AS Sun Finance Group

Consolidated financial statements

as at and for the year ended
31 December 2020

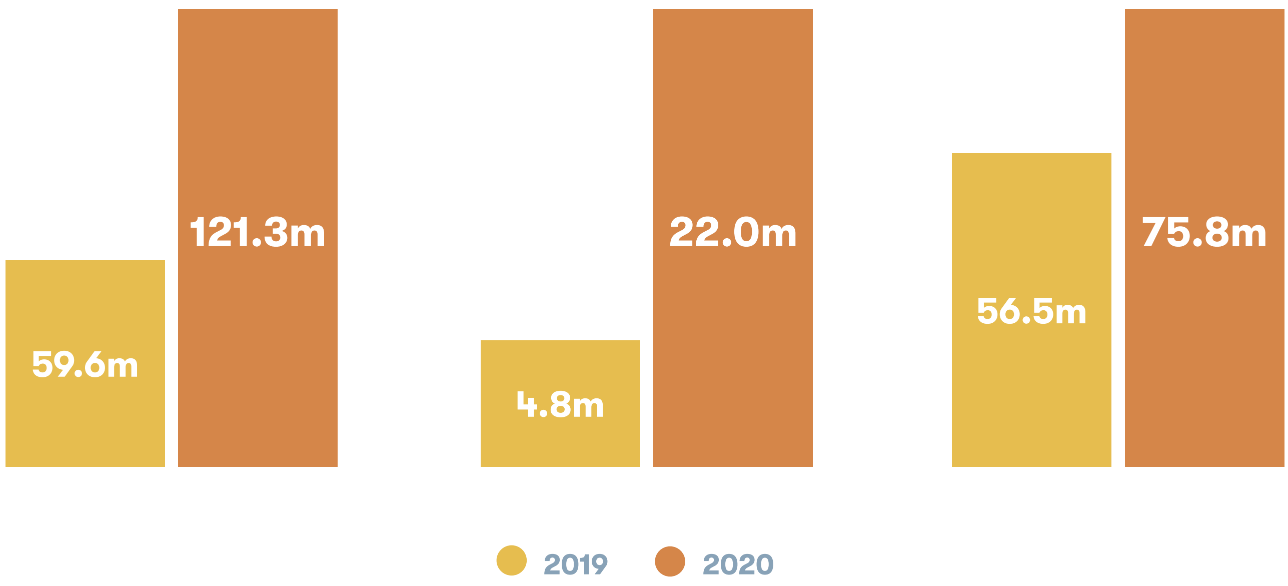
Address: Skanstes Street 52, Riga, LV-1013

Content

Information on the Company

Name of the Company	Sun Finance Group
Legal status	Joint Stock Company
Number, place and date of registration	40203205428, Riga, 8 April 2019
Legal and postal address	Skanstes Street 52, Riga, Latvia, LV-1013
Board members and their positions	Aleksandrs Čerņagins, Chairman of the Board (from 08.04.2019 till 22.01.2020)
	Emīls Latkovskis, Chairman of the Board (from 22.01.2020)
Reporting period	01.01.2020-31.12.2020
Information on shareholders	AS Puzzle International: 84.73% Other shareholders: 15.27%
Auditors	AS Baker Tilly Baltics Kronvalda Bulvaris 10-32 Riga, Latvia LV-1010

Interest Income | Net Profit | Net Portfolio



7+

Countries where we operate

>5m

Registered customers

€25m

Bonds issued on NASDAQ

Carbon Neutral Organisation

FT 1000 Europe's Fastest Growing Companies 2021 — 2nd place

WWF Green Office — A WWF initiative to reduce ecological footprint

Management report

General information

AS Sun Finance Group and its subsidiaries (the "Group") is one of the leading online and mobile lending platforms headquartered in Europe, active in 7 countries globally – Poland, Latvia, Kazakhstan, Denmark, Mexico, Sweden and Vietnam.
The Group is offering a range of online lending services for tech-driven and mostly young (gen-z and millennials) individuals who value convenience, speed and price of products.
The Group was established on 8 April, 2019. The share capital of the Company as at 31 December 2020 was EUR 340 thousand divided into 3 109 090 ordinary shares, and 290 910 personal shares with nominal value of EUR 0.1 each.

2020 – a year in the shade of COVID-19

On the back of a solid performance in 2019, the Group started 2020 with strong footing, recording stable growth and performance during Q1'20. During the first quarter, the Group finalised inclusion of Vietnam and Sweden within the wider Group umbrella, adding solidly performing portfolios to the mix, further diversifying the business.

During second part of Q1'20, the Group and its subsidiaries, like most businesses across the globe, had to readjust its business operations and focus in response to COVID-19 outbreak, offering an opportunity to review operations in detail and streamline processes as well as improve long-term profitability prospects.

While some of the Group's markets were harder hit by the COVID-19 outbreak and the following restrictions than others, the Group was able to maintain strong collection levels and issuance discipline across the board.

The Group materially reduced loan issuance levels during the latter part of Q1'20 as well as the first half of Q2'20, in order to fully assess the impact of the COVID-19 outbreak on different markets and how the situation will affect customer behaviour. In addition, in-depth cost reviews were performed on a country and Group basis, materially reducing Group's cost base, including payroll expenses as well as most of other administrative expenses, ensuring short-term profitability.

While some of these cost savings were short-term, the Group has seen material improvements in long-term profitability, as the period offered an unorthodox opportunity to review and carry out efficiency projects across all departments.
During most of the year the Group and its respective country subsidiaries operated on a remote or mixed working setup, to ensure that all necessary measures have been taken to limit the potential contagion risks within employees.

As a fintech company, inherently driven by technology, the Group was able to quickly and seamlessly adapt the operations to remote working conditions.

In addition, while business activity was materially reduced for several months, loan issuance returned to pre-COVID levels by the end of Q2'20, given the Group's industry-leading data science and risk teams which drove the ability to review and swiftly adjust the scoring models and lending strategies to the changed reality - an achievement that many other competitors failed to reach, offering further opportunities to be captured across the Group's operational markets.

Second half of the year offered more clarity and a 'new normal' baseline for operations. While many countries, including most of the countries in which the Group operates, saw the second (and in some cases third) wave of COVID-19 outbreak, the governmental actions and social impact was more predictable than at the beginning of the year and our adjusted credit scoring and risk models were able to support strong growth over the second half of the year.
While most of discussions in 2020 centred around COVID-19 and its impact, the Group's management aim from the onset

Management report

was to look past the pandemic and deliver strong results for the period, while setting up the Group for stable and, most importantly, profitable growth over the long term.

As such, the Group's financial performance has materially improved when compared with 2019, resulting in a loan portfolio of EUR 75.8m at the end of 2020 compared to EUR 56.5m in 2019, while interest income has more than doubled from EUR 59.6m in 2019 to EUR 121.3m. The increase in interest income is mainly driven by Group structure streamlining mostly during 2019 (as well as 2020, with the addition of Sweden and Vietnam to the Group).

During the period the Group maintained growth in terms of most key business metrics, including total number of employees – while it shortly decreased during Q2'20 – the growth resumed during rest of the period, reaching 819 at the end of the year, driven by the expansion in new markets as well as growth in the previously setup countries. The Group continues operating on a regional hub structure, streamlining its operations and maintaining a lean organizational structure as well as offers a more flexible structure in terms of opening and operating in new countries, with the latest addition being South East Asia Hub, represented by the addition of Vietnam.

While there remains some level of uncertainty across the globe in relation to the continuing COVID-19 outbreak, the vaccine rollout has started across most developed and developing countries and it is reasonable to expect that some level of additional stability will return by the end of 2021.

Regardless of the outbreak, the management is confident in the strategic decisions taken during 2020, which have allowed for significant growth of the business and sees clear future opportunities that can be captured in the long term. The results have proven that the Group and management is ready for this new normal and experience shows that the Group is able to adapt to new environments swiftly and efficiently.

Financing

In October 2020, the Group successfully registered a second tranche of a 2-year corporate bond private placement registered in Nasdaq CSD, for EUR 15 million at par with an annual interest rate of 11.0%. Bond maturity is September 2022.

Additionally, the Group continued to work on previously started funding diversification projects, including cooperation with the largest European peer-to-peer lending marketplace Mintos (www.mintos.com). In 2020 loans from 6 out of Group's 7 markets were listed on the marketplace – Poland, Denmark, Latvia, Kazakhstan, Mexico and Vietnam.
The Group's first tranche of the EUR 10 million bond issuance is due to mature in August 2021. The Group is currently reviewing the range of potential routes, including refinancing and full repayment of the bond tranche.

Future developments

While the first half of 2020 was overshadowed by the COVID-19 outbreak, the Group returned to growth and expansion plans in order to further evolve and broaden the Group's business model. Through reassessment of the long-term strategy, the management of the company has developed a matrix expansion approach, focusing on geographic footprint expansion as a horizontal metric, while product offering diversification being a vertical driver.

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

- Horizontal growth: geographies. The Group is in the process of reviewing new geographies, preliminary testing and setting up operations in new countries across different regional HUBs. The current expectation is to add two new fully operational countries by the end of 2021.

- Vertical growth: product offering. Following the strategy to expand our ability to serve customer needs, the Group is continuously working to improve the current product offering as well as developing new products. As part of this process, the first roll-out of Instalment Loan product was successfully launched in Q1'21 in selected markets and is planned to be further introduced across several Group geographies. In addition, the Group is currently working to develop an innovative product solution, expected to be launched in a pilot version during Q3'21.

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

Interest income for the twelve months ended 31 December 2020 amounted to EUR 121 306 thousand, compared with EUR 59 551 thousand in 2019, which represents an increase of 103.7%. The increase in interest income is related to continued growth in established markets, Group structure streamlining during 2019 as well as addition of two new markets during 2020 – Vietnam and Sweden.

The balance of outstanding net loans at the end of 2020 was EUR 75 822 thousand, a 34% increase compared with EUR 56 496 thousand as of 31 December 2019. This increase is driven by the same factors as interest income as well as continuously improving credit portfolio dynamics.

The Group's profit before tax for the year ended 31 December 2020 amounted to EUR 30 479 thousand, a 3x increase from the profit of EUR 10 043 thousand reported for the twelve months ended 31 December 2019.

