Sun Finance

AS
Sun Finance Group

Consolidated financial statements

as at and for the year ended
31 December 2022

Address: Skanstes Street 52, Riga, LV-1013

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INFORMATION ON THE COMPANY

Name of the Company	Sun Finance Group
Legal status	Joint Stock Company
Number, place and date of registration	40203205428, Riga, 8 April 2019
Legal and postal address	Skanstes Street 52, Riga, Latvia, LV-1013
Board members and their positions	Emīls Latkovskis, Chairman of the Board
Reporting period	01.01.2022 – 31.12.2022
Information on shareholders	AS Puzzle International: 85.61% Other shareholders: 14.39%
Auditors	AS Baker Tilly Baltics Kronvalda Bulvaris 10-32 Riga, Latvia LV-1010

FY'2022 HIGHLIGHTS

8

OPERATING COUNTRIES

>12m

REGISTERED USERS

>€1.9bn

LOANS ISSUED SINCE INCEPTION

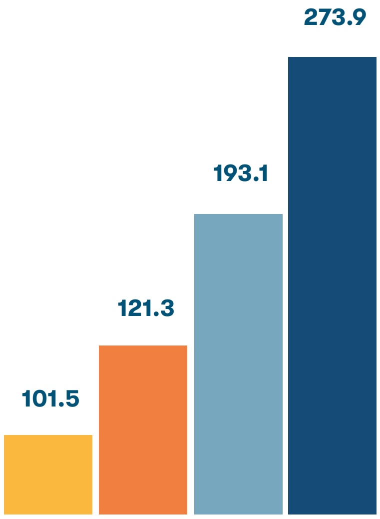
€70m

BONDS LISTED ON FIRST NORTH

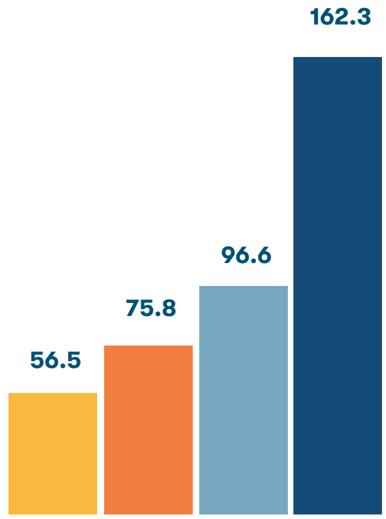
1 160

GROUP'S EMPLOYEES

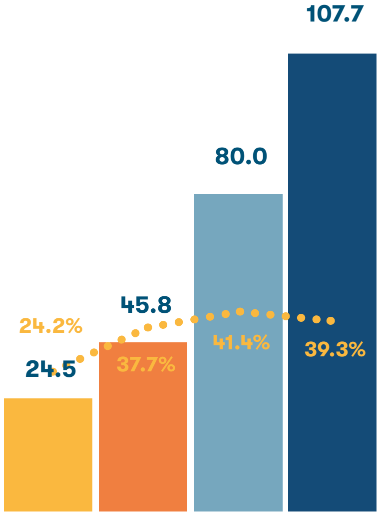
INTEREST INCOME (€M)



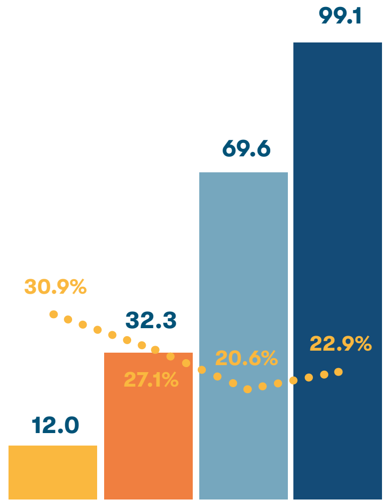
NET PORTFOLIO (€M)



EBITDA (€M)
(EBITDA MARGIN %)



OPERATING PROFIT (€M)
(COST/INCOME %)



2019 2020 2021 2022

One of the fastest growing Fintech in Europe

For the third successive year, Sun Finance Group has been recognized by The Financial Times as one of the Fastest Growing European Companies.

In 2021, the Group was ranked the fastest growing fintech company in Europe, while in 2022 – the 3rd. The list, published in March 2023, not only ranked the Group as the 25th fastest growing fintech company in Europe but also positioned the Group to be the 1st Baltic fintech company included in the ranking for three consecutive years.

The latest achievements demonstrate that despite the enduring economic and political disruptions, the Group has thrived and expanded its outreach due to its resilience and operational efficiency.

FT FINANCIAL TIMES statista
TOP 1 FINTECH IN EUROPE 2021

FT FINANCIAL TIMES statista
TOP 3 FINTECH IN EUROPE 2022

Start-up of the year and Personal finance tech of the year

In 2022, during the European Fintech award ceremony Sun Finance Group was awarded in two categories - Start-up of the Year and Personal Finance Tech of the Year.

World Economic Forum's New Champions

Sun Finance Group is the 1st Latvian company invited to join the World Economic Forum's New Champions community, which unites high-growth companies with agile business models, emerging technologies, and sustainable growth strategies.

The WWF Green Office program

The HQ office is a participant of the WWF Green Office program, which aims to reduce greenhouse gas emissions and the ecological footprint of the workplace.

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

The company encourages employees to support their local communities with various projects of their own initiative by giving an additional day off and providing financial support towards the project of their choosing.

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 8 countries globally – Poland, Latvia, Kazakhstan, Denmark, Mexico, Sweden, Vietnam and Philippines.

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 2022 was EUR 340 thousand divided into 3 177 018 ordinary shares, 51 000 non-voting shares and 171 982 personal shares with nominal value of EUR 0.1 each.

Sustained continuous profitable growth throughout 2022

During 2022, the Group continued to deliver continuous growth across all key financial metrics, notwithstanding the challenging economic conditions observed globally. In 2022, loans issued amount reached EUR 703.7 million, an increase of 54% compared to EUR 456.9 million issued in 2021. Interest income grew by 42% compared to the previous year, hitting EUR 273.9 million. Combined with a tight cost management, it allowed the Group to achieve a record net profit of EUR 65.5 million in 2022.

Starting from the very beginning of the year, the Group consistently delivered a sizable increase in the net loan portfolio on a quarterly basis, driven by the growing loan issuance volumes as well as the scaling of line of credit and instalment loan products.

In March, Sun Finance Group for the second time was recognised among the fastest growing European companies by the Financial Times. In the 2022 ranking, the Group landed a spot as the 3rd fastest growing financial technology company. This recognition proved that the strategy chosen by the Group delivers continuous outstanding growth rates and stands out on a more global scale.

Also, in March, the Group finalised the listing process of its EUR 20 million 3-year corporate bond on the Nasdaq First North market, thus providing investors access to increased liquidity. In Q3'22, the Group registered its largest bond issue to date – EUR 50 million, with an annual coupon rate of 11% + 3M EURIBOR and maturity in September 2025.

During 2022, the Group expanded its presence in the Southeast Asia region by launching lending operations in the Philippines. The market has seen a rapid digitalization of the financial services industry in recent years, thus attracting the emergence of various financial technology companies. With a population of more than 113 million, the Philippines has become the Group's second largest market population-wise.

In line with the overall business growth during the reporting period, the Group's financial metrics have significantly improved since last year. The net loan portfolio reached EUR 162.3 million at the end of 2022, recording an increase of 68% compared to EUR 96.6 million in 2021. Interest income has grown by 42%, reaching EUR 273.9 million, from EUR 193.1 million in 2021. The Group recorded a net profit of EUR 65.5 million in 2022, exceeding the 2021 result of EUR 51.0 million by 28%.

During the period, the Group demonstrated an upward trend in terms of most key business metrics, including the total number of employees, reaching 1 160 at the end of the year, driven by the overall growth of the Group's operational activity. The Group continues operating in a regional hub structure, streamlining its operations and maintaining a lean organizational structure as well as providing a more flexible structure in terms of opening and operating in new countries.

Financing

In August 2022, the Group successfully registered a 3-year corporate bond private placement in Nasdaq CSD, for EUR 50 million with an annual interest rate of 11.0% + 3M EURIBOR. The bond maturity is September 2025. The bond issue was in part used to refinance the Group's EUR 15 million corporate bond, maturing in September 2022. The majority of the investors rolled over their investment in the new bond issue, demonstrating trust in the Group's chosen strategy.

Additionally, the Group continued to work on previously initiated funding diversification projects, including cooperation with the largest European peer-to-peer lending marketplace Mintos (www.mintos.com). Throughout 2022 loans from 3 out of Group's 8 markets were listed on the marketplace – Poland, Latvia, Kazakhstan.

Future developments

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

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

- Horizontal growth: geographies. The Group is in the process of reviewing new geographies, preliminary testing, and setting up operations in new countries across different regional HUBs.
- Vertical growth: product offering. Following the strategy to expand our ability to serve customer needs, the Group is continuously working to improve the current product offering as well as developing new products. As part of this process, the Group plans to enhance the product range offered in the current operational markets, as well as continue scaling the Instalment Loan product during 2023.

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

Interest income for the twelve months ended 31 December 2022 amounted to EUR 273 908 thousand, compared to EUR 193 129 thousand in 2021, which represents an increase of 42%. The increase in interest income is related to continuous growth in established markets.

The balance of outstanding net loans at the end of 2021 was EUR 162 332 thousand, a 68% increase compared to EUR 96 571 thousand as of 31 December 2021. This increase is driven by the introduction and scaling of the new longer-term line of credit and instalment loan products, combined with continuously improving credit portfolio dynamics in the more established operational markets.

The Group's net profit for the year ended 31 December 2022 amounted to EUR 65 494 thousand, a 28% increase from EUR 51 035 thousand reported for the twelve months ended 31 December 2021. The record profitability has been achieved as a result of a notable increase in interest income generated in combination with strict operational cost oversight.

Overall, the Group has managed to deliver persistent growth in key performance indicators during the reporting period, amidst the uncertain situation in the global capital markets.

