           |
| Prepaid expense  | 11 157              |                           |
| Other receivables  | 60 676              |                           |
| Trade and other payable  | (333 033)           |                           |
| Taxes payable  | (1 717 864)         |                           |
| Other payable  | (265 567)           |                           |
| <b>Net assets and liabilities</b>                                | <b>2 707 451</b>    |                           |
| Consideration received, satisfied in cash                        | -                   |                           |
| Cash and cash equivalents disposed of                            | (3 245 644)         |                           |
| <b>Net cash outflows</b>   | <b>(3 245 644)</b>  |                           |
| Net assets and liabilities                                       | 2 707 451           |                           |
| Discontinued purchase price receivable                           | (55 432)            |                           |
| <b>LOSS FROM SALE OF DISCONTINUED OPERATIONS</b>                 | <b>(2 652 019)</b>  |                           |

\* The fair value estimate of the respective receivables is based on the available information at the time of the sale; however, the Group does not have information about the facts which could affect their recoverability after the disposal.

\*\* At the time of disposal there were certain limitations imposed on the transferability of the respective balances.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## (29) Related party transactions

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

There are no most senior parent that prepares consolidated financial statements including the Group's financials.

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

|   | Shareholder<br>controlled<br>companies<br>31.12.2023<br>EUR | Other related<br>parties<br>31.12.2023<br>EUR | Shareholder<br>controlled<br>companies<br>31.12.2022<br>EUR | Other related<br>parties<br>31.12.2022<br>EUR |
|---|---|---|---|---|
| <b>Receivables from related parties:</b>          |   |   |   |   |
| Loans to related parties                          | -   | 42 074  | -   | -   |
| Trade and other receivables                       | 3 600   | -   | 2 809   | 131   |
| <b>Borrowings and payable to related parties:</b> |   |   |   |   |
| Loan and borrowings                               | -   | 16 338 483                                    | -   | 12 698 633                                    |
| Trade and other payables                          | 83 901  | -   | 1 845   | -   |

The income and expense items with related parties for 2023 and 2022 were as follows:

|  | Shareholder<br>controlled<br>companies<br>31.12.2023<br>EUR | Other related<br>parties<br>31.12.2023<br>EUR | Shareholder<br>controlled<br>companies<br>31.12.2022<br>EUR | Other related<br>parties<br>31.12.2022<br>EUR |
|--|---|---|---|---|
| <b>Interest expenses from related parties:</b> |   |   |   |   |
| Interest expenses                              | -   | 1 664 938                                     | -   | 1 695 582                                     |
| <b>Interest expenses from related parties:</b> |   |   |   |   |
| Interest expenses                              | -   | 7 277   | -   | -   |
| <b>Other income:</b>                           |   |   |   |   |
| Service income                                 | 26 014  | 1 144   | 25 578  | 1 144   |
| <b>Other expenses:</b>                         |   |   |   |   |
| Service expense                                | 696 315   | 262 705                                       | 378 480   | 71 225  |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## (30) Fair value of financial instruments

### Financial instruments not measured at fair value

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

| 31 December 2022                      | Level 1  | Level 2  | Level 3            | Total fair values  | Total carrying amount |
|---------------------------------------|----------|----------|--------------------|--------------------|-----------------------|
|                                       | EUR      | EUR      | EUR                | EUR                | EUR                   |
| <b>Financial assets</b>               |          |          |                    |                    |                       |
| Cash and cash equivalents             | -        | -        | -                  | 10 784 579         | 10 784 579            |
| Loans and advances due from customers | -        | -        | 162 332 273        | 162 332 273        | 162 332 273           |
| Other financial assets                | -        | -        | 24 041 802         | 24 041 802         | 24 041 802            |
| <b>Total financial assets</b>         | <b>-</b> | <b>-</b> | <b>186 374 075</b> | <b>197 158 654</b> | <b>197 158 654</b>    |
| <b>Financial liabilities</b>          |          |          |                    |                    |                       |
| Loans and borrowings                  | -        | -        | 122 374 956        | 122 374 956        | 122 374 956           |
| Accounts payable to suppliers         | -        | -        | 9 397 533          | 9 397 533          | 9 397 533             |
| Other liabilities                     | -        | -        | 5 763 337          | 5 763 337          | 5 763 337             |
| <b>Total financial liabilities</b>    | <b>-</b> | <b>-</b> | <b>137 535 826</b> | <b>137 535 826</b> | <b>137 535 826</b>    |
| 31 December 2023                      | Level 1  | Level 2  | Level 3            | Total fair values  | Total carrying amount |
|                                       | EUR      | EUR      | EUR                | EUR                | EUR                   |
| <b>Financial assets</b>               |          |          |                    |                    |                       |
| Cash and cash equivalents             | -        | -        | -                  | 22 641 935         | 22 641 935            |
| Loans and advances due from customers | -        | -        | 181 733 771        | 181 733 771        | 181 733 771           |
| Other financial assets                | -        | -        | 29 808 476         | 29 808 476         | 29 808 476            |
| <b>Total financial assets</b>         | <b>-</b> | <b>-</b> | <b>211 542 247</b> | <b>234 184 182</b> | <b>234 184 182</b>    |
| <b>Financial liabilities</b>          |          |          |                    |                    |                       |
| Loans and borrowings                  | -        | -        | 126 675 640        | 126 675 640        | 126 675 640           |
| Accounts payable to suppliers         | -        | -        | 12 983 258         | 12 983 258         | 12 983 258            |
| Other liabilities                     | -        | -        | 6 176 647          | 6 176 647          | 6 176 647             |
| <b>Total financial liabilities</b>    | <b>-</b> | <b>-</b> | <b>145 835 545</b> | <b>145 835 545</b> | <b>145 835 545</b>    |

# NOTES TO THE 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.

## **(31) Share based payments**

The Group may grant share options of Subsidiaries to its employees. Share options are generally awarded on the first day of employment. A share-based payment is primarily a payment in equity instruments of the entity. The Group does not have a present obligation to settle in cash therefore awards are classified as equity settled. The Group does not have a past practice of cash settlement for these awards. The standard vesting period is for 3-4 years.