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

Other information

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

Credit risk

Credit risk is the risk of a financial loss to the Group if a counterparty/customer fails to meet its contractual obligations, and arises primarily from the Group's loans and advances to customers. This includes scenarios where the customer makes payments late, only partially, or not at all. The 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.

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.

Management report

Market risk

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

Interest rate risk

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

Currency risk

The Group has assets and liabilities denominated in several foreign currencies. Foreign currency risk arises when the actual or forecasted assets in a foreign currency are either greater or less than the liabilities in that currency. Please see Note 34 for more detailed analysis of Group's sensitivity to different currencies in which we operate in.

Price risk

The Group has assets and liabilities denominated in several foreign currencies. Foreign currency risk arises when the actual or forecasted assets in a foreign currency are either greater or less than the liabilities in that currency. Please see Note 34 for more detailed analysis of Group's sensitivity to different currencies in which we operate in.

Sun Finance Group/ Ownership

AS Sun Finance Group is the holding company of the Sun Finance Group (the "Group"). As of 31 December 2020, the Group operates in 7 countries. Each country's subsidiary is entitled to take operational decisions regarding its business activities. Countries located in a certain region are combined in "Hubs" coordinated by sub-holding companies controlled by the parent company. Each Hub is entitled to take decisions regarding the activities of the countries included in the Hub as well as general Hub activities.

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

Emīls Latkovskis
Chairman of the Board

5 May 2021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MEXICO CITY
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MANILA

Consolidated Statement of Comprehensive Income

	Note	2020 EUR	2019 EUR
Interest income	6	121 306 296	59 551 214
Interest expense	7	(8 164 256)	(5 270 376)
Net interest income		**113 142 040**	**54 280 838**
Net impairment losses on loans and receivables	8	(8 913 524)	(5 230 281)
Gain/losses from derecognition of financial assets measured at amortised cost	19	(39 084 156)	(23 061 436)
Operating costs	9,31	(32 866 803)	(19 788 604)
Other operating income	10	5 427 708	5 536 884
Other operating expense	11	(969 682)	(1 944 689)
Net foreign exchange result	12	(6 256 210)	250 178
Profit / loss before tax		**30 479 373**	**10 042 890**
Corporate income tax	13	(8 439 199)	(5 283 881)
Profit / loss for the period		**22 040 174**	**4 759 009**

Profit/loss) attributable to:			
Equity holders of the Group		22 028 679	4 295 080
Non-controlling interests		11 495	463 929
Profit /loss for the period		**22 040 174**	**4 759 009**

Consolidated Statement of Comprehensive Income

Other comprehensive income / loss	Note	31.12.2020 EUR	31.12.2019 EUR
Foreign currency translation differences on foreign operations			
Equity holders of the Group		(171 465)	(142 554)
Non-controlling interests		(27 350)	(610)
Total comprehensive income / loss for the period		21 841 359	4 615 845
Total comprehensive income/(loss) attributable to:			
Equity holders of the Group		21 857 214	4 152 526
Non-controlling interests		(15 855)	463 319
Total comprehensive income / loss for the period		21 841 359	4 615 845

The accompanying notes on pages 19 to 72 form an integral part of these consolidated financial statements.

Emils Latkovskis
Chairman of the Board

5 May 2021

Consolidated Statement of Financial Position

Assets	Note	31.12.2020 EUR	31.12.2019 EUR
Property and equipment	15	2 626 015	2 943 180
Intangible assets and goodwill	16	19 222 645	10 691 951
Tangible and intangible assets		**21 848 660**	**13 635 131**
Other loans and receivables	17	204 059	5 751 071
Non-current financial assets	18	29 091	1 262 764
Deferred tax asset	14	1 012 624	749 344
Non-current financial assets		**1 245 774**	**7 763 179**
Total non-current assets		**23 094 434**	**21 398 310**
Loans and advances to customers	19	75 821 923	56 495 985
Other loans and receivables	17	2 698 367	3 315 142
Prepaid expense		446 481	334 814
Other receivables	20	11 134 977	13 451 602
Cash and cash equivalents	21	8 713 085	3 173 544
Total current assets		**98 814 833**	**76 771 087**
TOTAL ASSETS		**121 909 267**	**98 169 397**

The accompanying notes on pages 19 to 72 form an integral part of these consolidated financial statements.

Emīls Latkovskis
Chairman of the Board

5 May 2021

Consolidated Statement of Financial Position

	Note	31.12.2020 EUR	31.12.2019 EUR
Shareholder's equity			
Share capital	22	340 000	320 000
Share premium	22	27 040	-
Reserves	2,31	1 210 000	730 000
Currency translation reserve		(314 019)	(142 554)
Current year dividends		(7 288 046)	(587 956)
Current year profit		22 028 679	4 295 080
Retained earnings		3 707 124	-
Total equity attributable to equity holders of the Company		**19 710 778**	**4 614 570**
Non-controlling interest		(323 674)	252 085
TOTAL EQUITY		**19 387 104**	**4 866 655**

Emīls Latkovskis
Chairman of the Board

5 May 2021

Consolidated Statement of Financial Position

	Note	31.12.2020 EUR	31.12.2019 EUR
Liabilities			
Loans and borrowings	23	36 441 726	28 298 535
Non-current liabilities		**36 441 726**	**28 298 535**
Loans and borrowings	23	51 177 383	44 247 171
Prepayments and other payments received from clients	24	512 341	315 258
Trade and other payables	25	5 563 064	12 341 862
Corporate income tax payable	13	6 729 631	5 385 978
Taxes payable	26	729 703	1 956 519
Accrued liabilities	27	1 368 315	757 419
Current liabilities		**66 080 437**	**65 004 207**
TOTAL LIABILITIES		**102 522 163**	**93 302 742**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**121 909 267**	**98 169 397**

The accompanying notes on pages 19 to 72 form an integral part of these consolidated financial statements.

Emīls Latkovskis
Chairman of the Board

5 May 2021

Consolidated Statement of Cash Flows

	Note	31.12.2020 EUR	31.12.2019 EUR
Cash flows from operating activities			
Profit before taxes		30 479 373	10 042 890
Adjustments for:			
Depreciation and amortization		885 827	580 270
Impairment of goodwill		-	1 394 341
Sold portfolio write-off		64 433 551	59 979 447
Increase in impairment allowance		8 913 524	5 128 098
Write-off and disposal of intangible and property and equipment assets		112 186	105 441
Provisions (except doubtful debt allowance)		330 385	202 418
Increase in reserves		480 000	730 000
Non-controlling interest retained earnings		(6 301)	(228 371)
Interest income		(383 590)	(1 075 022)
Interest expenses		8 164 256	5 933 468
Profit or loss before adjustments for the effect of changes to current assets and short-term liabilities		**113 409 211**	**82 792 980**
Adjustments for:			
Increase in loans and advances to customers		(88 404 487)	(69 030 324)
Increase in other assets		6 133 234	(4 068 578)
Decrease in accounts payable to suppliers, contractors, and other creditors		(12 741 360)	(8 926 025)
Gross cash flows from operating activities		**18 396 598**	**768 053**
Corporate income tax paid		(7 095 547)	(5 601 068)
Net cash flows used in operating activities		**11 301 051**	**(4 833 015)**

Consolidated Statement of Cash Flows

	Note	31.12.2020 EUR	31.12.2019 EUR
Cash flows from investing activities			
Purchase of property and equipment and intangible assets		(1 079 927)	(692 517)
Increase share capital		47 040	290 909
Net cash flows through business combinations		(2 023 004)	1 902 845
Acquisition of subsidiaries, net of cash acquired		-	(1 233 041)
Loans issued to related parties		(3 614 277)	(14 486 826)
Received loan repayment		1 404 628	5 347 555
Interest received		179 114	502 642
Net cash flows used in investing activities		**(5 086 426)**	**(8 368 433)**
Cash flows from financing activities			
Loans received and notes issued		18 122 207	17 821 393
Repayment of loans		(2 563 226)	(12 253 536)
Interest payments		(2 686 429)	(1 755 489)
Funding received from P2P		43 316 860	39 952 056
Repayment of funding received from P2P		(50 612 116)	(26 986 468)
Dividend payments		(7 321 515)	(525 424)
Net cash flows from financing activities		**(1 744 219)**	**16 252 532**

Consolidated Statement of Cash Flows

	Note	31.12.2020 EUR	31.12.2019 EUR
Net increase/(decrease) in cash and cash equivalents		**4 470 406**	**3 051 084**
Cash and cash equivalents at the beginning of the period		**3 173 544**	**-**
Effect of exchange rate fluctuations on cash		1 069 135	122 460
Cash and cash equivalents at the end of the period	21	**8 713 085**	**3 173 544**

The accompanying notes on pages 19 to 72 form an integral part of these consolidated financial statements.

Emīls Latkovskis
Chairman of the Board

5 May 2021

Consolidated Statement of Changes in Equity

	Share capital EUR	Share premium EUR	Currency translation reserve EUR	Reserve EUR	Retained earnings EUR	Total EUR	Non-controlling interests EUR	Total equity EUR
Group 08.04.2019	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
NCI share capital for business combinations	-	-	-	-	-	-	11 100	11 100
NCI retained earnings for business combinations	-	-	-	-	-	-	(228 371)	(228 371)
Total comprehensive income								
Profit / loss for the reporting period	-	-	-	730 000	4 295 080	5 025 080	463 929	5 489 009
Other comprehensive income	-	-	(142 554)	-	-	(142 554)	(610)	(143 164)
Transactions with shareholders recorded directly in equity								
Increase in share capital	320 000	-	-	-	-	320 000	6 037	326 037
Interim Dividends	-	-	-	-	(587 956)	(587 956)	-	(587 956)
01.01.2020	**320 000**	**-**	**(142 554)**	**730 000**	**3 707 124**	**4 614 570**	**252 085**	**4 866 655**
NCI share capital for business combinations	-	-	-	-	-	-	21 752	21 752
NCI retained earnings for business combinations	-	-	-	-	-	-	(1 983)	(1 983)
Total comprehensive income								
Profit / loss for the reporting period	-	-	-	480 000	22 028 679	22 508 679	11 495	22 520 174
Other comprehensive income	-	-	(171 465)	-	-	(171 465)	(27 350)	(198 815)
Transactions with shareholders recorded directly in equity								
Increase in share capital	20 000	27 040	-	-	-	47 040	-	47 040
Dividends	-	-	-	-	(7 288 046)	(7 288 046)	(579 673)	(7 867 719)
31.12.2020	**340 000**	**27 040**	**(314 019)**	**1 210 000**	**18 447 757**	**19 710 778**	**(323 674)**	**19 387 104**

The accompanying notes on pages 19 to 72 form an integral part of these consolidated financial statements.