Other information

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

MANAGEMENT REPORT

Credit risk

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

Liquidity risk

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

Market risk

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

Interest rate risk

Interest rate risk is the risk that movements in interest rates will affect the Group's income or the value of its portfolios of financial assets. The Group adopts a policy ensuring that between 70 and 80% of its interest rate risk exposure is at a fixed rate. This is achieved by partly entering into fixed rate debt instruments and partly by borrowing at a fixed rate instruments.

Currency risk

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

Price risk

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

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

Sun Finance Group/ Ownership

AS Sun Finance Group is the holding company of the Sun Finance Group (the "Group"). As of 31 December 2022, the Group has active lending operations in 8 countries. Each country's subsidiary is entitled to take operational decisions regarding its business activities. Countries located in a certain region are combined in "Hubs" coordinated by sub-holding companies controlled by the parent company. Each Hub is entitled to take decisions regarding the activities of the countries included in the Hub as well as general Hub activities.

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

Emils Latkovskis
Chairman of the Board
5 May 2023


14:29
13:29
13:29
17:30
6:29
19:29
THE TOYOTA WAY
BLITZSCALING
WORK RULES!
HOOKED
IRRATIONAL

CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	2022 EUR	2021 EUR
Interest income	6	273 907 906	193 129 401
Interest expense	7	(12 531 639)	(11 390 035)
Net interest income		**261 376 267**	**181 739 366**
Net impairment losses on loans and receivables	8	(52 392 874)	(30 063 559)
Gain / (losses) from derecognition of financial assets measured at amortised cost	19	(59 588 925)	(50 075 579)
Operating costs	9,31	(69 183 026)	(43 872 483)
Other operating income	10	22 097 341	14 535 952
Other operating expense	11	(9 292 134)	(5 195 549)
Net foreign exchange result	12	(2 311 433)	1 644 259
Profit before tax		**90 705 216**	**68 712 407**
Corporate income tax	13	(25 211 130)	(17 677 345)
PROFIT FOR THE PERIOD		**65 494 086**	**51 035 062**
Profit attributable to:			
Equity holders of the Group		63 158 683	49 228 064
Non-controlling interests		2 335 403	1 806 998
Profit for the period		65 494 086	51 035 062
Other comprehensive income / (loss)			
Foreign currency translation differences on foreign operations			
Equity holders of the Group		497 639	495 064
Non-controlling interests		(22 885)	2 173
Total comprehensive income for the period		65 968 840	51 532 299
Total comprehensive income/(loss) attributable to:			
Equity holders of the Group		63 656 321	49 723 128
Non-controlling interests		2 312 519	1 809 171
Total comprehensive income for the period		65 968 840	51 532 299

The accompanying notes on pages 15 to 60 form an integral part of these consolidated financial statements.

Emīls Latkovskis
Chairman of the Board
5 May 2023

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	31.12.2022 EUR	31.12.2021 EUR
NON-CURRENT ASSETS			
Property and equipment, right-of-use assets	15	3 991 087	3 922 753
Intangible assets and goodwill	16	8 370 248	16 817 780
Other loans and receivables	17	231 987	236 929
Non-current financial assets	18	130 078	31 702
Deferred tax asset	14	1 638 835	1 786 622
Total non-current assets		**14 362 235**	**22 795 786**
CURRENT ASSETS			
Loans and advances to customers	19	162 332 273	96 570 541
Prepaid expense		1 413 417	735 528
Other receivables	20	24 328 817	18 326 058
Other loans and receivables	17	12 588	19 840
Cash and cash equivalents	21	8 709 494	7 227 342
Total current assets		**196 796 589**	**122 879 309**
TOTAL ASSETS		**211 158 824**	**145 675 095**
SHAREHOLDER'S EQUITY			
Share capital and Share premium	22	367 040	367 040
Reserves	2,31	1 530 053	1 339 842
Currency translation reserve		678 684	181 045
Retained earnings		62 815 417	28 007 816
Total equity attributable to equity holders of the Company		**65 391 194**	**29 895 743**
Non-controlling interest		642 685	(751 894)
TOTAL EQUITY		**66 033 879**	**29 143 849**
LIABILITIES			
Loans and borrowings	23	78 267 868	58 054 160
Non-current liabilities		**78 267 868**	**58 054 160**
Loans and borrowings	23	44 107 088	35 453 013
Prepayments and other payments received from clients	24	2 423 998	1 133 664
Trade and other payables	25	10 008 709	6 359 322
Corporate income tax payable	13	4 993 938	10 607 217
Taxes payable	26	2 430 051	1 528 442
Accrued liabilities	27	2 728 163	3 228 581
Deferred tax liabilities	14	165 130	166 847
Current liabilities		**66 857 077**	**58 477 086**
TOTAL LIABILITIES		**145 124 945**	**116 531 246**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**211 158 824**	**145 675 095**

The accompanying notes on pages 15 to 60 form an integral part of these consolidated financial statements.

Emīls Latkovskis
Chairman of the Board
5 May 2023

CONSOLIDATED STATEMENT OF CASH FLOWS

	2022 EUR	2021 EUR
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxes	90 705 216	68 712 407
Adjustments for:		
Depreciation and amortization	1 838 550	1 084 853
Goodwill write-off	8 802 829	3 341 266
Sold portfolio write-off	106 952 962	81 495 551
Increase in impairment allowance	52 392 874	30 063 559
Write-off and disposal of intangible and property and equipment assets	183 723	647 608
Provisions (except doubtful debt allowance)	(502 975)	1 870 498
Increase in reserves	190 211	129 842
Non-controlling interest retained earnings	261 278	(808 521)
Interest income	(30 143)	(146 583)
Interest expenses	12 531 639	11 390 035
Profit or loss before adjustments for the effect of changes to current assets and short-term liabilities	**273 326 164**	**197 780 515**
Adjustments for:		
Increase in loans and advances to customers	(225 107 597)	(132 307 729)
Increase in other asset	(6 631 206)	(8 101 017)
Increase in accounts payable to suppliers, contractors, and other creditors	5 842 172	2 265 028
Gross cash flows from operating activities	**47 429 533**	**59 636 797**
Corporate income tax paid	(30 824 410)	(13 664 907)
Net cash flows used in operating activities	**16 605 123**	**45 971 890**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment and intangible assets	(2 366 575)	(3 494 473)
Net cash flows through business combinations	-	(167 799)
Loans issued to related parties	(35 195)	(448 079)
Received loan repayment	72 970	2 311 748
Interest received	4 175	867 640
Net cash flows used in investing activities	**(2 324 625)**	**930 963**

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	2022 EUR	2021 EUR
CASH FLOWS FROM FINANCING ACTIVITIES			
Loans received and notes issued		27 136 058	72 312 462
Repayment of loans		(2 436 769)	(42 570 972)
Interest payments		(10 772 825)	(8 126 993)
Funding received from P2P		31 070 673	20 338 694
Repayment of funding received from P2P		(27 999 773)	(47 045 674)
Dividend payments		(29 622 102)	(41 957 950)
Net cash flows from financing activities		**(12 624 738)**	**(47 050 433)**
Net increase/(decrease) in cash and cash equivalents		**1 655 760**	**(2 009 506)**
Cash and cash equivalents at the beginning of the period		**7 227 342**	**8 713 085**
Effect of exchange rate fluctuations on cash		(173 608)	523 763
Cash and cash equivalents at the end of the period	**21**	**8 709 494**	**7 227 342**

The accompanying notes on pages 15 to 60 form an integral part of these consolidated financial statements.

Emīls Latkovskis
Chairman of the Board
5 May 2023

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Group	Share capital EUR	Share premium EUR	Currency translation reserve EUR	Other reserves EUR	Retained earnings EUR	Total EUR	Non-controlling interests EUR	Total EUR
01.01.2021	**340 000**	**27 040**	**(314 019)**	**1 210 000**	**18 447 757**	**19 710 778**	**(323 674)**	**19 387 104**
Changes in ownership								
NCI arising on business combinations	-	-	-	-	(3 827)	**(3 827)**	3 872	**-**
Acquisition/ (Disposal) of non-controlling interest without change in control	-	-	-	-	867 073	**867 073**	(867 073)	**-**
Total comprehensive income								
Profit for the reporting period	-	-	-	-	49 228 064	**49 228 064**	1 806 998	**51 035 062**
Other comprehensive income	-	-	495 064	-	-	**495 064**	2 172	**497 236**
Transactions with shareholders recorded directly in equity								
Value of employee services (Note 31)	-	-	-	128 000	-	**128 000**	-	**128 000**
Reserves	-	-	-	1 842	-	**1 842**	-	**1 842**
Dividends	-	-	-	-	(40 531 252)	**(40 531 252)**	(1 374 143)	**(41 905 395)**
01.01.2022	**340 000**	**27 040**	**181 045**	**1 339 842**	**28 007 816**	**29 895 743**	**(751 894)**	**29 143 849**
Changes in ownership								
Acquisition/ (Disposal) of non-controlling interest without change in control	-	-	-	-	68 918	**68 918**	126 775	**195 693**
Total comprehensive income								
Profit for the reporting period	-	-	-	-	63 158 683	**63 158 683**	2 335 403	**65 494 086**
Other comprehensive income	-	-	497 639	-	-	**497 639**	(22 885)	**474 754**
Transactions with shareholders recorded directly in equity								
Value of employee services (Note 31)	-	-	-	181 000	-	**181 000**	-	**181 000**
Other comprehensive income	-	-	-	9 211	-	**9 211**	-	**9 211**
Dividends	-	-	-	-	(28 420 000)	**(28 420 000)**	(1 044 714)	**(29 464 714)**
31.12.2022	**340 000**	**27 040**	**678 684**	**1 530 053**	**62 815 417**	**65 391 194**	**642 685**	**66 033 879**

The accompanying notes on pages 15 to 60 form an integral part of these consolidated financial statements.

Emīls Latkovskis
Chairman of the Board
5 May 2023

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(1) Reporting entity

AS Sun Finance Group (the "Company") is registered in Skanstes 52, Riga, Latvia, LV-1013 (reg.no: 40203205428). The Company is operating as the holding company for several subsidiaries in Europe, Scandinavia, Central Asia, Southeast Asia and South America (together referred to as the 'Group'). The Group entities provide consumer loans to customers and currently the Group has active lending operations in Poland, Latvia, Kazakhstan, Denmark, Mexico, Sweden, Vietnam and Philippines.