### **Equity-settled transactions**

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model. That cost is recognized in employee benefits expense together with a corresponding increase in equity (other capital reserves) over the period in which the service and where applicable the performance conditions are fulfilled (the vesting period). The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest.

No expense is recognized for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. Where awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied. Management has considered the financial position of the Subsidiaries and the Group that have issued share options, the particular features mentioned in the option agreements, such as buy-back options, non-competition clauses embedded in the agreements, restrictions of sales of shares, as well as dividend policy of the Parent Company and effectively indicate that at 31 December 2023 fair value of the employee options would be amounted to EUR 1 654 000 (31.12.2022 – EUR 1 519 000), recognized in 2023 EUR 135 000 (2022 - EUR 181 000). Fair value is measured using discounted cash flow and market multiple approaches. Share option fair value at grant date estimated at 15.71 per share.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

105 306 share options have been granted up to 31 December 2023 (2022: 100 295). The exercise price for the option is EUR 0 and the weighted average remaining contracted life for the share options outstanding as at 31 December 2023 is less than 1 month. There have been no exercised or expired share options during the year.

## (32) Maturity analysis

The following table shows discounted financial assets and liabilities by remaining contractual maturity dates as at 31 December 2022.

| <b>Assets EUR</b>                  | <b>On demand/<br/>less than<br/>1 month</b> | <b>From 1 to<br/>3 month</b> | <b>From 3 to<br/>6 month</b> | <b>From 6 month<br/>to 1 year</b> | <b>More than<br/>1 year</b> | <b>Overdue</b>    | <b>TOTAL</b>       |
|------------------------------------|---|------------------------------|------------------------------|-----------------------------------|-----------------------------|-------------------|--------------------|
| Cash and cash equivalents          | 10 784 579                                  | -                            | -                            | -                                 | -                           | -                 | 10 784 579         |
| Loans and advances to customers    | 129 315 934                                 | -                            | -                            | -                                 | -                           | 33 016 339        | 162 332 273        |
| Other loans and receivables        | -   | -                            | 8 434                        | 4 154                             | 231 987                     | -                 | 244 575            |
| Other receivables                  | 23 797 227                                  | -                            | -                            | -                                 | -                           | -                 | 23 797 227         |
| <b>Total financial assets</b>      | <b>163 897 740</b>                          | <b>-</b>                     | <b>8 434</b>                 | <b>4 154</b>                      | <b>231 987</b>              | <b>33 016 339</b> | <b>197 158 654</b> |
| <b>Liabilities EUR</b>             |   |                              |                              |                                   |                             |                   |                    |
| Loans and borrowings               | 37 329 670                                  | -                            | 1 647 933                    | 4 692 171                         | 76 338 088                  | -                 | 120 007 862        |
| Leases                             | -   | -                            | -                            | 437 314                           | 1 929 780                   | -                 | 2 367 094          |
| Accounts payable to suppliers      | 6 669 370                                   | -                            | -                            | -                                 | -                           | -                 | 6 669 370          |
| Corporate income tax payable       | 4 993 938                                   | -                            | -                            | -                                 | -                           | -                 | 4 993 938          |
| Taxes payable                      | 2 430 051                                   | -                            | -                            | -                                 | -                           | -                 | 2 430 051          |
| <b>Total financial liabilities</b> | <b>51 423 029</b>                           | <b>-</b>                     | <b>1 647 933</b>             | <b>5 129 485</b>                  | <b>78 267 868</b>           | <b>-</b>          | <b>136 468 315</b> |
| <b>Net position</b>                | <b>112 474 711</b>                          | <b>-</b>                     | <b>(1 639 499)</b>           | <b>(5 125 331)</b>                | <b>(78 035 881)</b>         | <b>33 016 339</b> | <b>60 690 339</b>  |
| <b>Net cumulative position</b>     | <b>112 474 711</b>                          | <b>112 474 711</b>           | <b>110 835 212</b>           | <b>105 709 881</b>                | <b>27 674 000</b>           | <b>60 690 339</b> | <b>-</b>           |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The following table shows discounted financial assets and liabilities by remaining contractual maturity dates as at 31 December 2023.