Emils Latkovskis
Chairman of the Board

5 May 2021

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 and South America (together referred to as the 'Group'). The Group entities provide consumer loans to customers and currently the Group operates in Poland, Latvia, Kazakhstan, Denmark, Mexico, Sweden and Vietnam.

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

(2) Basis of preparation

These consolidated annual financial statements as of and for the year ended 31 December 2020 are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). The Group's consolidated annual financial statements and its financial result are affected by accounting policies, assumptions, estimates and management judgement (Note 3), which necessarily have to be made in the course of preparation of the annual consolidated financial statements.

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

These consolidated financial statements were approved by the Company's Board on 5 May 2021. 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 2020 Group companies operated in the functional currencies of EUR, DKK, PLN, KZT, SEK, VND and MXN respectively. The Company's functional currency is EUR.

Notes to the Consolidated Financial Statements

(3) Significant accounting policies

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

Basis of Consolidation

(i) Subsidiaries

Subsidiaries are those enterprises controlled by the Company as at 31 December 2020. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. Subsidiaries are excluded from consolidated financial statements from the date when control effectively ceases.

(ii) Transactions eliminated on consolidation

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

(iii) Foreign currency

(i) Foreign currency transactions

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

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

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

	31.12.2020	31.12.2019
PLN	4.55970	4.25680
DKK	7.44090	7.47150
KZT	516.13000	426.85000
MXN	24.41600	21.22020
KGS	101.32040	77.98000
UZS	12 786.03000	9 566.00000
SEK	10.03430	-
VND	28 417.15000	-
PHP	59.12500	-
USD	1.22710	-
IDR	17 240.76000	-
NOK	10.47000	-

(ii) Foreign operations

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

(iv) Cash and cash equivalents

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

(v) Financial Instruments

(ii) 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.

(iii) 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.

(iv) 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.

(v) 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.

(vi) 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.

(vii) Modification of financial assets and liabilities

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

(viii) Fair value measurement principles

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

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

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

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

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

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

(vi) Loans and advances

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

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

(vi) Property, plant and equipment

(i) Owned assets

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

(ii) Depreciation

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

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

(vii) Intangible assets and Goodwill

Intangible non-current assets, other than Goodwill, are stated at cost and amortized over their estimated useful lives on a straight-line basis. The carrying values of intangible assets are reviewed for impairment when events or changes in

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circumstances indicate that the carrying value may not be recoverable. Losses from impairment are recognized where the carrying value of intangible non-current assets exceeds their recoverable amount.
Amortization is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets. The estimated useful lives are as follows:

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

(i) Internally generated intangible assets

Internally generated intangible assets primarily include the development costs of Group's information management systems. These costs are capitalized only if they satisfy the criteria as defined by IAS38 and described below.
Internal and external development costs on management information systems arising from the development phase are capitalized. Significant maintenance and improvement costs are added to the initial cost of assets if they specifically meet the capitalization criteria.
Internally generated intangible assets cost value is increased by Group's information technology costs - salaries and social security contribution capitalization. Asset useful life is reassessed by management at each year end and amortization periods adapted accordingly.
Internally generated intangible assets are amortized over their useful lives of 4 years, software and other intangible assets - over 3 years. The main internally generated intangible assets are CRM systems.
According to IAS38, development costs shall be capitalized if, and only if, the Group can meet all of the following criteria:

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

When these conditions are not satisfied, development costs generated by the Group are recognized as an expense when incurred.
Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is completed and the asset is available for use.
Additional information is included in Note 16.

(ii) Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any. For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination. Such units represent the smallest groups of assets that generate cash inflows from continuing use that are largely independent of the cash flows of other assets or CGUs. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than it's carrying amount, the impairment loss is recognized. The recoverable amount of cash generating units has been determined based on value of used calculations. These calculations require the use of estimates as disclosed in Note 16.

(viii) Impairment

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

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

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

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

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

Definition of default

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

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

- Stage 1 – Initial recognition of loans. Part of loan portfolio where no significant increase in credit risk has occurred (0 -30 days past due), Group recognizes an allowance based on twelve month expected credit losses for single payment loans and twelve months expected credit losses for line of credit.
- Stage 2 - Loans with significant increase in credit risk (31 – 90 days past due). When a loan shows a significant increase in credit risk since initial recognition, Group records an allowance for the lifetime expected credit loss.
- Stage 3 - Defaulted loans. Financial assets are recognized in Stage 3 when there is objective evidence that the loan is impaired (91 + days past due). Group recognizes the lifetime expected credit losses for these loans setting PD at level of 100%.The expected credit loss is calculated as a function of the probability of default (PD), the exposure at default (EAD) and the loss given default (LGD). Where:
- The Probability of Default (PD) is an estimate of the likelihood of default over a given time horizon;
- The Exposure at Default (EAD) is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments, whether scheduled by contract or otherwise;
- The Loss Given Default (LGD) is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect

to receive, including from the realization of any collateral sell of defaulted loans. It is usually expressed as a percentage of the EAD. LGD is based on discounted cash flows on defaulted loans.

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

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

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

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

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

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

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

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

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

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

(ix) Provisions and contingencies

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

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

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

Provisions for tax liabilities

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

Accruals for unused vacations

As at the period end, a accrued expense for unused vacations has been recognized in accordance with local legislation in each separate country of operation and is based on the number of vacation days unused as at 31 December 2020 and historical remuneration.

(x) Share Capital and reserves

(i) Currency revaluation reserve

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

(ii) Share based payments

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

(xi) Leases – the Group as lessee

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

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

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

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

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

Initial recognition exemptions applied

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

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

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

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

The Group defines a low-value asset as one:

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

(xii) Transactions with peer-to-peer platforms

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

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

Receivable is arising from assignments made through P2P platform where the related investment is not yet transferred to the Group (Note 20).

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

Funding attracted through peer-to-peer platform

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

Liabilities to investors are recognized in statement of financial position caption Loans and borrowings attracted through peer-to-peer platform (Note 23) and are treated as loans received.

Assignments with recourse rights (buy back guarantee)

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

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

(xiii) Dividends

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

(xiv) Taxation

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

(i) Current tax – general terms

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

(ii) Current tax for entities in Latvia

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

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(iii) Deferred tax – general terms

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

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

(iii) Deferred tax for entities in Latvia

Under IAS 12 Income taxes, deferred tax assets and liabilities should be recognized by applying a rate expected to be applied to retained earnings. Taking into account the specific nature of Corporate income tax law the rate 20% is only applied to distributed profits, while the 0% rate applied to retained earnings. Therefore, no deferred income tax assets and liabilities are recognisable as nil. The contingent tax liability reflecting the obligation that would arise on the distribution of dividends and deemed profit distribution is not recognized as liability in the balance sheet. Maximum possible tax liability in case all retained earnings were distributed is disclosed in Note 14.

(xv) Income and expense recognition

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

(i) Interest income and expense

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

(ii) Fee and commission income and expenses

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

(iii) Fines received

Income from fines are recognized as received.

(iv) Income from management services

The Group provides management services to its related parties. Income is recognized at an amount that reflects the consideration to which the Group expects to be entitled in exchange for providing these services. The performance obligation is satisfied as the respective service is being provided.

(v) Profit sharing arrangements

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

(xvi) Fair value of employee share options

Group's employees have entered a share option agreements with Parent Company or Subsidiaries. Under the agreements respective employees obtain rights to acquire Parent company's or certain subsidiaries' shares under several graded vesting scenarios. The respective option would be classified as an equity-settled share-based payment transaction in Group's financial statements in accordance with IFRS 2. There are cash settlement alternatives. Group record expenses related to this transaction and recognize a respective component of equity.

(xvii) Related parties

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

(xviii) Non-controlling interest

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

(xix) Business combinations

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

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

(xx) Changes in accounting policies

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

New standards and interpretations adopted

The Group have adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2020.

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

- References to the Conceptual Framework in IFRS Standards - Amendments
- IAS 1 and IAS 8: Definition of Material - Amendments
- IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform – Amendments, issued on 26 September 2019
- IFRS 3 Business Combinations – Amendments
- IFRS 16 Leases: Covid-19 Related Rent Concessions – Amendments

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 2020 and have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Group are set out below.

- IFRS 4 Insurance Contracts: Deferral of IFRS 9 – Amendments (effective for annual periods beginning on or after 1 January 2021)
- IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform, Phase 2 – Amendments, issued on 27 August 2020 (effective for annual periods beginning on or after 1 January 2021)

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

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

- IFRS 17 Insurance Contracts (effective for annual periods beginning on or after 1 January 2021)
- IAS 1: Classification of Liabilities as Current or Non-current - Amendments (effective for annual periods beginning on or after 1 January 2022)
- IFRS 3, IAS 16, IAS 37 - Amendments (effective for annual periods beginning on or after 1 January 2022)
- Annual Improvements to IFRS 2018-2020 Cycle – Amendments (effective for annual periods beginning on or after 1 January 2022)
- IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies - Amendments (effective for annual periods beginning on or after 1 January 2023)
- IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates – Amendments (effective for annual periods beginning on or after 1 January 2023)

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

(4) Risk management

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

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

Management has implemented procedures to control the key risks.