AS Sun Finance Group was established in April 2019.

(2) Basis of preparation

These consolidated annual financial statements as of and for the year ended 31 December 2022 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 2023. The shareholders have the power to reject the financial statements prepared and presented by the Board, and the right to request that new financial statements are prepared.

a) Basis of Measurement

The 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 2022 Group companies operated in the functional currencies of EUR, DKK, PLN, KZT, SEK, VND, MXN, KGS, UZS, PHP, USD, NOK and LKR respectively. The Company's functional currency is EUR.

(3) Significant accounting policies

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Basis of Consolidation

(i) Subsidiaries

Subsidiaries are those entities controlled by the Company as at 31 December 2022. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Thus, the Group controls an entity if and only if the Group has all the following:

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

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

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

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

(iii) Transactions eliminated on consolidation

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

(iii) Foreign currency

(i) Foreign currency transactions

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

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

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

	31.12.2022	31.12.2021
PLN	4.68080	4.59690
DKK	7.43650	7.43640
KZT	492.86000	487.79000
MXN	20.85600	23.14380
KGS	91.43770	95.78570
UZS	11 961.85000	12 224.88000
SEK	11.12180	10.25030
VND	25 841.35000	26 546.33000
PHP	59.32000	57.76300
USD	1.06660	1.13260
NOK	10.51380	9.98880
LKR	386.93000	226.86100

(ii) Foreign operations

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

(iv) Cash and cash equivalents

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

(v) Financial Instruments

(i) Recognition

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

(ii) Classification and Measurement

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

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

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

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

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

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

(iii) Business model assessment

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

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

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

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

(v) Derecognition

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

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

(vi) Modification of financial assets and liabilities

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

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

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

(vii) Fair value measurement principles

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

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

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

indirectly observable

- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

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

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

(viii) Loans and advances

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

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

(ix) Write-off

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

(vi) Property, plant and equipment

(i) Owned assets

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

(ii) Depreciation

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

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

(vii) Intangible assets and Goodwill

Intangible non-current assets, other than Goodwill, are stated at cost and amortized over their estimated useful lives on a straight-line basis. The carrying values of intangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. Losses from impairment are recognized where the carrying value of intangible non-current assets exceeds their recoverable amount.

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

Concessions, patents, licenses, trademarks and similar rights	5 years
Software and other intangible assets	3-4 years

(i) Internally generated intangible assets

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

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

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

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

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

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

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

Additional information is included in Note 16.

(ii) Goodwill

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

(viii) Impairment

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

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

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

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

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

Definition of default

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(ix) Provisions and contingencies

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

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

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

Provisions for tax liabilities

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

Accruals for unused vacations

As at the period end, an accrued expense for unused vacations has been recognized in accordance with local legislation in each separate country of operation and is based on the number of vacation days unused as at 31 December 2022 and historical remuneration.

(x) Share Capital and reserves

(i) Currency revaluation reserve

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

(ii) Share based payments

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

(xi) Leases – the Group as lessee

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

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

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

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

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

Initial recognition exemptions applied

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

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

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

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

The Group defines a low-value asset as one:

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

(xii) Transactions with peer-to-peer platforms

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

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

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

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

Funding attracted through P2P platform

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

Liabilities to investors are recognized in statement of financial position caption Loans and borrowings attracted through P2P platform (Note 23) and are treated as loans received.

Assignments with recourse rights (buy back guarantee)

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

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

(xiii) Dividends

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

(xiv) Taxation

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

(i) Current tax – general terms

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

(ii) Current tax for entities in Latvia

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

(iii) Deferred tax – general terms

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

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

(iv) Deferred tax for entities in Latvia

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

(xv) Income and expense recognition

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

(i) Interest income and expense

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

(ii) Fee and commission income and expenses

Other fees and commissions, that are not part of the effective interest rate, are recognised as the related services are performed and control over a service is transferred to a customer. 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) Penalty fee income

Income from penalty fee is recognized as received.

(iv) Income from management services

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

(v) Profit sharing arrangements

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

(xvi) Fair value of employee share options

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

(xvii) Related parties

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

(xviii) Non-controlling interest

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

(xix) Business combinations

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

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

(xx) Changes in accounting policies

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

New standards and interpretations adopted

The Group have adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2022.

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

- 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)

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 2023 and have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Group are set out below.

- IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies - Amendments (IASB: effective for annual periods beginning on or after 1 January 2023)
- IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates – Amendments (IASB: effective for annual periods beginning on or after 1 January 2023)
- IFRS 17 Initial Application of IFRS 17 and IFRS 9 – Comparative Information (effective for annual periods beginning on or after 1 January 2023)
- IAS 12 Deferred tax related to Assets and Liabilities arising from a Single Transaction – Amendments (IASB: effective for annual periods beginning on or after 1 January 2023)
- IFRS 17 Insurance Contracts: Initial Application of IFRS 17 and IFRS 9 - Amendments (IASB: effective for annual periods beginning on or after 1 January 2023)

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

- IAS 1: Classification of Liabilities as Current or Non-current - Amendments (IASB: effective for annual periods beginning on or after 1 January 2023)
- IFRS 16 Leases: Lease Liabilities in a Sale and Leaseback (IASB: effective for annual periods beginning on or after 1 January 2024)

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

(xxi) Changes in classification

During 2022, the Group changed the classification of deferred tax liabilities to reflect more accurate temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Comparative amounts in the consolidated statement of financial position were reclassified accordingly. As a result, EUR 166 847 were reclassified from „Corporate income tax payables“ and „Deferred tax assets“ to „Deferred tax liabilities“.

During 2022, the Group modified the classification of "Other receivables" under the Note 20 to reflect more precise types of other receivables for the Group.
Comparative amounts in the Note 20 were reclassified accordingly. As a result, EUR 9 502 845 were reclassified from "Other receivables" to "Receivables under profit-sharing arrangements".

(4) Risk management

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

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

Management has implemented procedures to control the key risks.

(a) Credit risk

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

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

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

(b) Liquidity risk

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

(c) Market risk

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

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

(d) Interest rate risk

Interest rate risk is the risk that movements in interest rates will affect the Group's income or the value of its portfolios of financial assets. The Group adopts a policy ensuring that between 70 and 80% of its interest rate risk exposure is at a fixed 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 2022 and a simplified scenario of a 5% change in DKK, PLN, KZT, MXN, SEK and VND to EUR exchange rates is as follows:

	31.12.2022		31.12.2021	
	Net income EUR '000	Equity EUR '000	Net income EUR '000	Equity EUR '000
5% appreciation of DKK against EUR	63	63	167	167
5% depreciation of DKK against EUR	(63)	(63)	(167)	(167)
5% appreciation of PLN against EUR	1 094	1 094	663	663
5% depreciation of PLN against EUR	(1 094)	(1 094)	(663)	(663)
5% appreciation of KZT against EUR	3 675	3 675	1 972	1 972
5% depreciation of KZT against EUR	(3 675)	(3 675)	(1 972)	(1 972)
5% appreciation of MXN against EUR	341	341	238	238
5% depreciation of MXN against EUR	(341)	(341)	(238)	(238)
5% appreciation of SEK against EUR	522	522	267	267
5% depreciation of SEK against EUR	(522)	(522)	(267)	(267)
5% appreciation of VND against EUR	549	549	372	372
5% depreciation of VND against EUR	(549)	(549)	(372)	(372)

(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 authorization of transactions
- regulatory and compliance risks
- documentation of controls and procedures
- anti-money laundering and Know Your Customer laws compliance risk
- data protection compliance risk

(h) Capital management

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

(5) Use of estimates and critical accounting judgments

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

In preparing these consolidated financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements of the Group as at and for the year ended 31 December 2022. 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 and other temporary differences to the extent that it is probable that taxable profit will be available against which the losses and temporary differences can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The deferred tax assets are recognized based on profitability assumptions over 3 year horizon. In developing these assumptions, the Group considers both positive and negative evidence of past performance and future development plans to ensure that assumptions used are reasonable, realistic and achievable. Budgeting models used are the same as the ones used in goodwill impairment tests. At each reporting date, the Group's management analyses the recoverability of deferred tax and reduces the deferred tax asset if it is no longer probable that during the period of utilization of tax losses future taxable profits will be available against which unused tax losses can be utilized.

- Capitalization of development costs

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

- Fair value of employee share options (see Note 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.

- Provisions and contingencies (see Note 36)

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

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

(6) Interest income

Interest income represents revenue generated during the reporting period from the Group's basic activities - consumer loans. Interest income includes loan commission income, extension fees, refinancing fees, issuance fees and penalty fee income. Interest income for loans issued to related and other parties is classified under Other operating income (see Note 10).

	2022 EUR	2021 EUR
Interest income calculated using the effective interest method	231 208 333	169 201 472
Interest income and fees	42 699 573	23 927 929
TOTAL	**273 907 906**	**193 129 401**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(7) Interest expense

	2022 EUR	2021 EUR
Interest expense on issued bonds	6 156 983	3 337 682
Interest expense for loans from non-related parties	2 567 978	3 191 014
Interest expenses for loans from P2P platform investors	2 074 036	3 541 344
Interest expense for loans from related parties	1 668 665	1 249 181
Interest expense for lease liabilities	63 977	70 814
TOTAL	**12 531 639**	**11 390 035**

(8) Net impairment losses on loans

	2022 EUR	2021 EUR
Impairment losses on loans	108 501 891	74 764 032
Reversal of provision on debt portfolio sales	(83 285 725)	(57 895 650)
Written-off debts	27 176 708	13 195 177
TOTAL	**52 392 874**	**30 063 559**

(9) Operating costs

	2022 EUR	2021 EUR
Personnel costs (see also Note 31 Share-based payments)	17 254 872	13 729 635
Marketing and sponsorship	15 512 977	8 422 832
Data costs	10 311 561	3 255 023
Professional services	7 877 461	5 377 071
Debt collection costs	3 536 922	1 643 526
IT expense	2 804 725	2 013 966
Communication expenses	2 798 033	1 989 542
Bank services	2 271 519	1 612 661
Amortization and depreciation	1 838 550	1 084 853
Legal and consulting	1 456 154	1 639 473
Rent expenses and utilities	1 428 669	1 142 166
Office expenses	592 235	775 141
Service fee for 2P2 platform	324 510	493 176
Other costs	1 174 838	693 418
TOTAL	**69 183 026**	**43 872 483**

