



Sun Finance Treasury (Malta)

Reg. no. C 79771

LEI: 984500D1C496094F3921

Terms of the Notes Issue

ISIN	LV0000802494
Type of security:	Senior Unsecured Notes
Nominal:	EUR 1,000.00 (one thousand euro)
Nominal value of the issue:	EUR 20,000,000.00 (twenty million euro)
Annual Coupon Rate:	11%
Maturity:	30 June 2024

These Terms of the Issue are not a prospectus for the purposes of the Prospectus Regulation and no competent authority of any Member State has examined or approved the contents thereof. These Terms of the Issue have been prepared on the basis that all offers of the debt securities that are issued by the Issuer according to the Terms of the Issue will be made pursuant to an exemption from the obligation to publish a prospectus under the Prospectus Regulation.

The issue of the Notes is a private placement and there is no intention of the Issuer to list the Notes on a regulated market.

The Issuer is a company incorporated and existing under the Legal Acts of Malta and said Legal Acts allow for the Issuer to record the issue with the central securities depository of Latvia – Nasdaq CSD.

Decision of the Issuer to organize the issue of the Notes has been passed in compliance with the Legal Acts of Malta, however the issue of the Notes including the relationship between the Issuer and Noteholders or any third parties, and their respective rights and duties attached to the Notes such as voting rights, dividends and corporate actions is governed by the Legal Acts of the Republic of Latvia.

Under the Legal Acts of Malta the Issuer is responsible for the proper keeping of the register and shall keep a copy of all entries relating to registered shareholders and registered holders of debentures held by the central securities depository. The Issuer shall comply with the aforesaid obligations by receiving the information regarding the holders of the Notes from Nasdaq CSD, which Nasdaq CSD shall have at its disposal under the Legal Acts of the Republic of Latvia and applicable market practice.

These Terms of the Notes Issue do not constitute an offer to sell or a solicitation of an offer to buy the Notes in any jurisdiction to any person to whom it is unlawful to make such an offer or solicitation in such jurisdiction.

MiFID II product governance - solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that (i) the target market for the Notes is eligible counterparties, professional clients, and retail clients, each as defined in Directive 2014/65/EU; and (ii) all channels for distribution of the Notes to eligible counterparties, professional clients and respective retail clients are appropriate. Any person subsequently offering, selling or recommending the Notes should take into consideration the manufacturer's target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer's target market assessment) and determining appropriate distribution channels.

Before deciding to purchase the Notes, investors should carefully review and consider risk factors described herein. Should one or more of the risks materialize, this may have a material adverse effect on the cash flows, results of operations, and financial condition of the Issuer or the Guarantors. Moreover, if any of these risks materialize, the market value of the Notes and the likelihood that the Issuer will be in a position to fulfil its payment obligations under the Notes may decrease, in which case the Noteholders could lose all or part of their investments.

Arranger:



30 June 2021

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Terms and abbreviations used

- Accounting Principles** : International Financial Reporting Standards (IFRS) within the meaning of Regulation 1606/2002/EC (or as otherwise adopted or amended from time to time).
- Adjusted Equity** : The aggregate book value of the Group's total equity on consolidated basis, increased by Subordinated Debt.
- Arranger** : Signet Bank AS, registration number 40003076407, legal address: Antonijas iela 3, Riga, LV-1010.
- Business Day** : Business Day is the day when the Nasdaq CSD system is open.
- Change of Control** : The occurrence of an event or series of events whereby, a person (natural person or legal entity) or group of persons acting in concert (directly or indirectly) gains Control over the Issuer or the Group. Control over the Issuer within the Group structure might change, except if Control over the Issuer changes within the Group.
- Control or Controlled** : In relation to any entity it shall be treated as controlled by another person if that other person (whether directly or indirectly and whether by ownership of share capital, possession of voting power, contract or otherwise) appoints (or is able to appoint) and/or removes (or is able to remove) the majority of the members of the managing body of that entity or otherwise controls or has the power to control the affairs and policies of that entity.
- Coupon** : Interest on Notes calculated in accordance with the Section 3 "Information on Notes".
- Coupon Payment Date** : Coupon payments are made once a quarter on the last Business Day of the last month of a quarter.
- Custodian** : Nasdaq CSD participant directly or licensed credit institution or investment brokerage company that has a financial securities' custody account with Nasdaq CSD participant.
- EBITDA** : The consolidated net profit of the Group from ordinary activities:
(a) before deducting any amount of tax on profits, gains or income paid or payable by any Group Subsidiary;
(b) before deducting any Net Finance Charges;
(c) before taking into account any exceptional items which are not in line with the ordinary course of business;
(e) not including any accrued interest owing to any Subsidiary;
(f) before taking into account any unrealized gains or losses on any derivative instrument (other than any derivative instruments which are accounted for on a hedge account basis);
(g) before taking into account any gains or losses on any foreign exchange gains or losses;
(h) after adding back or deducting, as the case may be, the amount of any loss or gain against book value arising on a disposal of any asset (other than in the ordinary course of trading) and any loss or gain arising from an upward or downward revaluation of any asset;
(i) after deducting the amount of any profit (or adding back the amount of any loss) of any Subsidiary which is attributable to minority interests;
(j) after adding back or deducting, as the case may be, the Group's share of the profits or losses of entities which are not part of the Group; and

	(k) after adding back any amount attributable to the amortization, depreciation or depletion of assets of Group Subsidiaries.
EUR	: Euro (single currency of the member states of the European Monetary System).
Fair Market Value	: With respect to any asset, the value that would be paid by a willing buyer to an unaffiliated willing seller in a transaction not involving distress of either party, determined in good faith by Management board of Group.
FCCM	: Financial and Capital Market Commission (<i>Finanšu un kapitāla tirgus komisija</i>). Autonomous public institution of the Republic of Latvia, which carries out the supervision of Latvian banks, credit unions, insurance companies and insurance brokerage companies, participants of financial instruments market, as well as private pension funds, payment institutions and electronic money institutions.
Financial Indebtedness	: Any interest bearing Financial indebtedness of the Group including: <ul style="list-style-type: none">(a) monies borrowed or raised, including borrowings from Loan Marketplace, loans from Related Parties;(b) the amount of any liability in respect of any financial lease;(c) receivables sold or discounted (other than any receivables to the extent they are sold on a non-recourse basis);(d) any amount raised under any other transaction (including any forward purchase or sale agreement) having the commercial effect of a borrowing and treated as a borrowing under the Accounting Principles.(e) any derivative transaction based on mark-to-market value;(f) any counter-indemnity obligation in respect of a guarantee, indemnity, bond, standby or documentary letter of credit or any other instrument issued by a bank or financial institution; and(g) without double-counting any guarantee or other assurance against financial-loss in respect of a type referred to the above items (a) to (f).
First North	: Multilateral Trading Facility (MTF) First North operated by Nasdaq Riga.
First Settlement Date (Issue Date)	: The date when interest on the Notes starts to accrue: 20 July 2021.
Force Majeure Event	: Has the meaning set forth in Clause 5.4.
Group or Sun Finance	: Group of the legal entities comprising AS Sun Finance Group, registration number 40203205428, legal address at Skanstes iela 52, Riga, LV-1013, and its direct or indirect Subsidiaries.
Guarantor	: An entity providing the guarantee of fulfilment of Issuer's obligations under the Notes. The Notes shall be guaranteed by the holding company AS "Sun Finance Group" and all Material Subsidiaries of the Group.
Interest calculation period	: The period of time between the First Settlement Date and the date of the first payment or between two Coupon Payment Dates.
Issuer	: Sun Finance Treasury Limited, registration number: C 79771, registered office at Suite 20, The Penthouse, 4th Floor, Ewropa Business Centre, Dun Karm Street, Birkirkara, BKR9034, Malta.
Legal Acts	: All legal acts, including regulations of FCCM, Nasdaq Riga and Nasdaq CSD, which are in force from time to time in Latvia, Malta and each other country in which any Group Subsidiary is domiciled.
Loan Marketplace	: A platform which offers the ability for the Group to list its loans to third party investors on a platform at varying interest rates and maturities (tied to each individual loan), thus offering an additional source of funding for the Group.