| Assets EUR                         | On demand/<br>less than<br>1 month | From 1 to<br>3 month | From 3 to<br>6 month | From 6 month<br>to 1 year | More than<br>1 year | Overdue           | TOTAL              |
|------------------------------------|------------------------------------|----------------------|----------------------|---------------------------|---------------------|-------------------|--------------------|
| Cash and cash equivalents          | 22 641 935                         | -                    | -                    | -                         | -                   | -                 | 22 641 935         |
| Loans and advances to<br>customers | 145 254 356                        | -                    | -                    | -                         | -                   | 36 479 415        | 181 733 771        |
| Other loans and receivables        | -                                  | -                    | 1 470                | 10 310                    | 44 832              | -                 | 56 612             |
| Other receivables                  | 29 751 864                         | -                    | -                    | -                         | -                   | -                 | 29 751 864         |
| <b>Total financial assets</b>      | <b>197 648 155</b>                 | -                    | <b>1 470</b>         | <b>10 310</b>             | <b>44 832</b>       | <b>36 479 415</b> | <b>234 184 182</b> |
| <b>Liabilities EUR</b>             |                                    |                      |                      |                           |                     |                   |                    |
| Loans and borrowings               | 23 552 843                         | -                    | 1 839 803            | 21 987 441                | 77 002 289          | -                 | 124 382 376        |
| Leases                             | -                                  | -                    | -                    | 306 325                   | 1 986 939           | -                 | 2 293 264          |
| Accounts payable to suppliers      | 8 158 751                          | -                    | -                    | -                         | -                   | -                 | 8 158 751          |
| Corporate income tax payable       | 11 140 334                         | -                    | -                    | -                         | -                   | -                 | 11 140 334         |
| Taxes payable                      | 2 686 643                          | -                    | -                    | -                         | -                   | -                 | 2 686 643          |
| <b>Total financial liabilities</b> | <b>45 538 571</b>                  | -                    | <b>1 839 803</b>     | <b>22 293 766</b>         | <b>78 989 228</b>   | -                 | <b>148 661 368</b> |
| <b>Net position</b>                | <b>152 109 584</b>                 | -                    | <b>(1 838 333)</b>   | <b>(22 283 456)</b>       | <b>(78 944 396)</b> | <b>36 479 415</b> | <b>85 522 814</b>  |
| <b>Net cumulative position</b>     | <b>152 109 584</b>                 | <b>152 109 584</b>   | <b>150 271 251</b>   | <b>127 987 795</b>        | <b>49 043 399</b>   | <b>85 522 814</b> | <b>-</b>           |

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

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

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

The analysis as at 31 December 2022 was as follows:

| Non-derivative liabilities        | Carrying<br>amount | Total nominal<br>inflow/<br>(outflow) | On demand/<br>less than<br>1 month | From 1 to<br>3 months | From 3 to<br>6 months | From 6 month<br>to 12 months | More than<br>1 year |
|-----------------------------------|--------------------|---------------------------------------|------------------------------------|-----------------------|-----------------------|------------------------------|---------------------|
| Loans and borrowings              | 122 374 956        | 135 036 913                           | 21 400 820                         | 19 494 139            | 4 006 608             | 8 840 269                    | 81 295 077          |
| Accounts payable to suppliers     | 6 669 370          | 6 669 370                             | 6 669 370                          | -                     | -                     | -                            | -                   |
| <b>Total</b>                      | <b>129 044 326</b> | <b>141 706 283</b>                    | <b>28 070 190</b>                  | <b>19 494 139</b>     | <b>4 006 608</b>      | <b>8 840 269</b>             | <b>81 295 077</b>   |
| <b>Credit related commitments</b> | -                  | -                                     | -                                  | -                     | -                     | -                            | -                   |

The analysis as at 31 December 2023 was as follows:

| Non-derivative liabilities        | Carrying<br>amount | Total nominal<br>inflow/<br>(outflow) | On demand/<br>less than<br>1 month | From 1 to<br>3 months | From 3 to<br>6 months | From 6 month<br>to 12 months | More than<br>1 year |
|-----------------------------------|--------------------|---------------------------------------|------------------------------------|-----------------------|-----------------------|------------------------------|---------------------|
| Loans and borrowings              | 126 675 640        | 151 356 008                           | 23 552 843                         | 1 786 791             | 24 539 688            | 9 146 562                    | 92 330 124          |
| Accounts payable to suppliers     | 8 158 751          | 8 158 751                             | 8 158 751                          | -                     | -                     | -                            | -                   |
| <b>Total</b>                      | <b>134 834 391</b> | <b>159 514 759</b>                    | <b>31 711 594</b>                  | <b>1 786 791</b>      | <b>24 539 688</b>     | <b>9 146 562</b>             | <b>92 330 124</b>   |
| <b>Credit related commitments</b> | -                  | -                                     | -                                  | -                     | -                     | -                            | -                   |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## (34) Currency analysis

The following table shows the currency structure of financial assets and liabilities at 31 December 2022:

| Assets EUR                         | EUR                 | PLN               | DKK              | SEK               | VND               | KZT               | MXN              | Other            | TOTAL              |
|------------------------------------|---------------------|-------------------|------------------|-------------------|-------------------|-------------------|------------------|------------------|--------------------|
| Cash and cash equivalents          | 2 345 601           | 506 867           | 1 500            | 519 133           | 795 393           | 4 631 743         | 829 192          | 1 155 150        | 10 784 579         |
| Loans and advances to customers    | 23 873 590          | 24 917 145        | 1 185 705        | 17 956 553        | 11 597 012        | 72 363 306        | 6 449 089        | 3 989 873        | 162 332 273        |
| Other financial assets             | 17 482 961          | 1 692 108         | 298 682          | 843 268           | 368 789           | 2 712 122         | 367 966          | 175 904          | 24 041 802         |
| <b>Total financial assets</b>      | <b>43 702 152</b>   | <b>27 116 120</b> | <b>1 485 887</b> | <b>19 318 954</b> | <b>12 761 194</b> | <b>79 707 171</b> | <b>7 646 248</b> | <b>5 420 928</b> | <b>197 158 654</b> |
| <b>Liabilities EUR</b>             |                     |                   |                  |                   |                   |                   |                  |                  |                    |
| Loans and borrowings               | 111 366 801         | 4 391 514         | —                | 5 716 567         | —                 | 899 220           | 854              | —                | 122 374 956        |
| Accounts payable to suppliers      | 1 779 507           | 491 464           | 32 449           | 2 670 810         | 768 394           | 2 625 933         | 94 688           | 934 288          | 9 397 533          |
| Other financial liabilities        | 96 511              | 353 491           | 192 889          | 489 936           | 1 022 760         | 2 686 544         | 725 411          | 195 795          | 5 763 337          |
| <b>Total financial liabilities</b> | <b>113 242 819</b>  | <b>5 236 469</b>  | <b>225 338</b>   | <b>8 877 313</b>  | <b>1 791 154</b>  | <b>6 211 697</b>  | <b>820 953</b>   | <b>1130 083</b>  | <b>137 535 826</b> |
| <b>Net position</b>                | <b>(69 540 667)</b> | <b>21 879 651</b> | <b>1 260 549</b> | <b>10 441 641</b> | <b>10 970 040</b> | <b>73 495 474</b> | <b>6 825 295</b> | <b>4 290 845</b> | <b>59 622 828</b>  |