KEY MANAGEMENT PERSONNEL COMPENSATION	2022 EUR	2021 EUR
Members of the board		
Remuneration*	1 189 423	941 791
Social security contribution expenses	192 483	147 015
TOTAL	**1 381 906**	**1 088 806**

* - Including vacation accruals

AVERAGE NUMBER OF EMPLOYEES	2022	2021
Senior management/Executives	56	34
Employees	1 104	907
TOTAL	**1 160**	**941**

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

(10) Other operating income

	2022 EUR	2021 EUR
Income from profit sharing arrangements **	16 382 750	10 464 256
Income from management services*	4 730 372	3 700 905
Interest income from issued loans to related and other parties	30 143	146 583
Other income	954 076	224 208
TOTAL	**22 097 341**	**14 535 952**

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

** Based on the profit-sharing arrangement the Group has granted to third party a solution to provide credit scoring services to the Group's customers in some countries and in exchange the Group has unconditional rights and third-party shareholder upon the approval of annual financial statements has an obligation to approve a distribution to the Group a significant part of its net profit. This entity does not qualify for the Group subsidiary or related party. The annual financial statements of this entity for the period ended 31 December 2022 have not yet approved. In 2022 the Group entered into additional profit-sharing arrangement with the same third party providing credit scoring services to one of the Group's subsidiaries. These contracts are in the scope of IFRS 15 and the Group recognized the income for the profit earned by third party up to the end of year 2022. The corporate income tax on deemed profit or the net amount of profit distribution will be subject to the tax of 20/80 and will be recognized in the period of deemed profit distribution.

(11) Other operating expense

	2022 EUR	2021 EUR
Other personnel expenses	294 035	182 197
Penalties paid	87 401	114 038
Other expenses	85 562	570 354
Donation	22 307	987 694
Goodwill write-off (see Note 16)	8 802 829	3 341 266
TOTAL	**9 292 134**	**5 195 549**

(12) Net foreign exchange result

	2022 EUR	2021 EUR
Currency exchange gain	1 245 049	9 481 272
Currency exchange loss	(3 556 482)	(7 837 013)
TOTAL	**(2 311 433)**	**1 644 259**

(13) Corporate income tax

	2022 EUR	2021 EUR
Corporate income tax	22 539 946	16 089 961
Deferred corporate income tax (see Note 14)	127 516	(611 048)
Withholding tax	2 543 668	2 198 432
TOTAL	**25 211 130**	**17 677 345**

	2022 EUR	2021 EUR
Corporate income tax payable	4 993 938	10 607 217

Current corporate income tax rate for the Group subsidiaries are the following: in Latvia – 20% or 20/80 of the net amount of distributed profit or deemed profit (in addition see Note 14), in Kazakhstan – 20%, in Poland – 19%, in Denmark – 22%, in Sweden - 20.6%, in Vietnam - 20%, in Mexico – 30%, in Philippines – 20%. Income tax expenses in other countries are not significant.

Reconciliation of effective income tax:

	2022 EUR	2021 EUR
Profit before corporate income tax	90 705 216	68 712 407
Theoretical corporate income tax at the applicable rate *	18 550 249	13 803 859
Withholding tax	2 543 669	2 198 432
Tax effect of permanent differences related to non-deductible expenses	4 117 212	1 675 054
Corporate income tax for the reporting year	**25 211 130**	**17 677 345**

* Applicable tax rate used for each subsidiary of the Group

The effective tax rate of the Group in 2022 was 27.79% (2021 was 25.73%). The effective tax rate in 2022 and 2021 was mainly impacted by the fact that the impairment (provisions) for loans and receivables are recognised as non-deductible for the corporate income tax purposes in Poland thus is considered as a permanent difference. Management utilizes both in-house tax expertise and external consultants to ensure compliance with tax legislation in the countries in which the Group operates.

(14) Deferred tax asset and liabilities

Deferred tax relates to the following temporary differences:

Movement in temporary differences during the year ended 31 December 2021

			Balance as at 31.12.2021		
EUR	**Net balance as at 01.01.2021**	**Profit or loss statement 2021**	**Net**	**Deferred tax assets**	**Deferred tax liabilities**
Tax loss carry-forward	208 324	602 932	835 704	835 704	-
Impairment and write-off losses on loans and receivables	248 438	156 173	515 389	515 389	-
Unused vacation and other cost accruals	14 895	15 121	30 850	30 850	-
Fixed assets	(2 553)	(316 096)	(165 305)	1 542	(166 847)
Other assets	543 520	152 918	403 137	403 137	-
Net deferred corporate income tax assets	**1 012 624**	**611 048**	**1 619 775**	**1 786 622**	**(166 847)**

Movement in temporary differences during the year ended 31 December 2022

			Balance as at 31.12.2022		
EUR	**Net balance as at 01.01.2022**	**Profit or loss statement 2022**	**Net**	**Deferred tax assets**	**Deferred tax liabilities**
Tax loss carry-forward	835 704	(430 733)	770 018	770 018	-
Impairment and write-off losses on loans and receivables	515 389	33 765	169 575	169 575	-
Unused vacation and other cost accruals	30 850	11 456	42 049	42 049	-
Fixed assets	(165 305)	-	(164 380)	750	(165 130)
Other assets	403 137	257 996	656 443	656 443	-
Net deferred corporate income tax assets	**1 619 775**	**(127 516)**	**1 473 705**	**1 638 835**	**(165 130)**

At the year-end 2022 the Group has recognised a deferred corporate income tax asset in total amount of EUR 1 638 835 (at the year-end 2021 it was EUR 1 786 622) and a deferred tax liability of EUR 165 130 (at the year-end 2021 it was EUR 166 847) in subsidiaries located in following countries: Kazakhstan, Poland, Denmark, Philippines and Mexico. Deferred corporate income tax asset and liability of EUR 127 516 (in 2021 was EUR 611 048) has a decrease and impacted the Group's profit or loss statement of the year ended 31 December 2022. All the tax asset recognised is considered as recoverable based on projected performance, results of subsidiaries.

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 2022 would amount to EUR 8 678 311 (as at 31 December 2021 would amount to EUR 1 424 845).

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

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

	Computer equipment	Other equipment	Leasehold improvements	Right-of-use assets (office premises)	Total
Cost	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**
01.01.2021	**885 962**	**386 755**	**180 342**	**1 949 987**	**3 403 046**
Additions	204 393	373 913	59 900	1 718 206	**2 356 412**
Disposals and write-offs	(467 849)	(4 744)	-	(301 867)	**(774 460)**
Reclassification	71 511	(71 511)	-	-	**-**
Effect of changes in foreign exchange rates	24 361	18 359	15	31 155	**73 890**
31.12.2021	**718 378**	**702 772**	**240 257**	**3 397 481**	**5 058 888**
01.01.2022	**718 378**	**702 772**	**240 257**	**3 397 481**	**5 058 888**
Additions	608 679	319 160	25 385	302 015	**1 255 239**
Disposals and write-offs	(86 279)	(56 429)	-	-	**(142 708)**
Reclassification	196 572	(196 572)	-	-	**-**
Effect of changes in foreign exchange rates	3 684	(4 630)	(1 427)	1 821	**(552)**
31.12.2022	**1 441 034**	**764 301**	**264 215**	**3 701 317**	**6 170 867**
Accumulated depreciation					
01.01.2021	**307 232**	**85 898**	**28 366**	**355 535**	**777 031**
Depreciation	234 080	89 092	21 883	332 839	**677 894**
Disposals and write-offs	(227 290)	(1 259)	-	(105 653)	**(334 202)**
Reclassification	24 419	(24 419)	-	-	**-**
Effect of changes in foreign exchange rates	7 572	2 248	21	5 571	**15 412**
31.12.2021	**346 013**	**151 560**	**50 270**	**588 292**	**1 136 135**
01.01.2022	**346 013**	**151 560**	**50 270**	**588 292**	**1 136 135**
Depreciation	300 094	123 680	23 741	639 592	**1 087 107**
Disposals and write-offs	(40 231)	(9 360)	-	-	**(49 591)**
Reclassification	23 047	(23 047)	-	-	**-**
Effect of changes in foreign exchange rates	3 452	(1 013)	(904)	4 594	6 129
31.12.2022	**632 375**	**241 820**	**73 107**	**1 232 478**	**2 179 780**
Balance as at 01.01.2022	**372 365**	**551 212**	**189 987**	**2 809 189**	**3 922 753**
Balance as at 31.12.2022	**808 659**	**522 481**	**191 108**	**2 468 839**	**3 991 087**

(16) Intangible assets and goodwill

	31.12.2022 EUR	31.12.2021 EUR
Goodwill	6 050 710	14 771 583
Other intangible assets	2 319 538	2 046 197
TOTAL	**8 370 248**	**16 817 780**

	Goodwill	Internally developed intangible assets	Other intangible assets	Total
Cost	**EUR**	**EUR**	**EUR**	**EUR**
01.01.2021	**17 589 334**	**1 749 825**	**220 877**	**19 560 036**
Additions	116 847	843 426	177 788	**1 138 061**
Disposals	-	-	(211 053)	**(211 053)**
Effect of changes in foreign exchange rates	406 668	-	6 844	**413 512**
31.12.2021	**18 112 849**	**2 593 251**	**194 456**	**20 900 556**
01.01.2022	**18 112 849**	**2 593 251**	**194 456**	**20 900 556**
Additions	-	947 018	164 319	**1 111 337**
Disposals	-	(14 225)	(76 381)	**(90 606)**
Effect of changes in foreign exchange rates	81 956	-	3 782	**85 738**
31.12.2022	**18 194 805**	**3 526 044**	**286 176**	**22 007 759**
Accumulated amortisation and impairment				
01.01.2021	**-**	**325 221**	**12 170**	**337 391**
Amortisation	-	398 805	8 155	**406 960**
Impairment	3 341 266	-	-	**3 341 266**
Amortisation of disposals	-	(553)	(3 150)	**(3 703)**
Effect of changes in foreign exchange rates	-	-	862	**862**
31.12.2021	**3 341 266**	**723 473**	**18 037**	**4 082 776**
01.01.2022	**3 341 266**	**723 473**	**18 037**	**4 082 776**
Amortisation	-	666 407	85 171	**751 578**
Impairment	8 802 829	-	-	**8 802 829**
Effect of changes in foreign exchange rates	-	-	(406)	**(406)**
31.12.2022	**12 144 095**	**1 389 880**	**102 802**	**13 636 777**
Balance as at 01.01.2022	**14 771 583**	**1 869 778**	**176 419**	**16 817 780**
Balance as at 31.12.2022	**6 050 710**	**2 136 164**	**183 374**	**8 370 248**