Material Subsidiary	: Any current and future Subsidiary of the Group, which has assets with balance sheet value of at least EUR 1,000,000 (one million euro) as determined in the latest consolidated audited report.
Maturity Date	: Date when the Notes shall be repaid in full at their Nominal Value by the Issuer, which is 30 June 2024
Minimum Settlement Unit	: The minimum amount which can be held and traded, which is equal to Nominal Value.
Mintos	: Loan Marketplace operated by Mintos OÜ (Estonia) (registration No. 12807141) and SIA Mintos Finance (registration No 40203022549) (Latvia) acting as loan originators and AS Mintos Marketplace (registration No. 40103903643) maintaining and managing the Mintos platform and servicing the claims of the investors.
Nasdaq CSD or Depository	: Nasdaq CSD SE (registration number: 40003242879, legal address Vaļņu iela 1, Rīga, LV-1050, Latvia).
Nasdaq Riga	: AS “Nasdaq Riga” (registration number: 40003167049, legal address: Vaļņu iela 1, Rīga, LV-1050, Latvia).
Net Finance Charges	: All recurring debt related charges for the Group: (a) including cash interest expense on Financial Indebtedness; (b) after deducting any interest income relating to Cash and Cash equivalents; (c) excluding any payment-in-kind interest capitalized on loans from Related Parties; and (d) excluding gains arising from foreign currency revaluations of intercompany balances.
Net Loan Portfolio	: The sum of loans, securities, investments, receivables and reserves minus allowances for the loss of the Group as set forth on the consolidated balance sheet for the relevant financial period.
Nominal Value	: Face value of a single Note, which is EUR 1,000.00 (one thousand euro and 00 cents).
Note	: Debt security that is issued by the Issuer according to the Terms of the Issue.
Noteholder	: Private person or legal entity that is an owner of one or more Notes and has a claim against the Issuer as stipulated by the Legal Acts of the Republic of Latvia.
Permitted Business	: Any businesses, services or activities that are the same as, or reasonably related, ancillary or complementary to, any of the businesses, services or activities in which the Group is engaged on the Issue Date, and reasonable extensions, developments or expansions of such businesses, services or activities.
Permitted Investment	: Any investment in the form of loan or equity participation by the Issuer or the Group if such investment is made: (a) within the Group in the Group’s ordinary course of business; or (b) outside the Group if such entity receiving the investment becomes a Group Subsidiary within twelve months after such investment has been received; or (c) outside the Group if the total amount of such investments does not exceed 20% of Adjusted Equity; or (d) as part of Permitted Distribution, defined in Clause 5.1.6.
Potential Investor	: Private person or legal entity that has, according to the terms stated in the Terms of the Issue, expressed interest or is planning to purchase for its own account one or more Notes.

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Prospectus Regulation	: Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC.
Related Parties	: Any person (natural person or legal entity) in relation to the Issuer or the Group, which: (a) is a direct or indirect shareholder holding more than 25 (twenty five) per cent of the capital shares or voting stock (b) directly or indirectly has Control (c) is member of the management board or the council (if relevant) (d) is a spouse of any persons referred to in (a) to (c).
Relevant Period	: Each period of 12 (twelve) consecutive calendar months, fixed at the end of each calendar quarter
Settlement Unit Multiple	: Multiple that defines that the settlement quantity or nominal must be a multiple of the Minimum Settlement Unit.
Subordinated Debt	: Debt of the Group in form of subordinated notes or any other form that is subordinated (i.e., repayable only after settlement of all obligations under the Notes) to the Notes.
Subsidiary	: Direct and indirect subsidiaries of the Group defined in accordance with the IFRS.
Terms of the Issue	: This document, which entitles the Issuer to execute the Issue and the initial offering of the Notes.
Unencumbered Net Loan Portfolio	: Part of the Net loan portfolio that is not pledged, charged, assigned or encumbered in any other manner to any party.

BEFORE DECIDING TO PURCHASE THE NOTES, INVESTORS SHOULD CAREFULLY REVIEW AND CONSIDER THE FOLLOWING RISK FACTORS. SHOULD ONE OR MORE OF THE RISKS DESCRIBED BELOW MATERIALIZE, THIS MAY HAVE A MATERIAL ADVERSE EFFECT ON THE CASH FLOWS, RESULTS OF OPERATIONS, AND FINANCIAL CONDITION OF THE ISSUER OR THE GUARANTORS. MOREOVER, IF ANY OF THESE RISKS MATERIALIZE, THE MARKET VALUE OF THE NOTES AND THE LIKELIHOOD THAT THE ISSUER WILL BE IN A POSITION TO FULFIL ITS PAYMENT OBLIGATIONS UNDER THE NOTES MAY DECREASE, IN WHICH CASE THE NOTEHOLDERS COULD LOSE ALL OR PART OF THEIR INVESTMENTS.

1. Risk factors

1.1. Risk factors relating to the Issuer, the Group and its business

The risks indicated in this section may reduce the Issuer's ability to fulfil its obligations and cause its insolvency in the worst-case scenario. Noteholders have to take into account that Notes are unsecured. This section may not feature all the potential risks, which may affect the Issuer.

The Issuer and the Guarantors are direct or indirect Subsidiaries of AS Sun Finance Group and part of the Group. Accordingly, the Issuer and the Guarantors are affected, substantially, by the same risks as those that affect the business and operations of the entire Group. Therefore, references in this section to the Group shall include references to the Issuer and all Guarantors (if applicable). Additional risks and uncertainties, which are currently not known to the Issuer or which the Issuer currently believes are immaterial, could also impair the business, cash flows, results of operations and their financial condition. The order in which the risks are presented does not reflect the likelihood of their occurrence or the magnitude of their potential impact on the Issuer or the Guarantors. In addition, investors should be aware that the risks described therein might combine and thus intensify one another.