(a) Credit risk

Credit risk is the risk of a financial loss to the Group if a counterparty/customer fails to meet its contractual obligations, and arises primarily from the Group's loans and advances to customers. This includes scenarios where the customer makes payments late, only partially, or not at all. The Group's customers generally have higher frequency of delinquencies, higher risk of non-payment and, thus, higher credit losses than customers who are served by traditional providers of consumer credit. The Group's Credit Policy defines lending guidelines according to the business strategy and efficient risk management, protecting the Group's assets as well as complying with the local regulatory requirements. Loan credit risk is managed by multiple triggers that are analysed prior to the loan being issued, including customer credit history checks and revenue levels. The triggers exclude any possibility of judgment as scoring is done automatically and is based on statistical evidence. Specific credit scoring models are adjusted to specific countries requirements and tendencies. Credit scoring models are periodically reviewed and if necessary, adjusted to follow market and specific client group tendencies. Performance of different customer groups is analysed on a regular basis. The Group has established efficient debt collection processes across all the Group's business units. All debt collection methods in each operating market, procedures and instructions which are in place, are adjusted to comply with local legislation and reflect, in the Group's view, best practices in the market. The Group's regular debt collection processes are executed already before payment due date in order to collect cash and to reduce the volume of potentially delayed payments. If cash flows after initial recognition are realized in a way that is different from the Group's original expectations – held to collect, the Group does not change the classification of the remaining financial assets held in that business model as initially business model is based on held to collect principle. The assessed business model is with the intention to hold financial assets in order to collect contractual cash flows. Sales that take place from these portfolios relate to credit events. Loans from portfolios might be sold to debt collector agencies when underlying debtors have defaulted on their obligations. When, and only when, an entity changes its business model for managing financial assets it shall reclassify all affected financial assets. No financial liability reclassifications take place. The Group has also implemented strong NPL management driven by automatic forward sales of overdue loans in most of the markets. The Group's key elements of success are high quality loan portfolio, best practices sharing process across countries, implementation of continuous improvements in its debt collection approach and team of qualified and motivated specialists. Management believes that current procedures are sufficient to effectively monitor credit risk of customer groups, in addition the structure of portfolio is based on many small value loans as a result separate customer exposure cannot cause material losses to the Company. Quantitative information on the Group's credit risks is disclosed in Note 35.

(b) Liquidity risk

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

(c) Market risk

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

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

(d) Interest rate risk

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

(e) Currency risk

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

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

	31 December 2020		31 December 2019	
	Net income EUR '000	Equity EUR '000	Net income EUR '000	Equity EUR '000
5% appreciation of DKK against EUR	657	657	447	447
5% depreciation of DKK against EUR	(657)	(657)	(447)	(447)
5% appreciation of PLN against EUR	833	833	990	990
5% depreciation of PLN against EUR	(833)	(833)	(990)	(990)
5 % appreciation of KZT against EUR	1 151	1 151	860	860
5% depreciation of KZT against EUR	(1 151)	(1 151)	(860)	(860)
5% appreciation of MXN against EUR	197	197	138	138
5% depreciation of MXN against EUR	(197)	(197)	(138)	(138)
5% appreciation of SEK against EUR	104	104	-	-
5% depreciation of SEK against EUR	(104)	(104)	-	-
5% appreciation of VND against EUR	189	189	-	-
5% depreciation of VND against EUR	(189)	(189)	-	-

(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

(h) Capital management

Capital management of the Group is not controlled by any requirements set by regulatory institutions or international bodies. The Group considers both equity capital as well as borrowings a part of overall capital risk management strategy. The Group manages its equity capital position on a regular basis, to ensure that it will be able to continue as a going concern. The Group monitors equity capital on the basis of the capitalization ratio as defined in Terms and Conditions of Notes. This ratio is calculated as Net worth (the sum of paid in capital, retained earnings, reserves and subordinated loan) divided by Net Loan portfolio. In order to maintain or adjust the overall capital structure, the Group may issue new Notes, borrow in P2P platform or sell assets to reduce debt. For commitments and contingencies related to capital management refer to Note 36.

(5) Use of estimates and critical accounting judgments

The preparation of consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.
In preparing these consolidated financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements of the Group as at and for the year ended 31 December 2019. Key sources of estimation uncertainty are:

- Recoverable amount of goodwill (see Note 16)

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

- Allowances for credit losses on loans and receivables (see Note 19)

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

- Recoverability of deferred tax asset (see Note 14)

Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The deferred tax assets are recognized based on profitability assumptions over 3 year horizon. In developing these assumptions, the Group considers both positive and negative evidence of past performance and future development plans to ensure that assumptions used are reasonable, realistic and achievable. The future taxable profit of 2020-2021 has been approved by the Management Board, while 2022 is considered as plausible taxable profit of the Group. Budgeting models used are the same as the ones used in goodwill impairment tests. At each reporting date, the Group's management analyses the recoverability of deferred tax and reduces the deferred tax asset if it is no longer probable that during the period of utilization of tax losses future taxable profits will be available against which unused tax losses can be utilized.

- Capitalization of development costs

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

- Fair value of employee share options (see Note 31)

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

In estimating fair value for the share option, the most appropriate valuation model would depend on the terms and conditions of the grant. In 2019 fair value of employee share options has been estimated by first establishing the fair value at the grant date of the relevant issuer company/group applying discounted cash flow valuation methodology and same assumptions as the ones used in value in use estimation. Subsequently, the estimate is adjusted by the number of options granted, vesting period and the employee turnover rates in the respective grade. During the fair value estimation process the Management has considered the financial position of the Subsidiaries that have issued share options, the particular features mentioned in the option agreements, such as buy-back options, non-competition clauses embedded in the agreements, restrictions of sales of shares, as well as dividend policy of the Parent Company (for both of the plans described in Note 31).

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

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

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

(6) Interest income

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

	2020 EUR	2019 EUR
Interest income calculated using the effective interest method	121 306 296	59 551 214
Total	**121 306 296**	**59 551 214**

(7) Interest expense

	2020 EUR	2019 EUR
Interest expenses for loans from peer-to-peer platform investors	5 341 193	2 982 681
Interest expense on issued bonds	1 200 634	239 837
Interest expense for loans from related parties	399 195	94 069
Interest expense for loans from non-related parties	1 164 908	1 926 037
Interest expense for lease liabilities	55 798	27 752
Other interest expense	2 528	-
Total	**8 164 256**	**5 270 376**

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(8) Net impairment losses on loans

	2020 EUR	2019 EUR
Impairment losses on loans	43 699 744	33 774 158
Reversal of provision on debt portfolio sales	(41 244 938)	(28 543 877)
Recovery from written-off loans	(191)	-
Written-off debts	6 458 909	-
Total	**8 913 524**	**5 230 281**

(9) Operating costs

	2020 EUR	2019 EUR
Personnel costs (see also Note 31 Share-based payments)	12 334 369	8 176 974
Marketing and sponsorship	4 490 425	2 687 500
IT expenses	1 560 941	1 004 132
Amortization and depreciation	885 827	569 887
Legal and consulting	820 886	387 326
Application inspection costs	2 631 420	1 315 290
Debt collection costs	1 312 261	606 926
Bank services	1 730 067	890 447
Communication expenses	1 233 305	535 716
Rent expenses and utilities	939 393	612 463
Office expenses	400 065	302 128
Outsourced operational services	3 334 227	1 978 813
Service fee for peer-to-peer platform	705 589	379 140
Other costs	488 028	341 862
Total	**32 866 803**	**19 788 604**

Key management personnel compensation	2020 EUR	2019 EUR
Members of the board		
Remuneration*	1 226 055	332 885
Social security contribution expenses	511 222	68 020
Total	**1 737 277**	**400 905**

* - Including vacation accruals

Average number of employees	2020	2019
Senior management/Executives	36	18
Employees	783	698
Total	**819**	**716**

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

(10) Other operating income

	2020 EUR	2019 EUR
Income from management services*	2 713 189	3 442 706
Interest income from issued loans to related and other parties	383 590	1 075 022
Income from profit sharing arrangements **	1 803 388	-
Other income	527 541	1 019 156
Total	**5 427 708**	**5 536 884**

*The Group provides management services to its related parties and other parties. In 2019 and 2020 the Group provided management services to entities which have been acquired respectively in January 2020 and April 2020 (see Note 16).

** The Group has granted non-related party with excess to its customer base that enable this party to generate a revenue. Based on the profit-sharing arrangement 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 certain part of its net profit. These annual financial statements have not yet approved. This contract is in the scope of IFRS 15 and the Group recognized the income for the profit earned by third party up to the end of year 2020. 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.

Notes to the Consolidated Financial Statements

(11) Other operating expense

	2020 EUR	2019 EUR
Goodwill write-off (see also Note 16)	-	1 394 341
Other personnel expenses	125 221	144 355
Non-deductible VAT costs	347 320	303 899
Penalties paid	310 056	86 594
Donation	17 434	8 699
Other expenses	169 651	6 801
Total	**969 682**	**1 944 689**

(12) Net foreign exchange result

	2020 EUR	2019 EUR
Currency exchange gain	7 553 573	1 746 987
Currency exchange loss	(13 809 783)	(1 496 809)
Total	**(6 256 210)**	**250 178**

(13) Corporate income tax

	2020 EUR	2019 EUR
Corporate income tax	7 974 322	5 463 230
Deferred corporate income tax	(191 709)	(361 315)
Withholding tax	656 586	181 966
Total	**8 439 199**	**5 283 881**

Notes to the Consolidated Financial Statements

	2020 EUR	2019 EUR
Corporate income tax payable	6 729 631	5 385 978

Current corporate income tax rate for the Group subsidiaries are the following: in Latvia – 20% or 20/80 of the net amount of distributed profit or deemed profit (in addition see Note 14), in Kazakhstan – 20%, in Poland – 19%, in Denmark – 22%, in Sweden - 21.4%, in Vietnam - 20%, in Mexico – 30%.

Reconciliation of effective income tax:

	2020 EUR	2019 EUR
Profit before corporate income tax	30 479 373	10 042 890
Theoretical corporate income tax at the applicable rate *	6 095 875	2 008 578
Withholding tax	656 586	181 966
Tax effect of permanent differences related to non-deductible expenses	1 686 738	3 093 337
Corporate income tax for the reporting year	**8 439 199**	**5 283 881**

* Tax rate for the Group's parent company for year 2020 and 2019 - 20%.

The effective tax rate of the Group in 2020 was 27.69 % (2019 was 55.7%). The effective tax rate in 2020 and 2019 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 and Kazakhstan and thus is considered as a permanent difference. Management utilizes both in-house tax expertise and external consultants to ensure compliance with tax legislation in the countries in which the Group operates.