Business combination and goodwill

	Sun Finance Latin America (Proximus)	Sun Finance Europe	Panamerican	SF Treasury SG	Luma Finans	Other	Total
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
01.01.2021	**2 175 893**	**3 341 266**	**3 074 954**	**5 281 028**	**3 467 128**	**249 065**	**17 589 334**
Considerations paid	-	-	-	-		488 571	**488 571**
Total identifiable net assets	-	-	-	-	-	371 724	**371 724**
Goodwill at acquisition	**-**	**-**	**-**	**-**	**-**	**116 847**	**116 847**
Exchange differences	119 607	-	(24 883)	372 174	(73 061)	12 831	**406 668**
Write-off	-	(3 341 266)	-	-	-	-	**(3 341 266)**
31.12.2021	**2 295 500**	**-**	**3 050 071**	**5 653 202**	**3 394 067**	**378 743**	**14 771 583**
01.01.2022	**2 295 500**	**-**	**3 050 071**	**5 653 202**	**3 394 067**	**378 743**	**14 771 583**
Exchange differences	251 804	-	(54 670)	154 226	(265 958)	(3 446)	**81 956**
Write-off	-	-	(2 995 401)	(5 807 428)	-	-	**(8 802 829)**
31.12.2022	**2 547 304**	**-**	**-**	**-**	**3 128 109**	**375 297**	**6 050 710**

2021:

Finanza

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

Sotero

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

Goodwill impairment test

2021:

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

2022:

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

1. Projected operating cash-flows. These calculations use the pre-tax cash flow projections based on the financial budgets prepared by management covering five-year period. Sales and costs estimates are based on the past performance, current stage of business development of each CGU and management expectations of legal environment and market development.
2. Cash flows beyond the budget period of 5 years are estimated by terminal value using the exit ratio.
3. Discount rates used varies from 12.89% to 18% and calculated by weighted average costs of capital (WACC) of each CGU.

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

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

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

(17) Other loans and receivables

	31.12.2022 EUR	31.12.2021 EUR
Loans to other companies	241 505	211 383
Loans to individuals	3 070	45 386
TOTAL	**244 575**	**256 769**

Non-current	31.12.2022 EUR	31.12.2021 EUR
Loans to other companies	231 987	198 516
Loans to individuals	-	38 413
TOTAL	**231 987**	**236 929**

Current	31.12.2022 EUR	31.12.2021 EUR
Loans to other companies	9 518	12 867
Loans to individuals	3 070	6 973
TOTAL	**12 588**	**19 840**

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

	Currency	Maturity	Interest rate per annum	Principal amount 31.12.2022 EUR	Accrued interest 31.12.2022 EUR	Principal amount 31.12.2021 EUR	Accrued interest 31.12.2021 EUR
Other Company	VND	Aug 2026	14.5%	193 488	38 499	188 350	10 167
Related party	EUR	Jun 2023	7%	8 363	71	12 786	80
Individuals	KZT	Jul 2022	16%	3 017	53	6 937	36
Individuals	EUR	Jan 2024	2%	-	-	35 570	2 843
Other Company	EUR	Nov 2023	12.5%	1 000	84	-	-
TOTAL				**205 868**	**38 707**	**243 643**	**13 126**

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

(18) Non-current financial assets

	31.12.2022 EUR	31.12.2021 EUR
Investments in equity instruments	68 762	31 585
Other financial assets	61 316	117
TOTAL	**130 078**	**31 702**

(19) Loans and advances from customers

Credit quality of loan portfolio:

	Gross receivables 31.12.2022 EUR	Allowance for doubtful debts 31.12 2022 EUR	Net receivables 31.12 2022 EUR	Gross receivables 31.12 2021 EUR	Allowance for doubtful debts 31.12 2021 EUR	Net receivables 31.12 2021 EUR
No days past due	150 011 046	20 695 112	129 315 934	81 951 727	7 506 410	74 445 317
1-30 days past due	28 404 493	12 427 117	15 977 376	18 284 322	7 888 601	10 395 721
31-60 days past due	15 502 553	9 904 284	5 598 269	9 664 160	6 008 923	3 655 237
61-90 days past due	9 677 365	5 919 296	3 758 069	6 688 368	4 561 434	2 126 934
91+ days past due	25 718 445	18 035 820	7 682 625	22 031 820	16 084 488	5 947 332
TOTAL	**229 313 902**	**66 981 629**	**162 332 273**	**138 620 397**	**42 049 856**	**96 570 541**

Loan portfolio split by regions:

	Gross receivables 31.12.2022 EUR	Allowance for doubtful debts 31.12 2022 EUR	Net receivables 31.12 2022 EUR	Gross receivables 31.12 2021 EUR	Allowance for doubtful debts 31.12 2021 EUR	Net receivables 31.12 2021 EUR
Europe	61 038 874	11 062 433	49 976 441	46 879 668	7 974 116	38 905 552
Central Asia	113 592 127	37 877 104	75 715 023	58 895 781	23 073 778	35 822 003
Latin America	9 163 401	2 714 313	6 449 088	5 768 738	1 584 073	4 184 665
Scandinavia	22 309 752	4 353 199	17 956 553	12 567 497	1 982 570	10 584 927
South East Asia	23 209 748	10 974 580	12 235 168	14 508 713	7 435 319	7 073 394
TOTAL	**229 313 902**	**66 981 629**	**162 332 273**	**138 620 397**	**42 049 856**	**96 570 541**

At the end 2022, the net portfolio had grown to EUR 162.3 million (at the end of 2021: EUR 96.6 million), driven by the strong customer demand in our operational markets, expansion of the product range offered and continuous portfolio quality improvements.

Allowance for doubtful debts	**31.12.2022 EUR**	**31.12.2021 EUR**
Balance at the beginning of the period	42 049 856	24 264 993
Charge for the period	108 501 891	74 764 032
Derecognized on disposal of portfolio	(83 285 725)	(57 895 650)
Currency effect	(284 393)	916 481
Balance at period end	**66 981 629**	**42 049 856**

Net losses arising from derecognition of financial instruments through debt sales transaction is EUR 59 588 925 (in 2021: EUR 50 075 579). Loans and advances from customers mainly represent short term loans thus no significant variations between 12 month ECL and LTECL is observed due to nature of the short term loan portfolio.

(20) Other receivables

	31.12.2022 EUR	**31.12.2021 EUR**
Receivables for sold financial assets	3 575 959	3 924 980
Cash in transit	2 075 085	859 185
Overpaid VAT	733 877	1 161 273
Receivables for provided management services	459 650	377 854
Receivables for attracted funding through P2P platform (see Note 23)	277 747	242 373
Advances to employees	268 152	39 997
Security deposits	150 416	148 541
Receivables under profit-sharing arrangements	15 888 288	9 502 845
Other debtors*	899 643	1 552 641
Trade receivables	-	516 378
TOTAL	**24 328 817**	**18 326 058**

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

(21) Cash and cash equivalents

	31.12.2022 EUR	31.12.2021 EUR
Cash and cash equivalents	8 709 494	7 227 342
TOTAL	**8 709 494**	**7 227 342**

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

(22) Share capital and dividend distribution

Share capital

The Company is incorporated on 8 April 2019. Share capital of the Company as at 31 December 2022 is EUR 340 000 and it is divided into 3 177 018 ordinary shares, 51 000 non-voting shares and 171 982 personal shares with nominal value of EUR 0.1 each. Class A shares issued are fully paid. In 2020 during the subscriptions to new shares EUR 27 040 of share premium was paid.

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

	Share capital EUR	Number of Class A Shares	Number of Class B Shares	Personnel shares	Total number of Shares
01.01.2021	340 000	3 109 090	-	290 910	3 400 000
Subscriptions	-	-	-	-	-
Redemptions	-	-		-	-
31.12.2021	**340 000**	**3 109 090**	**-**	**290 910**	**3 400 000**
01.01.2022	340 000	3 109 090	-	290 910	3 400 000
Subscriptions	-	67 928	51 000	-	118 928
Redemptions	-	-		(118 928)	(118 928)
31.12.2022	**340 000**	**3 177 018**	**51 000**	**171 982**	**3 400 000**

Dividends distribution

Sun Finance Group AS in 2022 has declared interim and annual dividends in total amount of EUR 28 420 000 (2021 – EUR 40 531 252). According to Commercial law interim dividends can be distributed from the period after the end of the previous financial accounting year, but not more than 85 per cent of the profit gained within the time period when interim dividends are determined. The Company has prepared operating interim financial statements on accumulative basis from the beginning of financial year for each interim period and applied 85 per cent cap from the total net profit less interim dividends already distributed. Total interim dividends distributed in 2022 are 85% (2021: 92%) from the total cumulative profit of interim periods.