The Issuer carries out its activity in Malta, however most of the risks, which affect it, are related not only to the general economic situation and Legal Acts of Malta, but also to economic situation and legal and regulatory framework in countries where Group Subsidiaries carry out their business.

Any material changes in the existing Legal Acts or implementation of any new Legal Acts in any country where the Group Subsidiaries operate might negatively affect the business and solvency of the Issuer and the Guarantors.

1.1.1. Macroeconomic and political risk

Overall Economic and Political Environment

The Group operates in a variety of markets in Europe, Central Asia, and the Americas, including Denmark, Poland, Kazakhstan, Latvia, Mexico, Sweden and Vietnam and is continuously analysing and considering expanding its business into other new markets when such opportunities arise and are appropriate. Some of the markets where the Group operates or plans to operate are still evolving and, thus, have higher economic and political risks.

The Group's business is dependent on consumer spending trends in the countries the Group operates. Therefore, any period of economic slowdown or recession in these countries could make it more difficult for the Group to retain or expand its customer base. High levels of unemployment in the markets in which the Group operates will likely reduce Group's potential customer base, in turn reducing Group's revenues. Additionally, during periods of economic slowdown or recession,

the ability of Group's customers to repay their loans could decline, leading to higher credit losses. Thus, adverse changes in economic conditions in countries where the Group operates could materially adversely affect Group's business prospects, financial condition, and results of operations.

In recent years, some of the markets where the Group operates have undergone substantial political, economic and social change. In addition, the tax and currency legislation in the markets in which the Group operates are subject to varying interpretations and changes, which can occur frequently. Any disruption of the reform policies and recurrence of political or governmental instability may have a material adverse effect on Group's business, financial condition, results of operations, prospects and cash flows.

The future economic direction of the markets in which the Group operates remains largely dependent upon the effectiveness of economic, financial and monetary measures undertaken by their respective governments, together with tax, legal, regulatory, and political developments. Group's failure to manage the risks associated with Group's operations in respective regions and markets may have a material adverse effect on Group's business, financial condition, results of operations, prospects and cash flows.

Country	GDP growth %			Credit Rating		
	2019	2020	2021F	Moody's	S&P	Fitch
Denmark	2.9	(3.2)	2.8	Aaa (stable outlook)	AAA (stable outlook)	AAA (stable outlook)
Poland	4.5	(2.7)	3.5	A2 (stable outlook)	A- (stable outlook)	A- (stable outlook)
Kazakhstan	4.5	(2.5)	3.2	Baa3 (positive outlook)	BBB- (stable outlook)	BBB (stable outlook)
Latvia	2.1	(3.6)	3.8	A3 (stable outlook)	A+ (stable outlook)	A- (stable outlook)
Mexico	(0.1)	(8.2)	5.0	Baa1 (negative outlook)	BBB (negative outlook)	BBB- (stable outlook)
Sweden	1.4	(2.8)	3.1	Aaa (stable outlook)	AAA (stable outlook)	AAA (stable outlook)
Vietnam	7.0	2.9	6.5	Ba3 (positive outlook)	BB (positive outlook)	BB (positive outlook)

Source: IMF World Economic Outlook, April 2021

COVID-19

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

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

The Group materially reduced loan issuance levels during the latter part of Q1’20 as well as first half of Q2’20, in order to fully assess the impact of the COVID-19 outbreak on different markets and how the situation will affect customer behaviour.

While business activity was significantly reduced for several months, loan issuance returned to pre-COVID levels by end of Q2’20, given the Group’s industry-leading data science and risk teams which drove the ability to review and swiftly adjust the scoring models and lending strategies to the new status quo.

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

1.1.2. Regulatory and licensing risk

Group’s operations are subject to regulation by a variety of consumer protection, financial services and other state authorities in various jurisdictions, including, but not limited to, laws and regulations relating to consumer loans and consumer rights protection, debt collection and personal data processing. National and international regulations, as well as plaintiff bars, the media and consumer advocacy groups, have subjected the industry Sun Finance is operating in to intense scrutiny in recent years. Failure to comply with existing laws and regulations applicable to Group’s operations, or to obtain and comply with all authorizations and permits required for Group’s operations, or adverse findings of governmental inspections, may result in the imposition of material fines or penalties or more severe sanctions, including preventing the Group from continuing substantial parts of its business activities, suspension or revocation of Group’s licenses, or in criminal penalties being imposed on Group’s officers.

Country	Regulatory Framework
Denmark	<p>A new Act on Consumer Loan Businesses came into force on 1st July 2019. According to the Act the companies must submit an application for the licence by January 1, 2020.</p> <p><u>The main laws and legislations:</u></p> <ul style="list-style-type: none"> • The Act on Consumer Loan Businesses (in Danish: Lov om forbrugslånsvirksomheder). • The Danish Marketing Act (in Danish: Lov om markedsføring), • The Danish Credit Agreements Act (in Danish: Lov om kreditaftaler). • The Danish Act on Measures to Prevent Money Laundering and Financing of Terrorism (in Danish: hvidvaskloven). <p><u>The Supervisory Authorities:</u></p>

	<ul style="list-style-type: none"> • The Danish Consumer Ombudsman (Forbrugerombudsmanden), supervises compliance with marketing law. • The Danish Financial Supervisory Authority (FSA), supervises compliance with AML/CTF and consumer lending companies' laws.
<p>Poland</p>	<p>In Poland the consumer lending market is a regulated market, but no license is required for providing consumer lending services. The main legal act regulating the market is the Act on Consumer Credit, which regulates the most important aspects of consumer credit agreements. The regulatory institution is KNF (Polish Financial Supervision Authority) that has registers of lending companies and financial intermediaries. The loan institution must meet the requirements set out in the Consumer Credit Act: The minimum share capital - PLN 200 000, legal form: limited liability company or joint-stock company, the share capital may only be covered by a cash contribution. Funds to cover this capital may not come from a credit, loan, bond issue or undocumented sources. Consumer lending companies are also supervised by the Office of Competition and Consumer Protection and Rzecznik Finansowy (Financial Ombudsman).</p> <p>Other regulatory acts, regulating Issuer's activities, are:</p> <ul style="list-style-type: none"> • Polish Civil Code – stating the main conditions in civil law, also concerning consumer protection; • Act on Preventing Money Laundering and Terrorism Financing – the purpose of this law is to prevent money laundering and terrorist financing; • The Act on Consumer Rights – stating detailed and additional provisions in relation to duties of an entrepreneur, principles and procedures of concluding distance and off-premises contracts, the right to withdrawal from a distance or off-premises contract, as well as other additional provisions not mentioned in Polish Civil Code; • The Act on Competition and Consumer Protection - stating that any practice harmful to the collective interests of consumers is prohibited and may result in the imposition of a fine by the President of the Office of Competition and Consumer Protection; • Code of good practice in lending companies advertisement – stating the main pre-conditions for advertising.
<p>Kazakhstan</p>	<p>The provision of online consumer credits is regulated by the Law of the Republic of Kazakhstan of November 26, 2012 No. 56-V "On Microfinance Activities" (with amendments and additions as of May 13, 2020), as well as by other regulatory legal acts of the authorized body of the National Bank of the Republic of Kazakhstan.</p>