(14) Deferred tax asset

Deferred tax relates to the following temporary differences:

Movement in temporary differences during the year ended 31 December 2019

	Profit or loss statement 31 December 2019	
EUR	Net balance 31 December 2019	Deferred tax asset/(liability)
Tax loss carry-forward	-	(20 910)
Impairment and write-off losses on loans and receivables	286 887	18 931
Unused vacation and other cost accruals	10 714	10 636
Fixed assets	15	15
Other assets/ (liabilities)	451 728	352 643
Net deferred corporate income tax assets/ (liabilities)	**749 344**	**361 315**

Movement in temporary differences during the year ended 31 December 2020

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

At the year-end 2020 the Group has recognised a deferred corporate income tax asset in total amount of EUR 1 012 624 (at the year-end 2019 it was EUR 749 344) in subsidiaries located in following countries: Kazakhstan, Poland, Denmark and Philippines. Deferred corporate income tax asset of EUR 191 709 (in 2019 was EUR 361 315) has an increase impacted the Group's profit or loss statement of the year ended 31 December 2020. All the tax asset recognised is considered as recoverable based on projected performance and results of subsidiaries. In 2020 the deferred tax asset on the net operating loss of previous years has been recognised for the Group subsidiary in Philippines as it is expected to relaunch the business operations in the country during 2021.

In Latvia deferred tax assets and liabilities are not recognised due to the fundamental changes in the corporate income tax legislation as being effective from 1 January 2018. Starting from 1 January 2018 the corporate income tax in Latvia should be assessed and paid only upon the profit distribution or deemed profit distribution. As the corporate income tax in Latvia at the rate of 20 per cent would be levied on the gross amount of distributed profit and deemed profit or the net amount of profit distribution would be subject to the tax of 20/80, then the unrecognised deferred tax liability for the retained profit in Latvia as at 31 December 2020 would amount to EUR 3 688 737 (as at 31 December 2019 would amount to EUR 325 959).

(15) Property and equipment

Cost	Computer equipment, EUR	Other equipment, EUR	Leasehold improvements, EUR	Right-of-use assets (office premises), EUR	Total, EUR
08.04.2019	-	-	-	-	-
Additions	98 078	228 500	159 016	-	485 594
Acquisition of a subsidiary	731 668	127 241	-	-	858 909
Disposals and write-offs	(43 886)	(75 378)	-	-	(119 264)
Reclassification	-	-	-	1 963 157	1 963 157
Effect of changes in foreign exchange rates	6 884	1 477	-	1 702	10 063
31.12.2019	**792 744**	**281 840**	**159 016**	**1 964 859**	**3 198 459**
01.01.2020	**792 744**	**281 840**	**159 016**	**1 964 859**	**3 198 459**
Additions	223 449	146 718	4 147	-	374 314
Acquisition of a subsidiary	50 530	11 578	17 182	-	79 290
Disposals and write-offs	(69 583)	(36 843)	-	-	(106 426)
Reclassification	(12 002)	-	-	-	(12 002)
Effect of changes in foreign exchange rates	(99 176)	(16 538)	(3)	(14 872)	(130 589)
31.12.2020	**885 962**	**386 755**	**180 342**	**1 949 987**	**3 403 046**

Notes to the Consolidated Financial Statements

Accumulated depreciation

Cost	Computer equipment, EUR	Other equipment, EUR	Leasehold improvements, EUR	Right-of-use assets (office premises), EUR	Total, EUR
08.04.2019	-	-	-	-	-
Depreciation	164 492	24 536	-	118 249	307 277
Acquisition of a subsidiary	138 748	26 358	-	-	165 106
Disposals and write-offs	(21 487)	(23 937)	-	-	(45 424)
Reclassification	(161 426)	(11 851)	-	-	(173 277)
Effect of changes in foreign exchange rates	869	211	-	516	1 596
31.12.2019	**121 196**	**15 317**	**-**	**118 765**	**255 278**
01.01.2020	**121 196**	**15 317**	**-**	**118 765**	**255 278**
Depreciation	217 166	75 185	22 093	240 964	555 408
Acquisition of a subsidiary	9 686	2 649	6 316	-	18 651
Disposals and write-offs	(19 779)	(6 232)	-	-	(26 011)
Reclassification	-	575	-	-	575
Effect of changes in foreign exchange rates	(21 037)	(1 596)	(43)	(4 194)	(26 870)
31.12.2020	**307 232**	**85 899**	**28 366**	**355 535**	**777 031**
Balance as at 01.01.2020	**671 548**	**266 522**	**159 016**	**1 846 094**	**2 943 180**
Balance as at 31.12.2020	**578 730**	**300 857**	**151 976**	**1 594 452**	**2 626 015**

Notes to the Consolidated Financial Statements

(16) Intangible assets and goodwill

	31.12.2020 EUR	31.12.2019 EUR
Goodwill	17 589 334	9 406 907
Other intangible assets	1 633 311	1 285 044
Total	**19 222 645**	**10 691 951**

Other intangible assets

Cost	Internally developed intangible assets, EUR	Other intangible assets, EUR	Total, EUR
08.04.2019	-	-	-
Additions	164 740	42 183	206 923
Acquisitions through business combinations	1 063 056	65 244	1 128 300
Disposals	-	(42 196)	(42 196)
Effect of changes in foreign exchange rates	-	989	989
31.12.2019	**1 227 796**	**66 220**	**1 294 016**
01.01.2020	**1 227 796**	**66 220**	**1 294 016**
Additions	522 029	183 584	705 613
Acquisitions through business combinations	-	-	-
Disposals	-	(31 771)	(31 771)
Reclassification	-	12 002	12 002
Effect of changes in foreign exchange rates		(9 158)	(9 158)
31.12.2020	**1 749 825**	**220 877**	**1 970 702**

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Accumulated amortisation

Cost	Internally developed intangible assets, EUR	Other intangible assets, EUR	Total, EUR
08.04.2019	-	-	-
Amortisation	269 852	3 141	272 993
Acquisitions through business combinations	240 078	5 701	245 779
Amortisation of disposals	(10 595)	-	(10 595)
Reclassification	(499 335)	-	(499 335)
Effect of changes in foreign exchange rates	-	130	130
31.12.2019	**-**	**8 972**	**8 972**
01.01.2020	**-**	**8 972**	**8 972**
Amortisation	325 221	5 198	330 419
Effect of changes in foreign exchange rates	-	(2 000)	(2 000)
31.12.2020	**325 221**	**12 170**	**337 391**
Balance as at 01.01.2020	**1 227 796**	**57 248**	**1 285 044**
Balance as at 31.12.2020	**1 424 604**	**208 707**	**1 633 311**

Notes to the Consolidated Financial Statements

Business combination and goodwill

	Sun Finance Latin America (Proximus)	Sun Finance Central Asia	Sun Finance Europe	Panamerican	SF Treasury SG	Luma Finans	Other	Total
08.04.2019	-	-	-	-	-	-	-	-
Considerations paid	2 305	35 000	835 000	2 600 000	-	-	91 424	3 563 729
Total identifiable net assets	(2 513 949)	(1 518 626)	(2 506 266)	(689 079)	-	-	(175 818)	(7 403 738)
Non- controlling interest	25 139	156 339	-	42 379	-	-	(529)	223 328
Goodwill at acquisition	**2 491 114**	**1 397 287**	**3 341 266**	**3 246 700**	**-**	**-**	**266 713**	**10 743 080**
Exchange differences	12 472	(2 946)	-	47 058	-	-	1 584	58 168
Impairment	-	(1 394 341)	-	-	-	-	-	(1 394 341)
Other adjustments	-	-	-	-	-	-	-	-
31.12.2019	**2 503 586**	**-**	**3 341 266**	**3 293 758**	**-**	**-**	**268 297**	**9 406 907**
01.01.2020	**2 503 586**	**-**	**3 341 266**	**3 293 758**	**-**	**-**	**268 297**	**9 406 907**
Considerations paid	-	-	-	-	1 800 000	2 143 300	-	3 943 300
Total identifiable net assets	-	-	-	-	(4 135 982)	(1 115 186)	-	(5 251 168)
Non- controlling interest	-	-	-	-	-	-	-	-
Goodwill at acquisition	**-**	**-**	**-**	**-**	**5 935 982**	**3 258 486**	**-**	**9 194 468**
Exchange differences	(327 693)	-	-	(218 804)	(654 954)	208 642	(19 232)	(1 012 041)
Impairment	-	-	-	-	-	-	-	-
Other adjustments	-	-	-	-	-	-	-	-
31.12.2020	**2 175 893**	**-**	**3 341 266**	**3 074 954**	**5 281 028**	**3 467 128**	**249 065**	**17 589 334**

2019:

During 2019 the Group has acquired several subsidiaries that hold investments in operating entities in Europe, Central Asia and Latin America. As the result of acquisitions, the Group establish its presence in these markets. Goodwill recognised mostly contributes to the intangible assets, such as customer base, that do not qualify for separate recognition. None of the goodwill recognised is expected to be deductible for income tax purposes.

The fair value of non-controlling interest was estimated by the fair value of the net assets acquired and liabilities assumed and proportion of non-controlling shareholdings in companies acquired.

Sun Finance Latin America AS (Proximus Finance S. de R.L. de C.V.)

The Group established subsidiary Sun Finance Latin America, AS on 17 June 2019. Core business of the subsidiary is holding company's function. On 31 October 2019 the Group through Sun Finance Latin America AS has acquired 98% of shares of subsidiary Proximus Finance S. de R.L. de C.V. from related party. Core business of Proximus Finance S. de R.L. de C.V. is operating company's function of CGU (Cash generating unit) in Mexico and its main identifiable assets are loans to customers.

Sun Finance Central Asia AS

The Group acquired 100% of shares of subsidiary Sun Finance Central Asia, AS from related party on 9 April 2019. Core business of the subsidiary are holding of investments in CGU in Kazakhstan with main identifiable assets - loans to customers.

Sun Finance Europe AS

The Group acquired 100% of shares of subsidiary Sun Finance Europe, AS from related party on 9 April 2019. Core business of the subsidiary is holding an investment in capital of CGU in Latvia with main identifiable assets - loans to customers.