(23) Loans and borrowings

Non-current	31.12.2022 EUR	31.12.2021 EUR
Bonds	51 574 000	24 905 905
Subordinated loans	14 193 319	18 193 319
Loan from related parties	9 020 844	9 035 355
Lease liabilities (see Note 28 Leases)	1 929 780	2 235 808
Loan non-related parties	1 549 925	3 683 773
TOTAL	**78 267 868**	**58 054 160**

Current	31.12.2022 EUR	31.12.2021 EUR
Financing received from P2P investors	21 069 077	16 104 247
Bonds	14 563 943	15 000 000
Loan from non-related parties	4 198 365	3 643 551
Loan from related parties	3 677 789	95 827
Lease liabilities (see Note 28 Leases)	437 314	413 788
Subordinated loans	160 600	195 600
	44 107 088	**35 453 013**
TOTAL	**122 374 956**	**93 507 173**

Detailed information regarding Loans and borrowings can be seen below:

	Currency	Maturity	Interest rate per annum	Principal amount 31.12.2022 EUR	Accrued interest 31.12.2022 EUR	Principal amount 31.12.2021 EUR	Accrued interest 31.12.2021 EUR
Bonds	EUR	Feb 2023 & Jun 2024 & Sep 25	12% & 11% & 11%+3M Euribor	66 137 943	-	39 905 905	-
Subordinated loans	EUR	Sep 2024	12%	14 193 319	160 600	18 193 319	195 600
Financing received from P2P investors	EUR/PLN	2023	9% - 13%	20 944 070	125 007	16 043 290	60 957
Loans from related parties	EUR	Aug, Nov 2023 & Sep 2024 & Apr, Jun 2025	12% - 17%	12 537 663	160 970	9 035 355	95 827
Loan from non-related parties	EUR/SEK	May 2023 Nov 2025	8% - 15%	5 428 704	319 586	7 064 867	262 457
Lease (refer to Note 28)				2 367 094	-	2 649 596	-
TOTAL				**121 608 793**	**766 163**	**92 892 332**	**614 841**

Bonds

On 27 April 2021, Sun Finance Treasury successfully issued its 2-year private placement subordinated bond (EE3300002088) registered on the NASDAQ CSD SE for EUR 30 million with a coupon of 12% per annum, paid quarterly. The bond will mature in Feb 2023. As at 31 December 2022, a total of EUR 16.12 million (as at 31 December 2021, a total of EUR 6.4 million) was subscribed out of the total private placement of the EUR 30 million Notes. Interest expenses and income from coupons are disclosed on net basis. Please see Note 36 for further information about commitments and other additional information.

On 20 July 2021, Sun Finance Treasury issued its 3-year private placement bond (LV0000802494) registered on the NASDAQ CSD for EUR 20 million with a coupon of 11% per annum, paid quarterly. The bond successfully refinanced Sun Finance Treasury bond (LV0000802395) with maturity in August 2021. The bond will mature in June 2024. As at 31 December 2022, a total of EUR 19.0 million (as at 31 December 2021, a total of EUR 18.5 million) was subscribed out of the total private placement of the EUR 20 million Notes. Interest expenses and income from coupons are disclosed on net basis. Please see Note 36 for further information about commitments and other additional information.

On 19 August 2022, Sun Finance Treasury issued 3-year private placement bond (LV0000860112) registered on the NASDAQ CSD for EUR 50 million with a coupon of 11% + 3M EURIBOR per annum, paid monthly. The bond successfully refinanced Sun Finance Treasury EUR 15 million bond (LV0000802445) with maturity in September 2022. The bond will mature in September 2025. As at 31 December 2022, a total of EUR 32.19 million was subscribed out of the total private placement of the EUR 50 million Notes. Interest expenses and income from coupons are disclosed on net basis. Please see Note 36 for further information about commitments and other additional information.

Subordinated loans

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

Loans from related parties

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

Loans from non-related parties

Loans from non-related parties comprise loans received from mostly from minority shareholders of subsidiaries and other non-related persons. Received loans are unsecured with interest rates 8-15%.

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

As disclosed in Note 3 Significant accounting policies (xii) Transactions with peer-to-peer platforms the Group certain subsidiaries as loan originators are attracting funding from investors through P2P platform. The Group 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 2022 amounted to EUR 277 747 (31.12.2021: EUR 242 373). Payables for attracted funding's through P2P platform represents the returns of funds and as at December 2022 amounted to EUR 138 134 (31.12.2021: was EUR 2 970).

Cash flows from financing activities:

	01.01.2021 EUR	Cash Flow EUR	Calculated interest EUR	Other EUR	Foreign exchange effect EUR	31.12.2021 EUR
Bonds	12 922 909	23 576 610	3 406 386	-	-	39 905 905
Subordinated loans	20 243 802	(4 339 058)	2 484 175	-	-	18 388 919
Financing received from P2P investors	39 660 862	(26 706 900)	3 374 049	-	(223 684)	16 104 247
Loan from related parties	3 615 996	4 624 404	890 782	-	-	9 131 182
Loan from non-related parties	9 539 498	(3 199 817)	1 191 229	17 799	(221 385)	7 327 324
Lease liabilities	1 636 042	952 358	43 414	-	17 782	2 649 596
TOTAL	**87 619 109**	**(5 092 483)**	**11 390 035**	**17 799**	**(427 287)**	**93 507 173**

	01.01.2022 EUR	Cash Flow EUR	Calculated interest EUR	Foreign exchange effect EUR	31.12.2022 EUR
Bonds	39 905 905	20 075 055	6 156 983	-	66 137 943
Subordinated loans	18 388 919	(5 992 198)	1 957 198	-	14 353 919
Financing received from P2P investors	16 104 247	3 070 889	2 074 036	(180 105)	21 069 077
Loan from related parties	9 131 182	1 875 347	1 695 582	(3 478)	12 698 633
Loan from non-related parties	7 327 324	(1 722 110)	610 780	(467 703)	5 748 291
Lease liabilities	2 649 596	(309 629)	37 060	(9 933)	2 367 094
TOTAL	**93 507 173**	**16 997 364**	**12 531 639**	**(661 219)**	**122 374 957**

(24) Prepayments and payments received from clients

	31.12.2022 EUR	31.12.2021 EUR
Overpayment received from clients	2 307 075	1 071 752
Faulty payments received	116 923	61 912
TOTAL	**2 423 998**	**1 133 664**

(25) Trade and other payables

	31.12.2022 EUR	31.12.2021 EUR
Trade and other payables	5 466 442	3 358 899
Next period income*	3 339 339	2 355 842
Salaries payable	496 685	377 710
Payables for attracted funding through P2P platform (see Note 23)	138 134	2 970
Unpaid dividends	43 128	263 901
Other liabilities	524 981	-
TOTAL	**10 008 709**	**6 359 322**

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

(26) Taxes payable

	31.12.2022 EUR	31.12.2021 EUR
Value added tax	1 236 493	986 436
Social security contributions	395 593	261 011
Personal income tax	196 742	169 550
Other taxes	601 223	111 445
TOTAL	**2 430 051**	**1 528 442**

(27) Accrued liabilities

	31.12.2022 EUR	31.12.2021 EUR
Accruals for vacation	667 965	572 603
Other accrued liabilities	2 060 198	2 655 978
TOTAL	**2 728 163**	**3 228 581**

(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.

Discounted lease liabilities as at 31 December 2022 amount to EUR 2 367 094 (2021: EUR 2 649 596).
In 2022 EUR 338 213 was recognized as net expenses in the income statement in respect of operating leases, including EUR 62 605 of interest expenses (2021: EUR 66 238).
Cash outflow for leases EUR 307 105 in 2022.

(29) Related party transactions

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

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

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

	Shareholder controlled companies 31.12.2022 EUR	Other related parties 31.12.2022 EUR	Shareholder controlled companies 31.12.2021 EUR	Other related parties 31.12.2021 EUR
Receivables from related parties:				
Trade and other receivables	2 809	131	2 629	367
Borrowings and payable to related parties:				
Loan and borrowings	-	12 698 633	-	9 332 449
Trade and other payables	1 845	-	32 338	13 068

The income and expense items with related parties for 2022 and 2021 were as follows:

	Shareholder controlled companies 2022 EUR	Other related parties 2022 EUR	Shareholder controlled companies 2021 EUR	Other related parties 2021 EUR
Interest income from related parties:				
Other income	-	-	-	160
Interest expenses from related parties:				
Interest expenses	-	1 695 582	-	890 782
Other income:				
Service income	25 578	1 144	16 179	1 075
Other expenses:				
Service expense	378 480	71 225	544 062	167 496

(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 2021	Level 1	Level 2	Level 3	Total fair values	Total carrying amount
	EUR	EUR	EUR	EUR	EUR
Financial assets					
Cash and cash equivalents	-	-	-	7 227 342	7 227 342
Loans and advances due from customers	-	-	96 570 541	96 570 541	96 570 541
Other financial assets	-	-	19 350 057	19 350 057	19 350 057
Total financial assets			**115 920 598**	**123 147 940**	**123 147 940**
Financial liabilities					
Loans and borrowings	-	-	93 507 173	93 507 173	93 507 173
Accounts payable to suppliers	-	-	9 587 903	9 587 903	9 587 903
Other liabilities	-	-	1 133 664	1 133 664	1 133 664
Total financial liabilities			**104 228 740**	**104 228 740**	**104 228 740**

31 December 2022	Level 1	Level 2	Level 3	Total fair values	Total carrying amount
	EUR	EUR	EUR	EUR	EUR
Financial assets					
Cash and cash equivalents	-	-	-	8 709 494	8 709 494
Loans and advances due from customers	-	-	162 332 273	162 332 273	162 332 273
Other financial assets	-	-	26 116 887	26 116 887	26 116 887
Total financial assets			**188 449 160**	**197 158 65**	**197 158 654**
Financial liabilities					
Loans and borrowings	-	-	122 374 956	122 374 956	122 374 956
Accounts payable to suppliers	-	-	12 736 872	12 736 872	12 736 872
Other liabilities	-	-	2 423 998	2 423 998	2 423 998
Total financial liabilities			**137 535 826**	**137 535 826**	**137 535 826**

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

Financial instruments not measured at fair value (Level 3)

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

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

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

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

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

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

No transfers between fair value levels incurred during the year.

(31) Share based payments

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

Equity-settled transactions

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

No expense is recognized for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. Where awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Management has considered the financial position of the Subsidiaries and the Group that have issued share options, the particular features mentioned in the option agreements, such as buy-back options, non-competition clauses embedded in the agreements, restrictions of sales of shares, as well as dividend policy of the Parent Company and effectively indicate that at 31 December 2022 fair value of the employee options would be amounted to EUR 1 519 000 (31.12.2021 – EUR 1 338 000), recognized in 2022 EUR 181 000 (2021 – EUR 128 000). Fair value is measured using discounted cash flow and market multiple approaches. Share option fair value at grant date estimated at EUR 15.15 per share.

100 295 share options have been granted up to 31 December 2022 (2021: 93 306). The exercise price for the option is EUR 0 and the weighted average remaining contracted life for the share options outstanding as at 31 December 2022 is less than 1 month. There have been 3 023 share options granted during the year with remaining vesting period of 28 month. There have been no exercised or expired share options during the year.