	<p>From 01.07.2020, all companies that issue online loans must obtain permission from the National Bank to carry out consumer lending activities and issue loans.</p> <p>From 01.01.2021, all companies that issue online loans must obtain a license from the National Bank to carry out activities for the provision of micro-loans.</p> <p>Other regulatory acts, indirectly regulating the Group's activities, are:</p> <ul style="list-style-type: none"> • Law on Personal Data and Their Protection - the purpose of this law is to ensure the protection of the rights and freedoms of a person and citizen when collecting and processing his personal data. • Law on Collection Activity – the purpose of this law is to regulate social relations associated with the implementation of collection activities, regulate establishment and activities of collection agencies, and also determine the features of state regulations and control over of collection agencies.
<p>Latvia</p>	<p>In Latvia, the consumer lending market is regulated. The main legal act regulating the market is the Consumer Rights Protection Law. The purpose of this law is to ensure that consumers are able to exercise and protect their lawful rights when entering into contracts with manufacturers, traders or service providers.</p> <p>Currently, the activity of non-bank credit companies in Latvia is regulated by Cabinet Regulation No. 245 of 29 March 2011, "Regulations Regarding a Special Permit (License) of Consumer Credit Services", which, among other things, determines the need for a license, the fee of which is EUR 250,000.00, as well as annual prolongation of license operation, the fee of which is EUR 55,000.00; by Cabinet Regulation No. 691 of 25 October 2016, "Regulations On Consumer Credit", Law On Out-Of-Court Consumer Dispute Resolution Bodies, Personal Data Protection Law; Unfair Commercial Practice Prohibition Law; Law On Extrajudicial Recovery of Debt, and Consumer Rights Protection Law.</p> <p>A permission (license) for providing consumer crediting services is required to issue small consumer payday loans.</p> <p>The key terms for issue / revocation of the license include the following:</p> <ul style="list-style-type: none"> • For the license to be issued an application should be submitted to the CRPC with a proof of developed internal regulations of the applicant for customer assessment, complaints handling, etc. The applicant also has to satisfy all requirements applicable to it under the legislation regarding its board members. • The licensee has to comply with the laws applicable to it and report to CRPC its performance indicators on a semi-annual basis, as well as on CRPC's request. • If a licensee breaches the requirements of the license, CRPC can revoke or suspend the license. As of now there have been

	<p>no precedents of revocation of this type of a license in the Latvian market, only precedents of its suspension.</p>
<p>Mexico</p>	<p>In Mexico the consumer lending market is a partially regulated market, but no license is required for providing consumer lending services.</p> <p>The main legal act regulating the market is the General Law of Commercial Companies that states the basic rules and pre-conditions for limited liability companies, e.g., all agreements must be included in the general stockholders' book; each year an obligatory annual meeting must be held within the first three months; and other requirements. There is no regulatory institution regulating the consumer lending market. Issuance of loans is considered a vulnerable activity according to Federal Law for the Prevention and Identification of Operations with Resources of Illegal Proceedings. This law provides regular reporting obligations to the consumer lending companies.</p> <p>Other regulatory acts, indirectly regulating Issuer's activities, are:</p> <ul style="list-style-type: none"> • Federal Law for the Protection of Personal Data Held by Private Parties - this law regulates the legitimate collection, processing and disclosure of personal data held by the private sector. Its purpose is to ensure that the privacy and the right to informational self-determination of Mexican individuals are guaranteed. • The Federal Law for Protection of the Consumer – this law protects consumers and allows the Procuracy Office to apply a fine in certain cases, for example, if the information related to any service (loan) misleads or confuses a consumer.
<p>Sweden</p>	<p>In Sweden, the consumer lending market is regulated. Swedish Financial Supervisory Authority (FSA) took over regulatory responsibility for consumer lenders in 2014. Issuing loans to consumers requires authorisation from Swedish FSA in accordance with the Certain Consumer Credit-related Operations Act (2014:275).</p> <p>Permission is granted if the articles of association do not violate any law and Swedish FSA has made a suitability assessment of the board, the managing director (CEO) and those who have or are expected to have a qualifying holding in the company, to prevent unsuitable persons from having influence of the company.</p> <p>The fee for assessing an authorisation application and approval of the articles of association/by-laws is SEK 60,000.00. Swedish FSA also charges an annual supervision fee of SEK 50,000.00.</p> <p>Swedish FSA also has the rights to continuously check if the companies follow their articles of association.</p> <p>The main laws and legislations:</p>

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	<ul style="list-style-type: none"> • The Banking and Financing Business Act (2004:297) (in Swedish: <i>Lag (2004:297) om bank- och finansieringsrörelse</i>); • The Consumer Credit Activities Act (2014:275) (in Swedish: <i>Lag (2014:275) om viss verksamhet med konsumentkrediter</i>); • The Consumer Credit Act (2010:1846) (in Swedish: <i>Konsumentkreditlagen (2010:1846)</i>); • Marketing Act (2008: 486) (in Swedish: <i>Marknadsföringslag (2008:486)</i>) <p>The Supervisory Authorities:</p> <ul style="list-style-type: none"> • The Swedish Financial Supervisory Authority (in Swedish: <i>Finansinspektionen</i>); The Swedish Consumer Agency (in Swedish: <i>Konsumentverket</i>) – exercises supervision regarding the conditions for granting a loan, whether The Consumer Credit Act has been complied.
Vietnam	<p>In Vietnam, the consumer lending market is a partly regulated market and a Certificate of Satisfaction of Conditions on Security and Order (SC Certificate) from local Vietnamese Police office is required.</p> <p>To receive a SC Certificate, certain conditions need to be met. The official responsible for security and order must satisfy a list of mandatory requirements, such as having at least five years certified permanent residence in the commune, ward or township where the business location is registered, not being accused of a crime or not to be sentenced to a term of imprisonment of at least three years, and has not been fined by an administrative agency for specific offences in the consecutive five year period before registration of such business.</p> <p>SC Certificate license term is unlimited, but becomes invalid once the business for which the SC was awarded to ceases its operations.</p> <p>Main laws regulating the market are as follows: Civil Code 2015 (Civil Code No. 91/2015/QH13), The Law on Enterprise (“<i>LE 2014</i>”), Decree 96/2016/ND-CP, Circular No. 13/1999/TT-BTM , Decree 50/2016/ND-CP, Decree 167/2013/ND-CP, Circular 42/2017/TT-BCA, Circular 43/2017/TT-BCA, Circular 218/2016/TT-BTC, Decision No. 01/2007/QD-BTM (“<i>Decision 01/2007/QD-BTM</i>”).</p>

Regulation in the consumer credit industry is not homogeneous, but rather country-specific. Among the countries where the Group’s entities are currently operating, there are countries which require licencing or other type of permit for provision of consumer lending activities, and countries where the licencing is not required. For example, in Latvia where Consumer Rights Protection Centre (CRPC) carries out supervisory functions for consumer finance and debt collection companies. CRPC is entitled to withdraw licenses in case there are breaches of regulations set forth by Legal Acts of the Republic of Latvia. Group believes that the risk is managed by following

regulations and recommendations. Nevertheless, the risk that the regulator may interpret or enforce existing requirements in new ways that could restrict the Group's ability to continue its current way of operation or impose significant additional compliance costs on the Group cannot be ruled out.