The following table shows the currency structure of financial assets and liabilities at 31 December 2023:

| Assets EUR                         | EUR                 | PLN               | SEK               | VND              | KZT               | MXN               | PHP              | KES              | Other             | TOTAL              |
|------------------------------------|---------------------|-------------------|-------------------|------------------|-------------------|-------------------|------------------|------------------|-------------------|--------------------|
| Cash and cash equivalents          | 4 955 745           | 584 382           | 1 058 676         | 42 984           | 9 665 840         | 1 427 740         | 1 315 815        | 792 295          | 2 798 458         | 22 641 935         |
| Loans and advances to customers    | 35 785 517          | 22 815 072        | 25 981 538        | —                | 67 243 360        | 8 561 228         | 2 423 664        | 2 421 059        | 16 502 333        | 181 733 771        |
| Other financial assets             | 8 931 365           | 4 562 920         | 157 118           | 69 096           | 13 900 583        | 1 254 372         | 251 751          | 103 434          | 577 837           | 29 808 477         |
| <b>Total financial assets</b>      | <b>49 672 627</b>   | <b>27 962 372</b> | <b>27 197 332</b> | <b>112 080</b>   | <b>90 809 783</b> | <b>11 243 340</b> | <b>3 991 230</b> | <b>3 316 788</b> | <b>19 878 628</b> | <b>234 184 183</b> |
| <b>Liabilities EUR</b>             |                     |                   |                   |                  |                   |                   |                  |                  |                   |                    |
| Loans and borrowings               | 119 168 987         | —                 | 6 360 692         | 556 431          | 445 641           | 141 410           | —                | —                | 2 479             | 126 675 640        |
| Accounts payable to suppliers      | 4 416 530           | 938 138           | 2 339 637         | —                | 2 972 004         | 204 420           | 188 323          | 104 217          | 1 819 989         | 12 983 258         |
| Other financial liabilities        | 263 586             | 300 060           | 629 042           | —                | 2 964 025         | 1 050 044         | 73 258           | 112 411          | 784 221           | 6 176 647          |
| <b>Total financial liabilities</b> | <b>123 849 103</b>  | <b>1 238 198</b>  | <b>9 329 371</b>  | <b>556 431</b>   | <b>6 381 670</b>  | <b>1 395 874</b>  | <b>261 581</b>   | <b>216 628</b>   | <b>2 606 689</b>  | <b>145 835 545</b> |
| <b>Net position</b>                | <b>(74 176 476)</b> | <b>26 724 176</b> | <b>17 867 961</b> | <b>(444 351)</b> | <b>84 428 113</b> | <b>9 847 466</b>  | <b>3 729 649</b> | <b>3 100 160</b> | <b>17 271 939</b> | <b>88 348 637</b>  |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## (35) Credit risk

The table below shows the Group's maximum exposure to credit risk for the components of the statement of financial position.

Exposures are based on net carrying amounts as reported in the statement of financial position.

The Group's maximum credit exposures are shown gross.

|                                 | 31.12.2023<br>EUR  | 31.12.2022<br>EUR  |
|---------------------------------|--------------------|--------------------|
| Cash and cash equivalents       | 22 641 935         | 10 784 579         |
| Loans and advances to customers | 181 733 771        | 162 332 273        |
| Other loans and receivables     | 56 612             | 244 575            |
| Other receivables               | 28 467 803         | 22 253 732         |
| <b>TOTAL</b>                    | <b>232 900 121</b> | <b>195 615 159</b> |

The Group does not hold any collaterals or other credit enhancements.

Information on the credit quality of loans to customers disclosed in Note 18.

## (36) Commitments and contingencies

### Cooperation agreement with P2P platforms

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

The Group is subject to additional financial covenants relating to its attracted funding through P2P platform. Group is regularly monitoring respective indicators and ensures that covenants are satisfied. The Group as a whole is in compliance with these covenants as at 31 December 2023.

In some of the countries the Group operates (Latvia and Kazakhstan), loans of the borrowers are not directly listed on the Mintos platform. In these countries Mintos acts as an intermediary, granting loans to the relevant Subsidiaries of the Group, and these loans are secured by commercial pledge agreements. As of 31 December 2023, the Group had commercial pledge agreements in maximum amount of EUR 15 million MFO Creditum, EUR 15 million MFO Sofi Finance and EUR 20.8 million SIA Extra Credit. Carrying amount of pledged assets as of 31 December 2023 amounted to EUR 5 329 507 MFO Creditum, EUR 6 673 470 MFO Sofi Finance and EUR 9 756 912 SIA Extra Credit.