(32) Maturity analysis

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

Assets EUR	On demand/ less than 1 month	From 1 to 3 month	From 3 to 6 month	From 6 month to 1 year	More than 1 year	Overdue	TOTAL
Cash and cash equivalents	7 227 342	-	-	-	-	-	**7 227 342**
Loans and advances to customers	74 445 317	-	-	-	-	22 125 224	**96 570 541**
Other loans and receivables	-	-	12 867	6 973	236 929	-	**256 769**
Other receivables	19 093 288	-	-	-	-	-	**19 093 288**
Total financial assets	**100 765 947**	**-**	**12 867**	**6 973**	**236 929**	**22 125 224**	**123 147 940**
Liabilities EUR							
Loans and borrowings	16 697 488	-	1 183 238	17 158 499	55 818 352	-	**90 857 577**
Leases	-	-	-	413 788	2 235 808	-	**2 649 596**
Accounts payable to suppliers	6 359 322	-	-	-	-	-	**6 359 322**
Corporate income tax payable	10 607 217	-	-	-	-	-	**10 607 217**
Taxes payable	1 528 422	-	-	-	-	-	**1 528 442**
Total financial liabilities	**35 192 469**	**-**	**1 183 238**	**17 572 287**	**58 054 160**	**-**	**112 002 154**
Net position	**65 573 478**	**-**	**(1 170 371)**	**(17 565 314)**	**(57 817 231)**	**22 125 224**	**11 145 786**
Net cumulative position	**65 573 478**	**65 573 478**	**64 403 107**	**46 837 793**	**(10 979 438)**	**11 145 786**	**-**

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

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	8 709 494	-	-	-	-		**8 709 494**
Loans and advances to customers	129 315 934	-	-	-	-	33 016 339	**162 332 273**
Other loans and receivables		-	8 434	4 154	231 987		**244 575**
Other receivables	25 872 312	-					**25 872 312**
Total financial assets	**163 897 740**	**-**	**8 434**	**4 154**	**231 987**	**33 016 339**	**197 158 654**
Liabilities EUR							
Loans and borrowings	37 329 670	-	1 647 933	4 692 171	76 338 088	-	**120 007 862**
Leases	-	-	-	437 314	1 929 780	-	**2 367 094**
Accounts payable to suppliers	10 008 709	-	-	-	-	-	**10 008 709**
Corporate income tax payable	4 993 938	-	-	-	-	-	**4 993 938**
Taxes payable	2 430 051	-	-	-	-	-	**2 430 051**
Total financial liabilities	**54 762 368**	**-**	**1 647 933**	**5 129 485**	**78 267 868**	**-**	**139 807 654**
Net position	**109 135 372**	**-**	**(1 639 499)**	**(5 125 331)**	**(78 035 881)**	**33 016 339**	**57 351 000**
Net cumulative position	**109 135 372**	**109 135 372**	**107 495 873**	**102 370 542**	**24 334 661**	**57 351 000**	**-**

(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 2021 was as follows:

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

The analysis as at 31 December 2022 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	**122 374 956**	**135 036 913**	**21 400 820**	**19 494 139**	**4 006 608**	**8 840 269**	**81 295 077**
Accounts payable to suppliers	10 008 709	10 008 709	10 008 709	-	-	-	-
Total	**132 383 665**	**145 045 622**	**31 409 529**	**19 494 139**	**4 006 608**	**8 840 269**	**81 295 077**
Credit related commitments	**-**	**-**	**-**	**-**	**-**	**-**	**-**

(34) Currency analysis

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

Assets EUR	EUR	PLN	DKK	SEK	VND	KZT	MXN	Other	TOTAL
Cash and cash equivalents	1 441 725	44 925	95 960	376 843	1 410 414	2 711 814	936 932	208 729	**7 227 342**
Loans and advances to customers	14 417 975	21 163 328	3 309 462	10 584 928	7 050 299	35 123 438	4 184 665	736 446	**96 570 541**
Other financial assets	10 735 912	1 251 234	313 162	326 735	1 017 316	5 208 137	217 496	280 065	**19 350 057**
Total financial assets	**26 595 612**	**22 459 487**	**3 718 584**	**11 288 506**	**9 478 029**	**43 043 389**	**5 339 093**	**1 225 240**	**123 147 940**
Liabilities EUR									
Loans and borrowings	79 930 341	8 073 147	-	4 963 548	-	503 179	36 958	-	**93 507 173**
Accounts payable to suppliers	2 379 421	1 001 829	158 838	760 382	1 958 488	2 926 286	289 624	113 035	**9 587 903**
Other financial liabilities	55 184	130 756	218 304	224 205	79 609	165 582	245 681	14 343	**1 133 664**
Total financial liabilities	**82 364 946**	**9 205 732**	**377 142**	**5 948 135**	**2 038 097**	**3 595 047**	**572 263**	**127 378**	**104 228 740**
Net position	**(55 769 334)**	**13 253 755**	**3 341 442**	**5 340 371**	**7 439 932**	**39 448 342**	**4 766 830**	**1 097 862**	**18 919 200**

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

Assets EUR	EUR	PLN	DKK	SEK	VND	KZT	MXN	Other	TOTAL
Cash and cash equivalents	2 042 260	506 867	1 500	519 133	187 732	3 771 182	590 565	1 090 255	**8 709 494**
Loans and advances to customers	23 873 590	24 917 145	1 185 705	17 956 553	11 597 012	72 363 306	6 449 089	3 989 873	**162 332 273**
Other financial assets	17 786 302	1 692 108	298 682	843 268	976 450	3 572 683	606 594	340 800	**26 116 887**
Total financial assets	**43 702 152**	**27 116 120**	**1 485 887**	**19 318 954**	**12 761 194**	**79 707 171**	**7 646 248**	**5 420 928**	**197 158 654**
Liabilities EUR									
Loans and borrowings	111 366 801	4 391 514	-	5 716 567	-	899 220	854	-	**122 374 956**
Accounts payable to suppliers	1 779 507	632 192	26 632	2 670 810	1 638 292	4 470 639	435 709	1 083 091	**12 736 872**
Other financial liabilities	96 512	212 763	198 706	489 936	152 862	841 838	384 389	46 992	**2 423 998**
Total financial liabilities	**113 242 820**	**5 236 469**	**225 338**	**8 877 313**	**1 791 154**	**6 211 697**	**820 952**	**1 130 083**	**137 535 826**
Net position	**(69 540 668)**	**21 879 651**	**1 260 549**	**10 441 641**	**10 970 040**	**73 495 474**	**6 825 296**	**4 290 845**	**59 622 828**

(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.

	31.12.2022 EUR	31.12.2021 EUR
Cash and cash equivalents	8 709 494	7 227 342
Loans and advances to customers	162 332 273	96 570 541
Other loans and receivables	244 575	256 769
Other receivables	24 328 817	18 326 058
TOTAL	**195 615 159**	**122 380 710**

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

Information on the credit quality of loans to customers disclosed in Note 19.

(36) Commitments and contingencies

Cooperation agreement with P2P platforms

Cooperation agreements with P2P platforms require to maintain positive amount of equity (including subordinated loans) at all times Management of the Group monitors and increases the share capital if needed to satisfy this requirement.
The Group is subject to additional financial covenants relating to its attracted funding through P2P platform. Group is regularly monitoring respective indicators and ensures that covenants are satisfied. The Group as a whole is in compliance with these covenants as at 31 December 2022.

In some of the countries the Group operates (Latvia and Kazakhstan), loans of the borrowers are not directly listed on the Mintos platform. In these countries Mintos acts as an intermediary, granting loans to the relevant Subsidiaries of the Group, and these loans are secured by commercial pledge agreements. As of 31 December 2022, the Group had commercial pledge agreements in maximum amount of EUR 15 million MFO Creditum, EUR 15 million MFO Sofi Finance and EUR 20.8 million SIA Extra Credit. Carrying amount of pledged assets as of 31 December 2022 amounted to EUR 3 790 092 MFO Creditum, EUR 3 845 501 MFO Sofi Finance and EUR 3 318 721 SIA Extra Credit

Sun Finance Treasury Notes

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

Notes issued in 2021

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

Notes issued in 2022

1. EBITDA to Net Finance Charges must be at least at least 1.75x
2. Capitalization ratio is at least 20%
3. Unencumbered Net Receivables to total amount of the debt under the Notes is at least 1.4x There are no other limitations regarding additional and permitted debt and securities.

The Group is in compliance with all covenants as at 31 December 2022 (EBITDA to Net Finance Charges is 9.06x, Capitalization ratio is 46.3% and Unencumbered Net Receivables to total amount of the debt under the Notes is 2.7x) and as at 31 December 2021 (EBITDA to Net Finance Charges is 6.74x, Capitalization ratio is 30.2% and Unencumbered Net Receivables to total amount of the debt under the Notes is 2.4x).

Regulatory environment and contingencies

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

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

The Company has appealed the decision in full in November, 2021, by providing legally founded position that no violations of any laws have been committed in its commercial practices, supported by one of the most reputable law firms in the financial sector. On July 11, 2022, the court rejected SIA "Extra Credit" appeal. The court's rejection has been appealed in full on August 5, 2022, and the court hearing is scheduled for May 16, 2023. As per CRPC opinion, the Company's customers have a right to claim for repayment of voluntary service commissions over the limit of total credit costs as interpreted by CRPC. The Group's management has assessed all potential contingencies regarding this case and believes that the ultimate liability, if any, will not have a material adverse effect on the financial condition or the financial results of the Group.

Tax contingencies

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

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

In 2021 the component auditor of the Group's subsidiary in Vietnam issued a modified audit report in respect of the corporate income tax risks The Group had obtained an opinion from two accounting firms in Vietnam representing a reputable international accounting networks. The Group's management and tax advisers were in opinion that the Group can defend its current corporate income tax treatment and, therefore, no provisions were recognized in financial statements of 2021 (2020 – EUR 659 937). In 2022 component auditor has not identified any tax risk associated with the corporate income tax accordingly provisions made for the tax risk in 2020 were reversed.