Furthermore, governments may seek to impose new laws, regulatory restrictions or licensing requirements that affect the products or services the Group offers, the terms on which the Group offers them, and the disclosure, compliance and reporting obligations the Group must fulfil in connection with the Group's business. The legal and judicial systems in some of the markets where the Group operates or plans to operate in the future are less developed than those of the western European markets. Legal provisions regulating the industry in these jurisdictions have been and continue to be subject to ongoing, and at times unpredictable, changes.

The Group believes that, being a larger scale company in this sector with a well-diversified portfolio and regions of operations, it is better positioned than smaller local peers to adapt to new regulation and licensing requirements. However, any of the factors listed in this section may impede the Group's ability to conduct its operations, force the Group to relocate existing operations or exit key jurisdictions and, therefore, may have a material adverse effect on its business, financial condition, results of operations, prospects and cash flows. Sun Finance continuously follows the developments and changes in the relevant legislation in each of the markets in order to be in line with the requirements and minimize risks.

1.1.3. Competition risk

The Group faces competition in all countries it operates, and in some markets the competition is more intense than others. Globally, Group's principal competitors include other online lenders (including peer-to-peer lenders), credit card companies, consumer loan companies, such as retail chains, and banks and other financial institutions. Many banks and other financial institutions, as well as consumer loan companies that do not currently offer products or services directed towards Group's traditional customer base, could begin doing so, or new online lending companies could enter the markets in which the Group operates or plans to enter.

The Group's competitors may operate, or begin to operate, under business models less focused on legal and regulatory compliance, which could put the Group at a competitive disadvantage. Additionally, negative perceptions of these business models could cause legislators or regulators to pursue additional industry restrictions that could affect the Group's business model. To the extent such lending models gain acceptance among consumers and investors or benefit from less onerous regulatory restrictions than those to which the Group is subject, the Group may be unable to replicate their platforms or otherwise compete with them effectively, which could cause demand for Group's products to decline substantially.

Sun Finance can offer no assurance that it will be able to compete successfully against any or all of the Group's current or future competitors. As a result, the Group could lose market share and its revenue could decline, thereby affecting the Group's ability to generate sufficient cash flow to service its indebtedness or fund operations. Significant increases in the number and size of the Group's competitors could result in a decrease in demand for its online loan products, resulting in a decline in the Group's revenues and net earnings. Increased competition or more aggressive marketing and pricing practices on the part of the Group's competitors could result in lower revenues, margins and turnover rates in the Group's operations, which may have a material adverse effect on its business, financial condition, results of operations, prospects and cash flows.

1.1.4. Credit risk

The Group is exposed to the risk of loss through defaults on the loans granted. The default is contingent on the inability or unwillingness of the customer to make payments. 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 lending decisions are based partly on information provided to the Group by loan applicants and/or delivered by third parties (credit bureaus, agencies, and other partners). Prospective customers may fraudulently provide the Group with inaccurate information or third parties might provide the Group with incomplete information which, if not alerted, may harm Group's credit scoring and respective risk decisions.

Any failure to correctly assess the credit risk of potential customers may have a material adverse effect on the Group's business, financial condition, results of operations, prospects and cash flows and may even invoke regulatory sanctions (including imposition of fines and penalties, suspension of operations, or revocation of the Group's licenses).

The Group operates according to its established credit risk policies and principles and uses its proprietary credit scoring system. Although the Group's credit policies and scoring models are refined and updated on an on-going basis, they may prove insufficient, which may be caused by an internal failure of the Group's risk management procedures or an external change of conditions beyond the Group's control.

The Group utilizes a variety of credit scoring criteria, monitors the performance of the Group's loan portfolio and provides impairment for estimated losses on loan portfolio at a level estimated to be adequate to absorb expected credit losses. Although Group's impairment methodology is very prudent and the Group's non-performing loan portfolio coverage as at end of March 2021 is more than 196%, actual loan losses may materially exceed the level of the Group's allowance for impairment losses, which may have a material adverse effect on Group's business, financial condition, results of operations, prospects and cash flows. In addition, factors beyond the Group's control, such as the impact of macroeconomic trends, political events or adverse events affecting Group's key jurisdictions, or natural disasters, may result in an increase in non-performing loans. Group's impairment for doubtful debts may not be adequate to cover an increase in the amount of non-performing loans or any future deterioration in the overall credit quality of the Group's total loan portfolio. If the quality of the Group's total loan portfolio deteriorates, the Group may be required to increase its impairment for loan portfolio, which may have a material adverse effect on the Group's business, financial condition, results of operations, prospects and cash flows.

1.1.5. Risks related to dependency upon the Group's information technology systems

The Group's operations are significantly dependent on highly complex information technology ("IT") systems. The loan underwriting process is mainly performed automatically by the IT systems developed internally by the Group and used at various stages of the underwriting process, including customer registration, application, identification and credit scoring. In addition, bank transfers are completed online and reminder emails and invoicing are automatically processed and sent to customers. If any IT system at any stage of the loan underwriting process were to fail,

any or all stages of the underwriting process could be affected and customer access to the Group's websites and products could be disrupted. Any disruption in the Group's IT systems would prevent customers from applying for loans or hinder the debt collection by the Group, which would impede the Group's ability to conduct its business and have a material adverse effect on its business, financial condition, results of operations, prospects and cash flows.

In addition, the IT systems are vulnerable to a number of problems, including computer viruses, unauthorized access, physical damage to vital IT centers and software or hardware malfunctions. Any interruption in, or security breach of the Group's IT systems could have a material adverse effect on its operations, such as the ability to serve the Group's customers in a timely manner, accurately record financial data and protect the Group and its customers from financial fraud or theft. If the Group's operations are compromised, its reputation and client confidence in the Group's business may deteriorate and it may suffer significant financial losses, any of which may have a material adverse effect on the Group's business, financial condition, results of operations, prospects and cash flows.