Panamerican Limited

The Group acquired 93.85% of shares of subsidiary Panamerican Ltd from related party on 13 December 2019. Core business of the subsidiary is holding an investment in capital of CGU in Poland with main identifiable assets - loans to customers. The purpose for the acquisition was to enable the Group to increase its market share in countries in which it already had a presence.

Sun Finance Treasury Limited

The Group acquired 100% (through Sun Finance Europe, AS 50% and Sun Finance Scandinavia, AS 50% respectively) of shares of subsidiary Sun Finance Treasury from related party on 21 May 2019. Core business of the subsidiary is treasury company's function and holding investment in capital of part of CGU in Poland. Main identifiable assets of Sun Finance Treasury and its subsidiary - loans to Group entities and loans to customers.

Sun Finance Scandinavia AS

The Group acquired 100% of shares of subsidiary Sun Finance Scandinavia, AS (formerly named B4 Capital) from related party on 9 April 2019. Core business of the subsidiary is holding an investment in capital of CGU in Denmark with main identifiable assets - loans to customers. Total cost of acquisition amounted to EUR 35,000. Sun Finance Scandinavia, AS acquisition resulted in the recognition of negative goodwill or bargain purchase of EUR 998,020 in 2019. This negative goodwill has been included in „Other operating income" in the Statement of comprehensive income.

2020:

SF Treasury SG

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

Luma Finans

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

Goodwill impairment test

2019:

Sun Finance Central Asia AS

The carrying value of goodwill has been reduced to its recoverable amount, estimated to EUR 0, through recognition of an impairment loss against goodwill. The main reason for the impairment of goodwill is the restructuring of the Group entities in Kazakhstan resulting in decrease of discounted cash flows for this particular CGU. Goodwill's impairment loss of EUR 1,394,341 has been included in „Other operating expense" in the Statement of comprehensive income.

2020:

As at 31 December 2020, goodwill was tested for impairment. The goodwill impairment test was performed for each cash generating unit separately. The recoverable amounts for each unit were calculated based on their value in use, determined by discounting the future cash flows expected to be generated from the continuing activities of the units. Future cash flows discounted by estimated weighted average costs of capital („WACC"). The value-in-use calculations are most sensitive to projected operating cash-flow, terminal growth rates used to extrapolate cash flows beyond the budget period, and discount rates.

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

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

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

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

(17) Other loans and receivables

	31.12.2020 EUR	31.12.2019 EUR
Loans to other companies	2 813 068	9 017 809
Loans to individuals	89 358	48 404
Total	**2 902 426**	**9 066 213**

Non-current	31.12.2020 EUR	31.12.2019 EUR
Loans to other companies	163 348	5 714 081
Loans to individuals	40 711	36 990
Total	**204 059**	**5 751 071**

Current	31.12.2020 EUR	31.12.2019 EUR
Loans to other companies	2 649 720	3 303 728
Loans to individuals	48 647	11 414
Total	**2 698 367**	**3 315 142**

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

	Currency	Maturity	Interest rate per annum	Principal amount 31.12.2020 EUR	Accrued interest 31.12.2020 EUR	Principal amount 31.12.2019 EUR	Accrued interest 31.12.2019 EUR
Other Company	EUR	Sep 2021	14.3%	-	-	461 000	22 534
Related party	EUR	Oct 2021	14.5%	-	-	4 522 000	222 015
Related party	EUR	Feb 2021	12%	8 000	2 072	8 000	1 512
Other Company	EUR	Feb 2022	14.3%	-	4 287	253 092	93 173
Other company	EUR	Nov 2021	12.5%/4%	2 047 147	727 816	2 804 898	629 585
Individuals	EUR	Feb 2021 / Jan 2025	7%/2%	79 094	10 264	46 983	1 421
Related party	EUR	Dec 2020	5%	-	440	-	-
Other Company	EUR	Feb 2022	7%	21 596	1 710	-	-
Total				**2 155 837**	**746 589**	**8 095 973**	**970 240**

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

(18) Other non-current financial assets

	31.12.2020 EUR	31.12.2019 EUR
Investments in equity instruments	29 091	1 233 041
Other financial assets	-	29 723
Total	**29 091**	**1 262 764**

Notes to the Consolidated Financial Statements

(19) Loans and receivables from customers

Credit quality of loan portfolio:

	Gross receivables 31.12.2020 EUR	Allowance for doubtful debts 31.12.2020 EUR	Net receivables 31.12.2020 EUR	Gross receivables 31.12.2019 EUR	Allowance for doubtful debts 31.12.2019 EUR	Net receivables 31.12.2019 EUR
No days past due	64 365 802	5 469 352	58 896 450	46 503 379	4 468 201	42 035 178
1-30 days past due	13 287 612	4 918 477	8 369 135	11 936 762	4 546 560	7 390 202
31-60 days past due	6 286 980	3 670 986	2 615 994	5 485 245	3 125 785	2 359 460
61-90 days past due	3 527 777	2 227 637	1 300 140	3 955 730	2 553 243	1 402 487
91+ days past due	12 618 745	7 978 541	4 640 204	9 713 127	6 404 469	3 308 658
Total	**100 086 916**	**24 264 993**	**75 821 923**	**77 594 243**	**21 098 258**	**56 495 985**

Allowance for doubtful debts

	31.12.2020 EUR	31.12.2019 EUR
Balance at the beginning of the period	**21 098 258**	-
Acquisitions through business combinations	590 030	11 537 795
Charge for the period	43 699 744	37 811 814
Derecognized on disposal of portfolio	(41 244 938)	(28 543 877)
Currency effect	121 899	292 526
Balance at period end	**24 264 993**	**21 098 258**

Net losses arising from derecognition of financial instruments through debt sales transaction is EUR 39 084 156 (in 2019: EUR 23 061 436).

Notes to the Consolidated Financial Statements

(20) Other receivables

	31.12.2020 EUR	31.12.2019 EUR
Receivables for provided management services	**894 248**	**5 726 202**
Receivables for sold financial assets	3 071 702	4 996 130
Overpaid VAT	138 883	175 849
Receivables for attracted funding through P2P platform (see Note 23 Loans and borrowings)	2 001 921	1 177 337
Advances to employees	45 745	66 080
Security deposits	206 879	74 139
Trade receivables	1 148 320	-
Cash in transit	1 064 510	783 968
Other debtors	2 562 769	451 897
Total	**11 134 977**	**13 451 602**

(21) Cash and cash equivalents

	31.12.2020 EUR	31.12.2019 EUR
Cash and cash equivalents	8 713 085	3 173 544
Total	**8 713 085**	**3 173 544**

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

(22) Share capital

The Company is incorporated on 8 April 2019. Share capital of the Company as at 31 December 2020 is 340 000 EUR and it is divided into 3 109 090 ordinary shares, and 290 910 personal shares with nominal value of EUR 0.1 each. In 2020 the Company's Class A and personal shares has been denominated from EUR 1 to EUR 0.1 per share. Class A shares issued are fully paid. In 2020 during the subscriptions to new shares EUR 27 040 of share premium paid.

The holders of ordinary class A shares are entitled to receive dividends as declared from time-to-time and are entitled to one vote per share at annual and general meetings of the Group. The holders of non-voting preferred personnel shares are only entitled to receive dividends as declared from time-to-time. Personnel shares are not transferable and shall be returned to the Company once the employment contract is terminated. See also Note 31 Share-based payment.

	Share capital EUR	Number of Class A Shares	Personnel shares	Total number of Shares
Opening balance as at 31 December 2019	320 000	290 909	29 091	320 000
Denomination		2 618 181	261 819	2 880 000
Subscriptions	20 000	200 000	-	200 000
Redemptions	-	-	-	-
Closing balance as at 31 December 2020	**340 000**	**3 109 090**	**290 910**	**3 400 000**

(23) Loans and borrowings

Non-current	31.12.2020 EUR	31.12.2019 EUR
Subordinated loans	20 243 802	20 193 319
Bonds	4 039 000	6 548 528
Lease liabilities (see Note 28 Leases)	1 416 416	1 556 688
Loan non-related parties	7 126 512	-
Loan from related parties	3 615 996	-
Total	**36 441 726**	**28 298 535**

Notes to the Consolidated Financial Statements

Current	31.12.2020 EUR	31.12.2019 EUR
Bonds	8 883 909	-
Financing received from P2P investors	39 660 862	39 648 688
Lease liabilities (see Note 28 Leases)	219 625	305 019
Loan from non-related parties	2 412 987	3 196 992
Loan from related parties	-	1 096 472
	51 177 383	**44 247 171**
Total	**87 619 109**	**72 545 706**

Detailed information regarding Loans and borrowings can be seen below:

	Currency	Maturity	Interest rate per annum	Principal amount 31.12.2020 EUR	Accrued interest 31.12.2020 EUR	Principal amount 31.12.2019 EUR	Accrued interest 31.12.2019 EUR
Bonds	EUR	Aug 2021 & Sep 2022	11%	12 922 909	-	6 548 528	-
Subordinated loans	EUR	Jul 2022	14% / 3%	20 193 319	50 483	19 960 447	232 872
Financing received from P2P investors	EUR, PLN, KZT	2021	12% - 15%	39 316 179	344 682	39 368 355	280 334
Loans from related parties	EUR	Jul 2022 & Apr 2023	16% - 17%	3 612 458	3 538	1 080 275	16 196
Loan from non-related parties	EUR, SEK, KZT	Jun 2021- Dec 2025	7% - 18%	9 327 194	212 305	3 037 712	159 280
Lease (refer to Note 28)				1 636 042	-	1 861 707	-
Total				**87 008 101**	**611 008**	**71 857 024**	**688 682**

Notes to the Consolidated Financial Statements

Bonds

On 22 August 2019, Sun Finance Treasury successfully issued a 2-year private placement bond (LV0000802395), registered on the NASDAQ CSD for EUR 10 million at par with coupon of 11% per annum paid quarterly. The bond will mature in August 2021. In 2019 and 2020 the Group has partly repurchased the bonds and nominal value of the bonds held by the Group at 31 December 2020 is EUR 782 000 (31 December 2019 was EUR 3 110 000). This repurchased part has been accounted for de-recognition of financial liabilities and as at 31 December 2019 only bonds held by other parties recognized as liabilities. Also interest expenses and income from coupons are disclosed in net amount. See Note 36 for further information about commitments and other additional information.