(37) Group entities

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

Name of entity	Registered office	Ownership 31.12.2022	Ownership 31.12.2021	Acquisition/ establishment date
Sun Finance Europe AS	Skanstes 52 Riga LV-1013 Latvia	99.25%	99.25%	09.04.2019
Sun Finance Central Asia AS	Skanstes 52 Riga LV-1013 Latvia	100%	100%	09.04.2019
Sun Finance Latin America AS *	Skanstes 52 Riga LV-1013 Latvia	99.80%	99.80%	17.06.2019
Sun Finance Scandinavia AS	Skanstes 52 Riga LV-1013 Latvia	95%	95%	09.04.2019
Sun Finance Asia AS *	Skanstes 52 Riga LV-1013 Latvia	98.50%	98.50%	15.10.2019
Sun Finance Treasury Limited	Suite 20 The Penthouse 4th Floor Ewropa Business Centre Dun Karm Street Birkirkara BKR9034 Malta	97.12%	97.12%	21.05.2019
SF Capital KG SIA	Skanstes 52 Riga LV-1013 Latvia	100%	100%	09.04.2019
Extra Credit SIA	Skanstes 52 Riga LV-1013 Latvia	97.25%	97.25%	09.04.2019
Capitolia ApS	Nørregade 6 1165 København K Denmark	95%	95%	09.04.2019
Capvia LLP	8th floor, “Turar” business-center, 502 Seifullin ave., 050012, Almaty, Kazakhstan	90%	90%	09.04.2019
Fincap LLP	8th floor, “Turar” business-center, 502 Seifullin ave., 050012, Almaty, Kazakhstan	90%	90%	09.04.2019
Creditum LLP	8th floor, “Turar” business-center, 502 Seifullin ave., 050012, Almaty, Kazakhstan	97.50%	97.50%	03.12.2019
Sofi Finance LLP *	8th floor, “Turar” business-center, 502 Seifullin ave., 050012, Almaty, Kazakhstan	97.50%	97.50%	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	96.80%	97.30%	31.10.2019
Ducatos Sp.z.o.o.	ul. Postępu 18b 02-676 Warszawa, Poland	93.85%	93.85%	13.12.2019

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Name of entity	Registered office	Ownership 31.12.2022	Ownership 31.12.2021	Acquisition/ establishment date
Primastar Sp.z.o.o.	ul. Domaniewska 47/10 02-672 Warszawa, Poland	97.13%	97.13%	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%	73,70%	13.05.2020
Luma Finans AB	Hammarby Street 93, Stockholm, 120 63, Sweden	94%	94%	23.01.2020
MFO Salem Credit TOO *	8th floor, "Turar" business-center, 502 Seifullin ave., 050012, Almaty, Kazakhstan	96.25%	96%	13.05.2020
SFDM, S.A. DE C.V.*	Shakespeare 30 floor 3 Col. Nueva Anzures Miguel Hidalgo Cd. de México C.P 11590 Mexico City	97.80%	97.80%	08.06.2020
SOFI SOLUTIONS LTD.CO.	397 Dien Bien Phu Street, Ward 4, District 3, Ho Chi Minh City, Vietnam	96.50%	96.50%	22.02.2020
DIGITAL CREDIT TRADING SERVICE COMPANY LIMITED	162 Nguyen Tri Thanh Street, Ward 2, District 10, Ho Chi Minh City, Viet Nam	96.50%**	96.50%**	22.02.2020
SF CAPITAL SG PTE. LTD.*	111 NORTH BRIDGE ROAD #08-18; PENINSULA PLAZA SINGAPORE (179098)	96.50%	96.50%	15.05.2020
SF TREASURY SG PTE.LTD.	111 NORTH BRIDGE ROAD #08-18; PENINSULA PLAZA SINGAPORE (179098)	98.50%	98.50%	22.02.2020
Sofi Lending Inc.	Unit 1405, East Tower, Philippine Stock Exchange Centre, Exchange Road, Ortigas Center, Pasig City, Metro Manila, Philippines	98.49%	98.49%	22.02.2020
Sofi Finance LLC *	Kyrgyz Republic, Bishkek, 19 Razzakova str., BC Russia, 13th floor	97.50%	97.50%	06.08.2020
PT SOFI CAPITAL INDONESIA	Multivision Tower 25th Floor, Jl. Kuningan Mulia Lot 9B, Jakarta 12980 Indonesia	83.50%	83.50%	22.02.2020
Lumify AS*	c/o Advokatfirmaet Schjødt AS; Ruseløkkveien 14, 0251 OSLO, Norway	95%	95%	27.05.2020

Name of entity	Registered office	Ownership 31.12.2022	Ownership 31.12.2021	Acquisition/ establishment date
SF Group Private Limited	No 47, Alexandra place, Colombo, 00700, Sri Lanka	98.50%	96.50%	22.02.2020
SF Lithuania UAB*	Upės g. 23, LT-08128 Vilnius, Lithuania	99.25%	99.25%	30.11.2020
MFO POS Credit*	8th floor, “Turar” business-center, 502 Seifullin ave., 050012, Almaty, Kazakhstan	98%	98%	10.03.2021
MFO SF Offline*	8th floor, “Turar” business-center, 502 Seifullin ave., 050012, Almaty, Kazakhstan	97.50%	98%	10.03.2021
FINANZA SIA	Skanstes 52 Riga LV-1013 Latvia	97.25%	97.25%	23.03.2021
SF GROUP Limited Company	397 Dien Bien Phu Street, Ward 04, District 3, Ho Chi Minh City, Vietnam	96.50%	96.50%	11.05.2021
FINCAP VN COMPANY LIMITED	54 Street No. 4, Do Thanh Apartment, Ward 04, District 3, Ho Chi Minh City, Vietnam	96.50%**	100%***	22.02.2021
Talaros Sp. z.o.o	ul. Domaniewska, No. 37, office 2.43, 02-672, Warszawa, Poland	99.25%	99.25%	19.08.2021
LLC NCI SF Azerbaijan	Suleyman Rakhimov street, 179A, AZ1014, Baku, Azerbaijan	100%	100%	28.08.2021
MFO Hava Finance	8th floor, “Turar” business-center, 502 Seifullin ave., 050012, Almaty, Kazakhstan	97.50%	97.50%	15.10.2021
Sotero LV SIA	Skanstes 52 Riga LV-1013 Latvia	97.25%	97.25%	19.10.2021
Lumino Finance Oy*	Urho Kekkosen katu 4-6 E. 00100 Helsinki	95%	95%	30.12.2021
ALC Zamat Capital*	Toktogula 125/1. Pervomaisky district, Bishkek, 720001	100%	-	09.06.2022
MFO Zamat Finance	Toktogula 125/1. Pervomaisky district, Bishkek, 720001	98%	-	28.12.2022
Kyzyfee SIA*	Skanstes 52 Riga LV-1013 Latvia	100%	-	17.08.2022
eKesh SIA*	Skanstes 52 Riga LV-1013 Latvia	100%	-	17.08.2022
SF Solutions SIA*	Skanstes 52 Riga LV-1013 Latvia	100%	-	28.09.2022

Name of entity	Registered office	Ownership 31.12.2022	Ownership 31.12.2021	Acquisition/ establishment date
Fintech Partners Europe SIA*	Skanstes 52 Riga LV-1013 Latvia	100%	-	23.08.2022
Active Investments SIA*	Skanstes 52 Riga LV-1013 Latvia	100%	-	10.10.2022
Binly Finans AB*	Hammarby Allé 93, Stockholm	95%	-	27.04.2022
SF Prestamos S.L.*	VELAZQUEZ, 109 6A, 8001, Madrid	99.25%	-	17.06.2022
Fintech Partners Asia SIA*	Skanstes 52 Riga LV-1013 Latvia	96.50%	-	14.09.2022
FPA Investments PTE LTD*	11 Beach Road, #03-01, CRASCO BUILDING, SINGAPORE	96.50%	-	21.11.2022
Star Capital Baltics SIA*	Brivibas gatve 204B Riga LV-1039 Latvia	96.50%	-	10.11.2022
SF MANAGEMENT SG PTE.LTD*	470 NORTH BRIDGE ROAD #05-12 BUGIS CUBE SINGAPORE (188735)	96,50%	-	14.03.2022
New Road Global Limited Company*	19th Floor, Room 1901, Saigon Trade Center, 37 Ton Duc Thang, Ben Nghe Ward, District 1, HCM City, Vietnam	96.50%	-	29.11.2022

* These entities have been established by the Group.

** From 07.07.2021 this entity is fully owned by the Group.

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

(38) Subsequent events

On 28 February 2023, the Sun Finance Treasury 2-year private placement subordinated bond (EE3300002088) for EUR 30 million with a coupon of 12% per annum was redeemed at maturity.

On 6 April 2023, the Group listed the 3-year corporate bond for EUR 50 million with an annual interest rate of 11.0% + 3M EURIBOR, registered in August 2022, for trading on the Nasdaq First North market. Bond maturity is September 2025.

In 2023 the Group has declared interim dividends in amount of EUR 22.9 million.

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

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INDEPENDENT AUDITORS' REPORT

to the Shareholders of Sun Finance Group AS

Our Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Sun Finance Group AS (the Group) set out on pages 10 to 60 of the accompanying annual report, which comprise:

- the Consolidated Statement of Financial Position as at 31 December 2022,
- the Consolidated Statement of Profit and Loss and Other Comprehensive Income for the year then ended,
- the Consolidated Statement of Changes in Equity for the year then ended,
- the Consolidated Statement of Cash Flows for the year then ended, and
- the Notes to the Consolidated Financial Statements, which include a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2022, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS).

Basis for Opinion

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

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

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

Reporting on Other Information

The Company management is responsible for the other information. The other information is the Management Report, as set out on pages 6 to 8 of the accompanying Annual Report and Information about the Company, as set out on pages 3 to 5 of the Annual Report.

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

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

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

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

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

Based solely on the work required to be undertaken in the course of our audit, in our opinion:
- the information given in the Management Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Management Report has been prepared in accordance with the requirements of the Law On the Annual Reports and Consolidated Annual Reports.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

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

Baker Tilly Baltics AS
Licence No. 80

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

Rīga, 5 May 2023

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

AS SUN FINANCE GROUP

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