1.1.6. Growth and Expansion risk

The Group's business may continue to grow substantially in the future. This growth has placed and may continue to place significant demands on the Group's management and its operational and financial infrastructure. Expanding the Group's products or entering into new jurisdictions with new or existing products can be costly and may require significant management time and attention. Additionally, as the Group's operations grow in size, scope and complexity and its product offerings increase, the Group will need to upgrade its systems and infrastructure to offer an increasing number of customer enhanced solutions, features and functionality. The expansion of the Group's systems and infrastructure will require the Group to commit substantial financial, operational and technical resources in advance of an increase in the volume of business, with no assurance that the volume of business will ultimately increase. Continued growth could also strain the Group's ability to maintain reliable service levels for its customers, develop and improve the Group's operational, financial and management controls, develop and enhance its legal and compliance controls and processes, enhance reporting systems and procedures and recruit, train and retain highly skilled personnel. Managing the Group's growth will require, among other things, continued development of financial and management controls and IT systems; increased marketing activities; hiring and training of new personnel; and the ability to adapt to changes in the markets in which the Group operates, including changes in legislation, incurrence of additional taxes, increased competition and changes in the demand for the Group's services.

The Group currently operates in seven jurisdictions and, as part of its business strategy, Sun Finance aims to continue pursuing attractive business opportunities in new jurisdictions including, but not limited to, Scandinavia and Asia. Although the Group analyses and carefully plans its international expansion, such expansion increases the complexity of the Group's organization and may result in additional administrative costs (including costs relating to investments in IT), operational risk (including risks relating to management and control of cash flows and management and control of local personnel), other regulatory risks (including risks relating to non-compliance with data protection, anti-money laundering and local laws and regulations) and other challenges in managing the Group's business, including, but not limited to, cultural differences, time zone management, unusual customer behaviour.

Mistakes in planning or controlling the Group's growth and expansion in different regions may be costly and may strain its managerial and operational resources; any difficulties encountered in

managing the Group's growth may have a material adverse effect on its business, financial condition, results of operations, prospects and cash flows.

1.1.7. Risks associated with new products and services

As part of the Group's business strategy, Sun Finance has introduced instalment loans to its existing customer base in limited markets on a test basis and may develop and introduce other products and services that complement its current product proposition. However, the Group cannot guarantee that these products will be developed into permanent product offerings or that the Group will launch any other new products. Sun Finance can also offer no assurance that any products or services that it introduces will be successful once they are offered to the Group's current or future customers. Sun Finance may not be able to adequately anticipate its target customers' needs or desires, which could change over time rendering certain of the Group's products and services obsolete. The Group may face difficulties in making these products and services profitable and may incur significant costs in connection with such products. Moreover, the Group's introduction of additional financial products or services could subject it to additional regulation or regulatory oversight by governmental authorities. Any of these factors may have a material adverse effect on the Group's business, financial condition, results of operations, prospects and cash flows.

1.1.8. Privacy and data protection breach risk

The Group's business is subject to a variety of laws and regulations that regulate user privacy issues, data protection, advertising, marketing, disclosures, distribution, electronic contracts and other communications, consumer protection and online payment services. Severity of consequences in case of non-compliance with the said privacy laws may differ from country-to-country. For instance, one of the strictest regulations is introduced by the General Data Protection Regulation ("GDPR") applicable in the European Union and European Economic Area ("EU/EEA") member states. According to the GDPR administrative fine for non-compliance with its provision may amount to 20,000,000.00 EUR or 4% from the total worldwide annual turnover of the preceding year, whichever is higher.

The introduction of new products or the expansion of the Group's activities in certain jurisdictions may subject the Group to additional obligations under privacy-related laws and regulations. In addition, the application and interpretation of these laws and regulations are often uncertain, particularly in the new and rapidly evolving fintech industry in which Sun Finance operates, and may be interpreted and applied inconsistently from country to country and may also be inconsistent with the Group's current or past policies and practices. Furthermore, the Group's operations may be affected by interpretation of the applicable laws by state and international authorities. For instance, on 16 July 2020 Court of Justice of the European Union invalidated EU-US Data Protection Shield mechanism, which affects transfer of personal data by EU/EEA companies to the US. Furthermore, the said decision clarified that before entering into Standard Contractual Clauses (another mechanism for transferring personal data outside EU/EEA), possibility to observe the provisions of the Standard Contractual Clauses in practice must be assessed. As a result, this decision affects Group's rights to use business partners located in countries outside the EU/EEA.

In addition, some countries have adopted or are considering legislation requiring local storage and processing of data that, if enacted, would increase the cost and complexity of delivering the Group's services.

Existing and proposed laws and regulations can be costly to comply with and can delay or impede the development of new products, the expansion into new markets, result in negative publicity, increase the Group's operating costs, require significant management time and attention, and subject the Group to inquiries or investigations, claims or other remedies, including demands which may require the Group to modify or cease existing business practices and/or pay fines, penalties or other damages. This may have a material adverse effect on the Group's business, financial condition, results of operations, prospects and cash flows.

Although the Group has adopted and continues to adopt appropriate technical and organizational measures (for instance, adopting internal documents (policies, procedures, risk assessments, etc.) regulating privacy matters, conducting trainings of employees, appointing personal data protection officers, etc.) to ensure compliance with applicable privacy laws and regulations, the Group cannot guarantee that its employees will comply at all times with such laws and regulations. If the Group's employees fail to comply with such laws and regulations in the future, the Group may become subject to fines or other penalties which may have an adverse impact on its reputation, business, financial condition, results of operations, prospects and cash flows.

1.1.9. Anti-money laundering breach risk

Sun Finance is subject to anti-money laundering laws and related compliance obligations in most of the jurisdictions in which it does business. The Group has put in place an anti-money laundering policy, which the Group applies in all of its countries of operation. The Group has also adopted local anti-money laundering policies and procedures in all of its countries of operation. However, these policies and procedures may not prevent all possible breaches of law. Country managers and other appointed persons in each jurisdiction are responsible for money laundering prevention and compliance. The Group is required to comply with anti-money laundering regulations that are generally less restrictive than those that apply to banks. If the Group is not in compliance with relevant anti-money laundering laws, it may be subject to criminal and civil penalties and other remedial measures. Although Sun Finance invests significant resources in its anti-money laundering program and tools, any penalties, remedial measures or investigations into any potential violations of anti-money laundering laws could harm the Group's reputation and may have a material adverse effect on its business, financial condition, results of operations, prospects and cash flows. Further, anti-money laundering regulations may become at least as restrictive as those that apply to the banks, which will have a material adverse effect on the Group's business, financial condition, results of operations, prospects and cash flows.

1.1.10. Reputation risk

The Group's ability to attract new customers and retain existing customers depends in part on its brand recognition, reputation and delivery of high-quality services. The Group's reputation and brand may be harmed if Sun Finance encounters difficulties in the provision of new or existing services, whether due to technical difficulties, changes to its traditional product offerings, financial difficulties, regulatory sanctions, or for any other reason. Although the Group invests significant resources in marketing and public relation services its ability to attract and retain customers is highly dependent upon the success of those campaigns and perception of the Group's reputation and brands. Restrictions on the Group's ability to advertise its products or negative perceptions or publicity regarding lending in general – even if related to seemingly isolated incidents or to practices not specific to short-term loans, such as debt collection – could erode trust and confidence in the Group and damage its reputation among existing and potential

customers, which could make it difficult for Sun Finance to maintain or expand its customer base or could reduce the demand for its products and services, both of which may have a material adverse effect on the Group's business, financial condition, results of operations, prospects and cash flows.