### Sun Finance Treasury Notes

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

#### 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 TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 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 as at 31 December 2023 (EBITDA to Net Finance Charges is 6.5x, Capitalization ratio is 52.2% and Unencumbered Net Receivables to total amount of the debt under the Notes is 2.0x) and as at 31 December 2022 (EBITDA to Net Finance Charges is 9.1x, Capitalization ratio is 46.3% and Unencumbered Net Receivables to total amount of the debt under the Notes is 2.7x).

## Regulatory environment and contingencies

The Group is operating in numerous markets with different regulatory environments. The regulatory framework and supervisory authorities applicable to the Group's operating entities varies depending on the jurisdiction in which they operate with varying degree of involvement from the respective supervisory institutions. Compliance review and communication with regulatory authorities in relation to legal framework interpretations, latest legislative updates and market guidelines is daily course of business. Significant management judgement is used for estimating provisions and contingencies in relation to interpretation of legal framework and any potential disputes with regulatory authorities.

In 2023 inspections and activities of state institutions took place in Kyrgyzstan. As at the end of 2023 and as at the date of these Financial Statements the Group does not have any unsettled payments in respect of these state institution's inspections and activities. Contingent liabilities may exist in relation to the interpretation of Group operating entities' compliance with regulatory framework. The Group and its legal advisors have performed legal framework analysis on provided services and validated compliance with existing regulation.

In 2023 review of business operations by the supervisory authority took place in Kazakhstan. Due to different interpretation of legal framework, temporary measures were applied on microlending activities and final measures on termination of two company microlending activities. Based on the performed review applied measures by the authorities leave no impact on portfolio quality, but may extend its recoverability. Measures applied by the authority also support the Group's long term strategic plan on portfolio diversification. Contingent liabilities may exist in relation to the interpretation of Group operating entities' compliance with regulatory framework and the management has estimated the respective provisions in amount of EUR 0.88 million. The measurement of provision is based on the supervisory authorities' identified non-compliance with regulations as at the end of 2023 and the Group estimates on the effect of such matter to potential economic outflow (undiscounted). The Group has obtained licensed legal advisor opinion confirming that no additional obligations arise on the Group's entities business operations compliance with the regulatory framework.

Note 28 Discontinued operations discloses the restrictions applied by the state institutions to the activities of the former Group's entities and other legal proceedings. Based on the Group's experience in other market and given the substance of the case described in Note 28 it is assessed that an outflow of benefits is possible and hence a provision for contingent liabilities in amount of EUR 0.75 million is recognized. The measurement of provision is based on the following assumptions which the management derived from its knowledge of a similar past contingency in the other market:

- Actual outflow of benefits is based only on a proper civil claim submitted to the loan provider and approved by relevant authorities.
- Claimed amounts approximates 1.37% of fees charged to the borrowers other than the loan interests.
- Claims are submitted steadily and over a significant period of time reaching 10 years.
- The Group's average cost of debt of 15% per annum is used as a discount rate for expected economic outflows.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## Tax contingencies

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

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

## (37) Group entities

As at 31 December 2023 and 31 December 2022 the Group consisted of the following entities:

| Name of entity               | Registered office  | Ownership<br>31.12.2023 | Ownership<br>31.12.2022 | Acquisition/<br>establishment<br>date |
|------------------------------|--|-------------------------|-------------------------|---------------------------------------|
| HSFE AS                      | Skanstes 52, Riga, LV-1013 Latvia  | 99.25%                  | 99.25%                  | 09.04.2019                            |
| Sun Finance Central Asia AS  | Skanstes 52, Riga, LV-1013 Latvia  | 100%                    | 100%                    | 09.04.2019                            |
| HSFS AS                      | Skanstes 52, Riga, LV-1013 Latvia  | 95%                     | 95%                     | 09.04.2019                            |
| SF Capital KG SIA            | Skanstes 52, Riga, LV-1013 Latvia  | 100%                    | 100%                    | 09.04.2019                            |
| Extra Credit SIA             | Skanstes 52, Riga, LV-1013 Latvia  | 97.25%                  | 97.25%                  | 09.04.2019                            |
| Capitolia ApS                | Nørregade 6 1165 København K Denmark   | 95%                     | 95%                     | 09.04.2019                            |
| Capvia LLP                   | 8th floor, "Turar" business-center, 502 Seifullin ave., 050012, Almaty, Kazakhstan | 90%                     | 90%                     | 09.04.2019                            |
| Fincap LLP                   | 8th floor, "Turar" business-center, 502 Seifullin ave., 050012, Almaty, Kazakhstan | 90%                     | 90%                     | 09.04.2019                            |
| Somo Pawshop ALC             | Toktogul Street 257 Frunze + Shopping Center boutique 9, Bishkek, Kyrgyz Republic  | 100%                    | 100%                    | 09.04.2019                            |
| Fincap MChJ                  | IRRIGATOR MAVZESI 3-UY Mirzo-Ulugbek district Tashkent Uzbekistan                  | 100%                    | 100%                    | 16.04.2019                            |
| LumiTechKG LLC               | St. Razzakov 19, 720040, Bishkek, Republic of Kyrgyzstan                           | 100%                    | 100%                    | 22.04.2019                            |
| Sun Finance Treasury Limited | Suite 23, Level 4, Vincenti Buildings, 25 Strait Street, Valletta VLT1432, Malta   | 97.12%                  | 97.12%                  | 21.05.2019                            |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