On 16 October 2020, Sun Finance Treasury successfully issued its second 2-year private placement bond (LV0000802445) registered on the NASDAQ CSD for EUR 15 million with a coupon of 11% per annum, paid quarterly. The bond will mature in September 2022. As at 31 December 2020, a total of EUR 4,04 million was subscribed out of the total private placement of the EUR 15 million Notes. Interest expenses and income from coupons are disclosed on net basis. Please see Note 36 for further information about commitments and other additional information

Subordinated loans

Subordinated loans comprise of loan received from unrelated party. The Group has entered into Subordinated loan agreement in July 2019 with 3-year maturity. The subordinated loans are unsecured and were acquired as one of the conditions to obtain financing from bonds registered on NASDAQ CSD as described above. The loans are denominated in EUR with an interest rate of 3% (in 2019 interest rate was 14%) and are subordinated to all other liabilities of Sun Finance Group under Sun Finance Treasury issued bonds. The interest rates chargeable to the Company are to revert to 2019-year contracted rates during 2021. No discounting was considered necessary in view that there was no substantial modification to the terms and agreements.

Loans from related parties

Loans from related parties comprise loans received from entities and individuals which are under control or joint control of the shareholders of the Group, but not part of the Group. Received loans from related parties are unsecured with average interest rate of 14% and maturity in July 2022, April and November of 2023.

Loans from non-related parties

Loans from non-related parties comprise loans received from mostly from minority shareholders of subsidiaries and other non-related persons. Received loans are unsecured with interest rates 7-18%.

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

As disclosed in Note 3 Significant accounting policies (xii) Transactions with peer-to-peer platforms the Group certain subsidiaries as loan originators are attracting funding from investors through P2P platform. The Group assigs certain debt instruments (issued loans) to investors. All assignments are with recourse rights (buy back guarantee) and these assets do not qualify for the de-recognition. Please see Note 36 in respect of assets pledge given to P2P platform operator.

Funds are transferred to/from Group's bank accounts once per week. Receivable is arising from assignments made through P2P platform where the related investment is not yet transferred to the Group as at 31 December 2020 amounted to EUR 2 001 921 (as at 31 December 2019 was EUR 1 177 337). Payables for attracted funding's through P2P platform represents the returns of funds and as at December 2020 amounted to EUR 198 783 (as at 31 December 2019 was EUR 6 068 759).

Notes to the Consolidated Financial Statements

(24) Prepayments and payments received from clients

	31.12.2020 EUR	31.12.2019 EUR
Faulty payments received	45 327	35 949
Overpayment received from clients	467 014	279 309
Total	**512 341**	**315 258**

(25) Trade and other payables

	31.12.2020 EUR	31.12.2019 EUR
Deferred income*	2 357 017	1 502 934
Salaries payable	300 603	310 542
Unpaid dividends	604 310	62 532
Trade and other payables	2 041 082	4 331 774
Payables for attracted funding through P2P platform (see Note 23 Loans and borrowings)	198 789	6 068 759
Other liabilities	61 263	65 321
Total	**5 563 064**	**12 341 862**

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

Notes to the Consolidated Financial Statements

(26) Taxes payable

	31.12.2020 EUR	31.12.2019 EUR
Social security contributions	166 974	203 616
Personal income tax	165 031	153 836
Value added tax	359 573	1 596 100
Other taxes	38 125	2 967
Total	**729 703**	**1 956 519**

(27) Accrued liabilities

	31.12.2020 EUR	31.12.2019 EUR
Accruals for vacation	452 414	426 235
Other accrued liabilities	915 901	331 184
Total	**1 368 315**	**757 419**

(28) Leases

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

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

(29) Related party transactions

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

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

Notes to the Consolidated Financial Statements

	Shareholder controlled companies 31.12.2020 EUR	Other related parties 31.12.2020 EUR	Shareholder controlled companies 31.12.2019 EUR	Other related parties 31.12.2019 EUR
Receivables from related parties:				
Other loans and receivables	440	10 072	-	4 735 526
Trade and other receivables	13 786	-	-	-
Borrowings and payable to related parties:				
Loan and borrowings	-	3 615 996	-	1 096 471
Trade and other payables	47 569	6 525	51 982	-

The income and expense items with related parties for 2020 and 2019 were as follows:

	Shareholder controlled companies 31.12.2020 EUR	Other related parties 31.12.2020 EUR	Shareholder controlled companies 31.12.2019 EUR	Other related parties 31.12.2019 EUR
Interest income from related parties:				
Other income	139 440	55 672	292 293	-
Interest expenses from related parties:				
Interest expenses	-	399 195	94 248	66 247
Other expenses:				
Service expense	751 535	89 807	379 140	-
Other transaction with related party:	34 407	1 800 000*	2 602 305	

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

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 2019	Level 1 EUR	Level 2 EUR	Level 3 EUR	Total fair values EUR	Total carrying amount EUR
Financial assets					
Cash and cash equivalents	-	-	-	3 173 544	3 173 544
Loans and advances due from customers	-	-	56 495 985	56 495 985	56 495 985
Other financial assets	-	-	23 319 610	23 319 610	23 319 610
Total financial assets	**-**	**-**	**79 815 595**	**82 989 139**	**82 989 139**
Financial liabilities					
Loans and borrowings	-	-	72 545 706	72 545 706	72 545 706
Accounts payable to suppliers	-	-	10 838 782	10 838 782	10 838 782
Other liabilities	-	-	315 258	315 258	315 258
Total financial liabilities			**83 699 746**	**83 699 746**	**83 699 746**

Notes to the Consolidated Financial Statements

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

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

Financial instruments not measured at fair value (Level 3)

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

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

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

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

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

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

No transfers between fair value levels incurred during the year.

(31) Share based payments

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

Equity-settled transactions

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

No expense is recognized for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. Where awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied. Management has considered the financial position of the Subsidiaries and the Group that have issued share options, the particular features mentioned in the option agreements, such as buy-back options, non-competition clauses embedded in the agreements, restrictions of sales of shares, as well as dividend policy of the Parent Company and effectively indicate that at 31 December 2020 fair value of the employee options would be amounted to 1 210 000 EUR (31.12.2019 – EUR 730 000). Fair value is measured using discounted cash flow and market multiple approach. Share option fair value at grant date estimated at 17,03 EUR per share.

82 805 share options have been granted up to 31 December 2020 (2019: 9 249), the significant increase is due to denomination of the Group parent company share nominal value from EUR 1 to EUR 0,1. The exercise price for the option is 0 EUR and the weighted average remaining contracted life for the share options outstanding as at 31 December 2020 is 1.5 years. There have been no forfeited, exercised or expired share options during the year.

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(32) Maturity analysis

The following table shows discounted financial assets and liabilities by remaining contractual maturity dates as at 31 December 2019.

Assets EUR	On demand/ less than 1 month	From 1 to 3 month	From 3 to 6 month	From 6 month to 1 year	More than 1 year	Overdue	TOTAL
Cash and cash equivalents	3 173 544	-	-	-	-	-	**3 173 544**
Loans and advances to customers	42 035 179	-	-	-	-	14 460 806	**56 495 985**
Other loans and receivables	-	-	-	3 315 141	5 751 072	-	**9 066 213**
Other receivables	13 451 602	-	-	-	-	-	**13 451 602**
Total financial assets	**58 660 325**	**-**	**-**	**3 315 141**	**5 751 072**	**14 460 806**	**82 187 344**

Liabilities EUR	Demand less than 1 month	From 1 to 3 month	From 3 to 6 month	From 6 month to 1 year	More than 1 year	Overdue	TOTAL
Loans and borrowings	39 661 661	328 255	76 255	1 246 999	31 232 536	-	**72 545 706**
Accounts payable to suppliers	10 838 782	-	-	-	-	-	**10 838 782**
Corporate income tax payable	5 385 978	-	-	-	-	-	**5 385 978**
Taxes payable	1 956 519	-	-	-	-	-	**1 956 519**
Total financial liabilities	**57 842 940**	**328 255**	**76 255**	**1 246 999**	**31 232 536**	**-**	**90 726 985**
Net position	**817 385**	**(328 255)**	**(76 255)**	**2 068 142**	**(25 481 464)**	**14 460 806**	**(8 539 641)**
Net cumulative position	**817 385**	**489 130**	**412 875**	**2 481 017**	**(23 000 447)**	**(8 539 641)**	**-**

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

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

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

(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 2019 was as follows:

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Non-derivative liabilities	Carrying amount	Total nominal inflow/ (outflow)	On demand/ less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 month to 12 months	More than 1 year
Loans and borrowings	72 545 706	77 338 062	40 200 182	627 700	683 713	1 040 990	34 785 476
Accounts payable to suppliers	10 838 782	10 838 782	10 838 782	-	-	-	-
Total	**83 384 489**	**88 176 844**	**51 038 964**	**627 700**	**683 713**	**1 040 990**	**34 785 476**
Credit related commitments	-	-	-	-	-	-	-

The analysis as at 31 December 2020 was as follows:

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

(34) Currency analysis

The following table shows the currency structure of financial assets and liabilities at 31 December 2019:

Assets EUR	EUR	PLN	DKK	KZT	MXN	Other	TOTAL
Cash and cash equivalents	791 483	3 721	501 606	1 225 239	644 471	7 024	3 173 544
Loans and advances to customers	10 510 929	21 697 476	8 107 471	13 853 366	2 326 743	-	56 495 985
Other financial assets	**14 745 850**	**4 926 461**	**956 486**	**2 676 916**	**13 667**	**230**	**23 319 610**
Total financial assets	**26 048 262**	**26 627 658**	**9 565 563**	**17 755 521**	**2 984 881**	**7 254**	**82 989 139**

Notes to the Consolidated Financial Statements

Liabilities EUR	EUR	PLN	DKK	KZT	MXN	Other	TOTAL
Loans and borrowings	68 630 333	3 059 579	260 614	-	93 012	502 168	**72 545 706**
Accounts payable to suppliers	6 298 812	3 764 698	200 175	448 282	122 916	3 899	**10 838 782**
Other financial liabilities	13 089	-	188 154	114 015	-	-	**315 258**
Total financial liabilities	**74 942 234**	**6 824 277**	**648 943**	**562 297**	**215 928**	**506 067**	**83 699 746**
Total financial assets	**(48 893 972)**	**19 803 381**	**8 916 620**	**17 193 224**	**2 768 953**	**(498 813)**	**(710 607)**

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

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

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

Notes to the Consolidated Financial Statements

(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.