1.1.11. Cyber security risk

The Group's business involves the storage and transmission of consumers' proprietary information, and security breaches could expose the Group to a risk of loss or misuse of this information, litigation and potential liability. Sun Finance is entirely dependent on the secure operation of its websites and systems, and the websites and systems of the Group's data center providers, as well as on the operation of the internet generally. While the Group has incurred no material cyber-attacks or security breaches to date, a number of other companies have disclosed cyber-attacks and security breaches, some of which have involved intentional attacks. Attacks may be targeted at the Group, its customers and/or the Group's data center providers. Although Sun Finance and its data center providers devote resources to maintain and regularly upgrade the Group's systems and processes that are designed to protect the security of the computer systems, software, networks and other technology assets and the confidentiality, integrity and availability of information belonging to the Group and its customers, there is no assurance that these security measures will provide absolute security. Despite the Group's efforts to ensure the integrity of the systems and the Group's data center providers' efforts to ensure the integrity of their systems, effective preventive measures against all security breaches may not be anticipated or implemented, especially because the techniques used change frequently or are not recognized until launched, and because cyber-attacks can originate from a wide variety of sources, including third parties outside the Group, such as persons who are involved with organized crime or associated with external service providers or who may be linked to terrorist organizations or hostile foreign governments.

These risks may increase in the future as Sun Finance continues to increase its mobile and other online based product offerings and expand the Group's internal usage of web-based products and applications or expand into new countries. If an actual or perceived breach of security occurs, customer and/or supplier perception of the effectiveness of the Group's security measures could be harmed and could result in the loss of customers, suppliers or both. Actual or anticipated attacks and risks may cause Sun Finance to incur increased costs, including costs to deploy additional personnel and protection technologies, train employees or engage third party experts and consultants.

A successful penetration or circumvention of the Group's security systems or the security system of its data center providers could cause serious negative consequences to the Group's business, including significant disruption of its operations, misappropriation of its confidential information or that of the Group's customers or damage to the Group's computers or systems or those of the Group's customers and counterparties, and could result in violations of applicable privacy and other laws, financial loss to the Group or to its customers, loss of confidence in the Group's security measures, customer dissatisfaction, significant litigation exposure and reputational harm, all of which could have a material adverse effect on the Group. In addition, most of the Group's applicants provide personal information, including bank account information when applying for consumer loans.

Sun Finance relies on encryption and authentication technology licensed from third parties to provide the security and authentication to effectively secure transmission of confidential

information, including customer bank account and other personal information. Advances in computer capabilities, new discoveries in the field of cryptography or other developments may result in the breach or compromise of the technology used by the Group to protect transaction data. Data breaches can also occur as a result of non-technical issues.

The Group's servers are also vulnerable to computer viruses, physical or electronic break-ins, and similar disruptions, including "denial-of-service" type attacks. The Group may need to expend significant resources to protect against security breaches or to address problems caused by breaches. Security breaches that result in the unauthorized release of consumers' personal information could damage the Group's reputation and expose the Group to a risk of loss or litigation and possible liability. In addition, many of the third parties who provide products, services or support to the Group could also experience any of the cyber risks or security breaches described above, which could impact the Group's customers and the Group's business and could result in a loss of customers, suppliers or revenue.

Any of these events could result in a loss of revenue and may have a material adverse effect on the Group's business, financial condition, results of operations, prospects and cash flows.

1.1.12. Marketing risk

The Group's acquisition marketing for new customers and its relationship management with respect to returning customers are partly dependent on search engines, such as Google, Bing, Yahoo! and social media, such as Facebook and others, directing a significant amount of traffic to the Group's desktop and mobile websites via organic ranking and paid search advertising. The Group's competitors' paid search activities may result in their sites receiving higher paid search results than those of Sun Finance and/or in a substantial increase to the Group's advertising costs. The Group's paid search activities may not produce (and in the past have not always produced) desired results. Internet search engines often revise their methodologies, which could adversely affect the Group's organic rankings or paid search results, leading to a decline in the Group's ability to attract new customers or retain existing customers. Such revisions may also cause difficulties for the Group's customers in using its web and mobile sites, or result in more successful organic rankings, paid search results or tactical execution efforts for its competitors, a slowdown in the overall growth its customer base and the loss of existing customers, as well as higher costs for acquiring returning customers. In addition, search engines could implement policies that restrict the ability of consumer finance companies, such as Sun Finance, to advertise their services and products, which could reduce the likelihood of companies in the industry appearing in a prominent location in organic rankings or paid search results when certain search terms are used by the consumer. Any reduction in the number of consumers directed to the Group's web and mobile sites may have a material adverse effect on the Group's business, financial condition, results of operations, prospects and cash flows.

Sun Finance has invested heavily in promoting its brands, including its website addresses. The Internet Corporation for Assigned Names and Numbers, the entity responsible for administering internet protocol addresses, has introduced, and has proposed the introduction of, additional new domain name suffixes in different formats, many of which may be more attractive than the formats held by the Group and which may allow the entrance of new competitors at limited cost. It may also permit other operators to register websites with addresses similar to the Group's, causing customer confusion and the dilution of the Group's brands, which could materially adversely affect its business, prospects, results of operations and financial condition. Any defensive domain registration strategy or attempts to protect the Group's trademarks or brands

may be costly and may ultimately prove unsuccessful, which may have a material adverse effect on the Group's business, financial condition, results of operations, prospects and cash flows.

The Group is dependent on marketing affiliates as a source for new customers. Its marketing affiliates place the Group's advertisements on their websites, which, in turn, direct potential customers to the Group's websites. As a result, the success of the Group's business depends substantially on the willingness and ability of marketing affiliates to provide Sun Finance with customer leads at acceptable prices. A failure of the Group's marketing affiliates to comply with applicable laws and regulations, or any changes in laws and regulations applicable to marketing affiliates or changes in the interpretation or implementation of such laws and regulations, could have an adverse effect on its business and could increase negative perceptions of the Group's business and industry. Also, certain changes in the Group's online marketing affiliates' internal policies or privacy rules could limit the Group's ability to advertise online. Additionally, the use of marketing affiliates could subject Sun Finance to additional regulatory cost and expense. Any restriction on the Group's ability to use marketing affiliates may have a material adverse effect on its business, financial condition, results of operations, prospects and cash flows.

1.1.13. Counterparty risk

Sun Finance advances loans to customers and collect repayments from customers through local bank accounts and/or payment providers. The Group's continuing relationships with the banks and payment providers with which Sun Finance maintains accounts or may establish accounts in the future are critical to the Group's business.