| Name of entity                                      | Registered office   | Ownership<br>31.12.2023 | Ownership<br>31.12.2022 | Acquisition/<br>establishment<br>date |
|---|---|-------------------------|-------------------------|---------------------------------------|
| Primastar Sp.z.o.o.                                 | ul. Domaniewska 47/10 02-672 Warszawa, Poland   | 97.13%                  | 97.13%                  | 21.05.2019                            |
| HSFLA AS  | Skanstes 52, Riga, LV-1013 Latvia   | 99.80%                  | 99.80%                  | 17.06.2019                            |
| HSFSEA AS   | Skanstes 52, Riga, LV-1013 Latvia   | 97.75%                  | 98.50%                  | 15.10.2019                            |
| Proximus Finance S. de R.L. de C.V.                 | Shakespeare 30 floor 3 Col. Nueva Anzures<br>Miguel Hidalgo Cd. de México C.P 11590 Mexico<br>City                                  | 96.80%                  | 96.80%                  | 31.10.2019                            |
| Creditum LLP  | 8th floor, "Turar" business-center, 502 Seifullin<br>ave., 050012, Almaty, Kazakhstan   | 97.50%                  | 97.50%                  | 03.12.2019                            |
| Sofi Finance LLP                                    | 8th floor, "Turar" business-center, 502 Seifullin<br>ave., 050012, Almaty, Kazakhstan   | 97.50%                  | 97.50%                  | 12.12.2019                            |
| Ducatos Sp.z.o.o.                                   | ul. Postępu 18b 02-676 Warszawa, Poland   | 93.85%                  | 93.85%                  | 13.12.2019                            |
| Panamerican Limited                                 | Suite 23, Level 4, Vincenti Buildings, 25 Strait<br>Street, Valletta VLT1432, Malta   | 93.85%                  | 93.85%                  | 13.12.2019                            |
| Luma Finans AB                                      | Hammarby Street 93, Stockholm, 120 63, Sweden   | 94%                     | 94%                     | 23.01.2020                            |
| DIGITAL CREDIT TRADING SERVICE<br>COMPANY LIMITED** | 162 Nguyen Tri Thanh Street, Ward 2, District 10,<br>Ho Chi Minh City, Vietnam  | 0%                      | 96.50%                  | 22.02.2020                            |
| SOFI SOLUTIONS LTD.CO.**                            | 397 Dien Bien Phu Street, Ward 4, District 3, Ho<br>Chi Minh City, Vietnam  | 0%                      | 96.50%                  | 22.02.2020                            |
| SF TREASURY SG PTE.LTD.                             | 111 NORTH BRIDGE ROAD #08-18; PENINSULA<br>PLAZA (179098), SINGAPORE  | 97.75%                  | 98.50%                  | 22.02.2020                            |
| Sofi Lending Inc.                                   | Unit 1405, East Tower, Philippine Stock Exchange<br>Centre, Exchange Road, Ortigas Center, Pasig<br>City, Metro Manila, Philippines | 97.74%                  | 98.49%                  | 22.02.2020                            |
| PT SOFI CAPITAL INDONESIA                           | Multivision Tower 25th Floor, Jl. Kuningan Mulia<br>Lot 9B, Jakarta 12980 Indonesia   | 83.50%                  | 83.50%                  | 22.02.2020                            |
| SF Group Private Limited                            | No 47, Alexandra place, Colombo, 00700, Sri<br>Lanka  | 97.75%                  | 98.50%                  | 22.02.2020                            |
| Dali Dali AS  | Skanstes street 52, Riga, LV-1013, Latvia   | 97.25%                  | 100%                    | 13.05.2020                            |
| MFO Salem Credit TOO                                | 8th floor, "Turar" business-center, 502 Seifullin<br>ave., 050012, Almaty, Kazakhstan   | 97.50%                  | 96.25%                  | 13.05.2020                            |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