	31.12.2020 EUR	31.12.2019 EUR
Cash and cash equivalents	8 713 085	3 173 544
Loans and advances to customers	75 821 923	56 495 985
Other loans and receivables	2 902 426	9 066 213
Other receivables	11 134 977	13 451 602
Total	**98 572 411**	**82 187 344**

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

(36) Commitments and contingencies

Cooperation agreement with P2P platforms
Cooperation agreements with P2P platforms require to maintain positive amount of equity (including subordinated loans) at all times in. Management of the Group monitors and increases the share capital if needed to satisfy this requirement.
The Group is subject to additional financial covenants relating to its attracted funding through P2P platform. Group is regularly monitoring respective indicators and ensures that covenants are satisfied. The Group as a whole is in compliance with these covenants at 31 December 2020.

In case of Group's operation in Latvia, SIA Mintos Finance as a loan originator grants a loan, or a series of small loans, to SIA Extra Credit. The loans from SIA Mintos Finance are secured by commercial pledge agreement entered into between SIA Mintos Finance and SIA Extra Credit, whereby SIA Extra Credit has pledged all of its assets (including its receivables) to SIA Mintos Finance to maximum amount of EUR 8 000 000 (from April 1, 2021 – EUR 12 000 000) as a security for SIA Mintos Finance potential claim rights against SIA Extra Credit.

Sun Finance Treasury Notes

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

Notes issued in 2019

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

Notes issued in 2020

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

There are no other limitations regarding additional and permitted debt and securities.
The Group is in compliance with all covenants at 31 December 2020.

Regulatory environment and contingencies

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

Tax contingencies

The Group is operating in the numerous markets with different taxation requirements in respect of the corporate income tax, withholding taxes, value added tax, personnel taxation and etc. The Group also has a significant volume of the intergroup transactions subject to transfer pricing regulations. The Group is in the process of the preparation of the transfer pricing documentation and estimates that the taxation authority will accept an uncertain 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 2020 and 31 December 2019 the Group consisted of the following entities:

Notes to the Consolidated Financial Statements

Name of entity	Registered office	Ownership 31.12.2020	Ownership 31.12.2019	Acquisition/ establishment date
Sun Finance Europe AS	Skanstes 52 Riga LV-1013 Latvia	100%	100%	09.04.2019
Sun Finance Central Asia AS	Skanstes 52 Riga LV-1013 Latvia	100%	100%	09.04.2019
Sun Finance Latin America AS *	Skanstes 52 Riga LV-1013 Latvia	100%	100%	17.06.2019
Sun Finance Scandinavia AS	Skanstes 52 Riga LV-1013 Latvia	95%	95%	09.04.2019
Sun Finance Asia AS *	Skanstes 52 Riga LV-1013 Latvia	100%	100%	15.10.2019
Sun Finance Treasury Limited	Suite 20 The Penthouse 4th Floor Ewropa Business Centre Dun Karm Street Birkirkara BKR9034 Malta	100%	100%	21.05.2019
SF Capital KG SIA	Skanstes 52 Riga LV-1013 Latvia	100%	100%	09.04.2019
Extra Credit SIA	Skanstes 52 Riga LV-1013 Latvia	100%	100%	09.04.2019
LTF2018 SIA	Mukusalas 41 Riga LV-1004 Latvia	100%	100%	21.05.2019
Capitolia ApS	Nørregade 6 1165 København K Denmark	100%	100%	09.04.2019
Capvia LLP	Republic of Kazakhstan Almaty 050051 Medeu district Dostyk avenue 210 Business Center „Koktem Grand“ 12th floor	90%	90%	09.04.2019
Fincap LLP	Suite 18 12 floor 5B block Nurly-Tau business-center 17/1 Al-Farabi ave. 050059 Almaty Kazakhstan	90%	90%	09.04.2019
Creditum LLP	Republic of Kazakhstan Almaty 050004 Almalinsky district Seifullina Avenue house No. 410/78	98%	98%	03.12.2019
Sofi Finance LLP *	Republic of Kazakhstan Almaty 050051 Medeu district Dostyk avenue 210 Business Center „Koktem Grand“ 12th floor	98%	98%	12.12.2019
Proximus Finance S. de R.L. de C.V.	Shakespeare 30 floor 3 Col. Nueva Anzures Miguel Hidalgo Cd. de México C.P 11590 Mexico City	98%	98%	31.10.2019

Notes to the Consolidated Financial Statements

Name of entity	Registered office	Ownership 31.12.2020	Ownership 31.12.2019	Acquisition/ establishment date
Ducatos Sp.z.o.o.	ul. Postępu 18b 02-676 Warszawa, Poland	100%	100%	13.12.2019
Primastar Sp.z.o.o.	ul. Domaniewska 47/10 02- 672 Warszawa, Poland	100%	100%	21.05.2019
Panamerican Limited	Suite 20 The Penthouse 4th Floor Ewropa Business Centre Dun Karm Street Birkirkara BKR9034 Malta	93.85%	93.85%	13.12.2019
Fincap MChJ *	IRRIGATOR MAVZESI 3-UY Mirzo-Ulugbek district Tashkent Uzbekistan	100%	100%	16.04.2019
Somo Pawshop ALC *	Kyrgyz Republic Bishkek Toktogul Street 257 Frunze + Shopping Center boutique 9	100%	100%	09.04.2019
Fincap LLC *	Kyrgyz Republic Bishkek 19 Razzakova str. BC Russia 13th floor office 1302	100%	100%	22.04.2019
Dali Dali AS	Skanstes street 52, Riga, LV-1013, Latvia	100%	-	13.05.2020
Luma Finans AB	Hammarby Street 93, Stockholm, 120 63, Sweden	100%	-	23.01.2020
MFO Salem Credit TOO *	Republic of Kazakhstan, Almaty, 050051, Medeu district, Dostyk avenue 210, Business Center „Koktem Grand“, 12th floor	98%	-	13.05.2020
SFDM, S.A. DE C.V.*	Shakespeare 30 floor 3 Col. Nueva Anzures Miguel Hidalgo Cd. de México C.P 11590 Mexico City	98%	-	08.06.2020
SOFI SOLUTIONS LTD.CO.	397 Dien Bien Phu Street, Ward 4, District 3, Ho Chi Minh City, Vietnam	100%	-	22.02.2020
DIGITAL CREDIT TRADING SERVICE COMPANY LIMITED	162 Nguyen Tri Thanh Street, Ward 2, District 10, Ho Chi Minh City, Vietnam	0%**	-	22.02.2020
SF CAPITAL SG PTE. LTD.*	111 NORTH BRIDGE ROAD #08-18; PENINSULA PLAZA SINGAPORE (179098)	100%	-	15.05.2020
SF TREASURY SG PTE.LTD.	111 NORTH BRIDGE ROAD #08-18; PENINSULA PLAZA SINGAPORE (179098)	100%	-	22.02.2020
Sofi Lending Inc.	Unit 1405, East Tower, Philippine Stock Exchange Centre, Exchange Road, Ortigas Center, Pasig City, Metro Manila, Philippines	99.999955%	-	22.02.2020

Notes to the Consolidated Financial Statements

Name of entity	Registered office	Ownership 31.12.2020	Ownership 31.12.2019	Acquisition/ establishment date
Sofi Finance LLC *	Kyrgyz Republic, Bishkek, 19 Razzakova str., BC Russia, 13th floor	100%	-	06.08.2020
PT SOFI CAPITAL INDONESIA	Multivision Tower 25th Floor, Jl. Kuningan Mulia Lot 9B, Jakarta 12980 Indonesia	85%	-	22.02.2020
Lumify AS*	c/o Advokatfirmaet Schjødt AS; Ruseløkkveien 14, 0251 OSLO, Norway	100%	-	27.05.2020
SF Group Private Limited	No 47, Alexandra place, Colombo, 00700, Sri Lanka	100%	-	22.02.2020
SF Lithuania UAB*	Upės g. 23, LT-08128 Vilnius, Lithuania	100%	-	30.11.2020

* These entities have been established by the Group.

** This entity is controlled by the Group through the agreement with nominee shareholder

(38) Subsequent events

Financing

On 27 April 2021, the Group registered EUR 30,000,000 Subordinated Notes at a coupon interest rate of 12% per annum with maturity February 2023.

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INDEPENDENT AUDITORS' REPORT
ON THE REDESIGNED FINANCIAL STATEMENTS

to the Shareholders of Sun Finance Group AS

Our Opinion

The redesigned consolidated financial statements of Sun Finance Group AS (the Group) set out on pages 10 to 72 of the accompanying annual report, which comprise:

- the consolidated statement of financial position as at 31 December 2020,
- the consolidated statement of 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,

are derived from the audited financial statements of the Group for the year ended 31 December 2020.

In our opinion, the accompanying redesigned consolidated financial statements are fully consistent with the audited financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS).

Redesigned Consolidated Financial Statements

The redesigned consolidated financial statements have been prepared by the management of the Group to increase the quality of the general presentation of information and includes images and other supportive information. The information from audited financial statements has not been modified and presented in full in the redesigned consolidated financial statements. The redesigned consolidated financial statements do not reflect of events that occurred subsequent to the date of our report on the audited financial statements.

The Audited Financial Statements and Our Report Thereon

We have expressed an **unmodified audit opinion** on the audited financial statements in our report dated 5 May, 2021.

Responsibilities of Management

Management is responsible for the preparation of the redesigned financial statements to be fully consistent with the audited financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS).

Auditor's Responsibilities

Our responsibility is to express an opinion on the whether the redesigned consolidated financial statements are fully consistent with the audited financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS).

Baker Tilly Baltics AS
Licence No. 80

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

Riga, 26 July 2021

THIS DOCUMENT HAS BEEN SIGNED WITH A SECURE ELECTRONIC SIGNATURE AND IT HAS A TIME-STAMP

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

AS SUN FINANCE GROUP

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