| Name of entity                  | Registered office  | Ownership<br>31.12.2023 | Ownership<br>31.12.2022 | Acquisition/<br>establishment<br>date |
|---------------------------------|--|-------------------------|-------------------------|---------------------------------------|
| SF CAPITAL SG PTE. LTD.         | 111 NORTH BRIDGE ROAD #08-18; PENINSULA PLAZA (179098), SINGAPORE                            | 95.75%                  | 96.50%                  | 15.05.2020                            |
| Lumify AS                       | c/o Advokatfirmaet Schjødt AS; Ruseløkkveien 14, 0251 OSLO, Norway                           | 0%                      | 95%                     | 27.05.2020                            |
| SFDM, S.A. DE C.V.              | Shakespeare 30 floor 3 Col. Nueva Anzures Miguel Hidalgo Cd. de México C.P 11590 Mexico City | 97.80%                  | 97.80%                  | 08.06.2020                            |
| KG Consulting and Services LLC  | St. Razzakov 19, 720040, Bishkek, Republic of Kyrgyzstan                                     | 97.50%                  | 98.50%                  | 06.08.2020                            |
| Eldik Capital Pawnshop ALC      | Toktogula 125/1. Pervomaisky district, Bishkek, 720001, Republic of Kyrgyzstan               | 97.50%                  | 97.50%                  | 06.08.2020                            |
| SF Lithuania UAB                | Upės g. 23, LT-08128 Vilnius, Lithuania  | 99.25%                  | 99.25%                  | 30.11.2020                            |
| FINCAP VN COMPANY LIMITED**     | 54 Street No. 4, Do Thanh Apartment, Ward 04, District 3, Ho Chi Minh City, Vietnam          | 0%                      | 96.50%                  | 22.02.2021                            |
| MFO POS Credit                  | 8th floor, "Turar" business-center, 502 Seifullin ave., 050012, Almaty, Kazakhstan           | 98%                     | 98%                     | 10.03.2021                            |
| MFO SF Offline                  | 8th floor, "Turar" business-center, 502 Seifullin ave., 050012, Almaty, Kazakhstan           | 97.50%                  | 97.50%                  | 10.03.2021                            |
| FINANZA SIA                     | Skanstes 52, Riga, LV-1013 Latvia  | 97.25%                  | 97.25%                  | 23.03.2021                            |
| SF GROUP Limited Company**      | 397 Dien Bien Phu Street, Ward 04, District 3, Ho Chi Minh City, Vietnam                     | 0%                      | 95.50%                  | 11.05.2021                            |
| Talaros Sp. z.o.o               | ul. Domaniewska, No. 37, office 2.43, 02-672, Warszawa, Poland                               | 99.25%                  | 99.25%                  | 19.08.2021                            |
| LLC NCI SF Azerbaijan           | Suleyman Rakhimov street, 179A, AZ1014, Baku, Azerbaijan                                     | 95.50%                  | 100%                    | 28.08.2021                            |
| SF Capital VN Company Limited** | 60 Nguyễn Đình Chiểu, Đa Kao, Quận 1, Thành phố Hồ Chí Minh, Vietnam                         | 0%                      | 96.50%                  | 11.10.2021                            |
| MFO Hava Finance                | 8th floor, "Turar" business-center, 502 Seifullin ave., 050012, Almaty, Kazakhstan           | 97.50%                  | 97.50%                  | 15.10.2021                            |
| Sotero LV SIA                   | Skanstes 52, Riga, LV-1013 Latvia  | 97.25%                  | 97.25%                  | 19.10.2021                            |
| Lumino Finance Oy               | Urho Kekkosen katu 4-6 E. 00100 Helsinki   | 95.00%                  | 95%                     | 30.12.2021                            |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

| Name of entity                          | Registered office  | Ownership<br>31.12.2023 | Ownership<br>31.12.2022 | Acquisition/<br>establishment<br>date |
|---|--|-------------------------|-------------------------|---------------------------------------|
| SF MANAGEMENT SG PTE.LTD                | 470 NORTH BRIDGE ROAD #05-12 BUGIS CUBE (188735), SINGAPORE  | 95.75%                  | 96.50%                  | 14.03.2022                            |
| Binly Finans AB                         | Hammarby Allé 93, Stockholm, Sweden  | 95%                     | 95%                     | 27.04.2022                            |
| SF Prestamos S.L.                       | VELAZQUEZ, 109 6A, 8001, Madrid, Spain   | 99.25%                  | 99.25%                  | 17.06.2022                            |
| Kozyfee SIA                             | Skanstes 52, Riga, LV-1013 Latvia  | 100%                    | 100%                    | 17.08.2022                            |
| eKesh SIA                               | Skanstes 52, Riga, LV-1013 Latvia  | 100%                    | 100%                    | 17.08.2022                            |
| Fintech Partners Europe SIA             | Skanstes 52, Riga, LV-1013 Latvia  | 100%                    | 100%                    | 23.08.2022                            |
| Fintech Partners Asia SIA               | Skanstes 52, Riga, LV-1013 Latvia  | 95.75%                  | 96.50%                  | 14.09.2022                            |
| SF Solutions SIA                        | Skanstes 52, Riga, LV-1013 Latvia  | 100%                    | 100%                    | 28.09.2022                            |
| Active Investments SIA                  | Skanstes 52, Riga, LV-1013 Latvia  | 100%                    | 100%                    | 10.10.2022                            |
| Star Capital Baltics SIA                | Brivibas gatve 204B, Riga, LV-1039 Latvia  | 95.75%                  | 96.50%                  | 10.11.2022                            |
| FPA Investments PTE LTD                 | 11 Beach Road, #03-01, CRASCO BUILDING, SINGAPORE  | 95.75%                  | 96.50%                  | 21.11.2022                            |
| New Road Global Limited Company         | 19th Floor, Room 1901, Saigon Trade Center, 37 Ton Duc Thang, Ben Nghe Ward, District 1, HCM City, Vietnam | 95.75%                  | 96.50%                  | 29.11.2022                            |
| MFO Zamat Finance                       | Toktogula 125/1. Pervomaisky district, Bishkek, 720001, Republic of Kyrgyzstan                             | 98%                     | 98%                     | 28.12.2022                            |
| Luming SIA                              | Skanstes 52, Riga, LV-1013 Latvia  | 100%                    | 0%                      | 20.01.2023                            |
| Star Capital Baltics Holding PTE LTD    | 111 North Bridge Road #08-18, Singapore  | 95.75%                  | 0%                      | 16.02.2023                            |
| CAPITAL FINANCING PARTNERS SG PTE. LTD. | 111 North Bridge Road #08-18, Singapore  | 95.75%                  | 0%                      | 21.02.2023                            |
| FINACRA CONSULTING SG PTE. LTD.         | 111 North Bridge Road #08-18, Singapore  | 97.75%                  | 0%                      | 02.03.2023                            |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

| Name of entity                     | Registered office  | Ownership<br>31.12.2023 | Ownership<br>31.12.2022 | Acquisition/<br>establishment<br>date |
|------------------------------------|--|-------------------------|-------------------------|---------------------------------------|
| Capital Financing partners Holding | 15th Floor, Room 1508, Vincom Center, 72 Le Thanh Ton street, Ben Nghe Ward, District 1, HCM city, Vietnam | 95.75%                  | 0%                      | 28.03.2023                            |
| Fast Forward Holding               | 2nd floor, Rosana Tower, 60 Nguyen Dinh Chieu, Dakao Ward, District 1, HCM city, Vietnam                   | 95.75%                  | 0%                      | 28.03.2023                            |
| FFF Solutions Holding              | 8th Floor, Cao Thang Mall,<br>19 Cao Thang, Ward 2, District 3, HCM city, Vietnam                          | 95.75%                  | 0%                      | 28.03.2023                            |
| LLP Collection agency SF Collect   | Seyfullina avenue, building 502, Almalin district, postal code 050012, Almaty city, Kazakhstan,            | 100%                    | 0%                      | 07.04.2023                            |
| HSFA AS*                           | Skanstes 52, Riga, LV-1013 Latvia  | 95.50%                  | 0%                      | 04.07.2023                            |
| Zenka Finance Limited (Uganda)*    | Plot 46, Wing A, 1st Floor - Mirembe Business Center Bypass, Lugogo Bypass, Kampala, Uganda                | 95.50%                  | 0%                      | 04.07.2023                            |
| Zenka Finance Limited (Rwanda)*    | KN2 Av, MIC Building, Plot 1370, Nyarugenge District, TIN 108505735, Kigali, Rwanda                        | 95.50%                  | 0%                      | 04.07.2023                            |
| Zenka Financa Limited (Ghana)*     | No5 Olooti street, Labone Estate Accra, Ghana  | 95.50%                  | 0%                      | 04.07.2023                            |
| Pocco Sp. Z.o.o*                   | Solec Street 18 / U12, 00-410 Warsaw, Poland   | 95.50%                  | 0%                      | 04.07.2023                            |
| Zenka Digital Limited*             | WAIYAKI WAY,THE MIRAGE TOWER, P.O BOX 29107 G.P.O NAIROBI, KENYA   | 95.50%                  | 0%                      | 04.07.2023                            |
| Pocco Digital Limited*             | WAIYAKI WAY,THE MIRAGE TOWER, P.O BOX 29107 G.P.O NAIROBI, KENYA   | 95.50%                  | 0%                      | 04.07.2023                            |
| For Sale One Sp.z.o.o*             | Solec Street 18 / U12, 00-410 Warsaw, Poland   | 95.50%                  | 0%                      | 04.07.2023                            |
| SF Lombard                         | Seyfullina avenue, building 502, postal code 050012, Almalin district, Almaty city, Kazakhstan             | 95.75%                  | 0%                      | 08.08.2023                            |
| Solify SIA                         | Skanstes 52, Riga, LV-1013 Latvia  | 60%                     | 0%                      | 04.10.2023                            |
| Findee SIA                         | Skanstes 52, Riga, LV-1013 Latvia  | 55.50%                  | 0%                      | 01.11.2023                            |

\* These entities have been acquired by the Group in 2023

\*\* See Note 28 on discontinued operations

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## (38) Subsequent events

On 11 March 2024, the Group listed the 3.5-year corporate bond with an issue size of EUR 27 million and an annual interest rate of 11.0% + 3M EURIBOR, registered in May 2023, for trading on the Nasdaq First North market. The bond maturity is November 2026.

To refinance the Group's 3-year EUR 20 million corporate bond maturing on 30 June 2024, as well as to support new product development and further geographic expansion, the Group registered a new 3.5-year corporate bond on 22 May 2024, with an issue size of up to EUR 40 million. The new bond, maturing in November 2027, is organized as a private placement with an 11% coupon rate, paid monthly.

See also Note 36 section Regulatory environment and contingencies.

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Latvia

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## ***INDEPENDENT AUDITORS' REPORT***

### ***To the Shareholders of Sun Finance Group AS***

#### ***Our Opinion on the Consolidated Financial Statements***

We have audited the accompanying consolidated financial statements of Sun Finance Group AS (the Company) and its subsidiaries ("the Group") set out on pages 9 to 65 of the accompanying consolidated annual report, which comprise:

- the Consolidated Statement of Financial Position as at 31 December 2023,
- the Consolidated Statement of Profit and Loss and Other Comprehensive Income for the year then ended,
- the Consolidated Statement of Changes in Equity for the year then ended,
- the Consolidated Statement of Cash Flows for the year then ended, and
- the Notes to the Consolidated Financial Statements, which include a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Company and its subsidiaries as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS).

#### ***Basis for Opinion***

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

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

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

#### ***Reporting on Other Information***

The Company management is responsible for the other information. The other information is the Management Report, as set out on pages 4 to 8 of the accompanying consolidated annual report and Information on the Company, as set out on page 3 of the consolidated annual report.

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

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

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

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

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

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

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

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

Management is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs as adopted by the European Union and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

#### ***Auditor's Responsibilities for the Audit of the Consolidated Financial Statements***

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

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

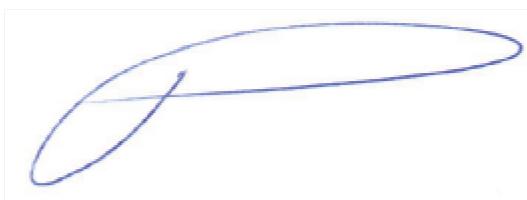
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement

resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves a fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Baker Tilly Baltics AS  
Licence No. 80



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

Riga, 30 June, 2024



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

**AS SUN FINANCE GROUP**

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