The Group contacts consumer credit agencies and uses other publicly available data sources in the jurisdictions in which it operates to verify the identity and creditworthiness of potential customers. In addition, every loan application in every country is verified through one or more credit bureaus. If access to such information is restricted or disrupted for any period of time, or if the cost of such information significantly increases, the Group may not be able to complete automatic customer identity and credit scoring checks in a timely manner or at all. This could impede its ability to process applications and issue loans and/or increase the cost of operation.

Sun Finance also outsources certain IT services, such as data center and technical support, to third-party providers.

Moreover, the Group generally outsources the collection of debt that is overdue by more than 90 days to debt collection agencies in the jurisdictions in which it operates or the Group arranges forward flows with respective agencies. The loss of a key debt-collection agency relationship, or the financial failure of one of the Group's core debt-collection agency partners, could restrict its ability to recover delinquent debt, and there is no guarantee that Sun Finance could replace a strategic debt collection agency partner in a timely manner or on favourable terms.

Any inability to maintain existing business relationships with banks, local consumer credit agencies, IT service providers, debt-collection agencies and other third-party providers or the failure by these third-party providers to maintain the quality of their services or otherwise provide their services to the Group may have a material adverse effect on the Group's business, financial condition, results of operations, prospects and cash flows.

1.1.14. Liquidity risk

The Group is exposed to liquidity risks arising out of the mismatches between the maturities of its assets and liabilities, which may prevent Sun Finance from meeting its obligations in a timely manner. While such mismatch is well managed as significant proportion of the Group's assets has short-term maturity whereas part of its liabilities are long-term, the Group's growth depends, to a significant extent, on its ability to obtain adequate funding from a variety of sources, such as the international capital markets, bank facilities and international online peer-to-peer platforms and market places (which is currently one of the main Group's funding sources). It is possible that these sources of financing may not be available in the future to the extent the Group requires, or they may be prohibitively expensive and/or contain overly onerous terms. European and international credit markets have experienced, and may continue to experience, high volatility and severe liquidity disruptions, such as those that took place following the international financial and economic crisis in 2008-09. These and other related events have had a significant impact on the global financial system and capital markets and may make it increasingly expensive for Sun Finance to diversify its funding sources, raise additional funds and refinance its debt if necessary.

The Group's working capital requirements can vary significantly from market to market, depending, in part, on differences in demand for consumer credit. If available cash flows from operations are not sufficient to fund the Group's on-going cash needs, it would need to use the Group's cash balances and/or available credit facilities, as well as other funding sources to satisfy those needs. Furthermore, an economic or industry downturn, such as the financial and economic downturn in 2008-2009, could increase the level of non-performing loans. A significant deterioration in the Group's debt collection could affect the Group's cash flow and working capital position and could also negatively impact the cost or availability of financing to the Group. If the Group's capital resources are insufficient to meet its capital requirements, it will have to raise additional funds.

Sun Finance may not be able to raise sufficient additional funds on favourable terms or at all. If the Group fails to raise sufficient funds, its ability to fund operations, take advantage of strategic opportunities or otherwise respond to competitive pressures could be significantly limited, which may have a material adverse effect on the Group's business, financial condition, results of operations, prospects and cash flows.

1.1.15. Loan Marketplace risk

To sustain its growth the Group needs access to diversified and efficient funding sources. Group Subsidiaries previously have and may also in the future finance their operations through Loan Marketplace platforms. As at the date of issue Sun Finance cooperates with one of the largest European marketplace platforms – Mintos.

The funding the Group attracts on Loan Marketplace is short-term with maturities before the Notes. In case the quality of the loans that are financed through Loan Marketplace issued by any of the Group's Subsidiaries significantly deteriorates and / or the Subsidiary faces physical restrictions on receiving the cash flows from loans issued (such as e.g. during the first wave of COVID-19), the Group may be required to use its cash flows to cover its liabilities towards Mintos before the Notes, which could leave an adverse effect on the Group's ability to meet its obligations under the Notes.

Additionally, if investor sentiment on Loan Marketplace deteriorates, the Group may fail to raise sufficient funds or the cost of funding may increase, which could leave a negative impact on the Group's ability to implement its growth strategy.

1.1.16. Interest rate risk

The Group earns a substantial majority of its revenues from interest payments on the loans issued to customers. Financial institutions, peer-to-peer and marketplace platforms, and other funding sources provide the Group with the capital to fund these loans and lines of credit and charge interest on funds that the Group draws down. In the event that the spread between the rate at which the Group lends to its customers and the rate at which it borrows from its lenders decreases, its financial results and operating performance will suffer. The interest rates Sun Finance charges to its customers and pays to its lenders could each be affected by a variety of factors, including access to capital based on the Group's business performance, the volume of loans the Group issues to its customers, competition and regulatory requirements. The interest rates may also be affected by the change in the mix of the types of products the Group sells to its customers and investors. Interest rate changes may adversely affect the Group's business forecasts and expectations and are highly sensitive to many macroeconomic factors beyond the Group's control, such as inflation, the level of economic growth, the state of the credit markets, changes in market interest rates, global economic disruptions, unemployment and the fiscal and monetary policies of the jurisdictions in which the Group operates. Any material reduction in the Group's interest rate spread could have a material adverse effect on the Group's business, financial condition, results of operations, prospects and cash flows.

1.1.17. Key employee risk

The Group's success depends on its management team and employees who possess highly specialized knowledge and experience in product and business development, IT, risks and finance. Many members of the Group's senior management team possess significant experience in the consumer lending industry and knowledge of the regulatory and legal environments in the markets in which it operates, and the Group believes that its senior management would be difficult to replace. The market for qualified individuals is highly competitive and labor costs for the hiring and training of new employees are increasing. Accordingly, Sun Finance may not be able to attract and/or retain qualified executive officers or IT specialists, which may have a material adverse effect on its business, financial condition, results of operations, prospects and cash flows.

1.1.18. Foreign exchange risk

Sun Finance operates in various jurisdictions and provides loans in local currencies, while significant part of the Group's loans and borrowings is denominated in euro. While the Group takes all possible measures to minimize foreign exchange risks, including careful monitoring and pricing of currency risk in the Group's products and search for natural hedges and available hedging instruments, adverse foreign exchange fluctuations against the euro, the Group's reporting currency, in the Danish Krone, the Polish Zloty, the Mexican Peso, the Kazakhstani Tenge, the Swedish Krona and the Vietnamese Dong could have a material negative effect on the Group's business, financial condition, and results of operations. Additionally, Sun Finance may be exposed to new currencies as a consequence of further geographic expansion.

1.1.19. Litigation risks

The Group may be adversely affected by contractual claims, complaints and litigation, resulting from relationships with counterparties, customers, competitors or regulatory authorities, as well as by any adverse publicity that the Group may attract. Any such litigation, complaints, contractual

claims, or adverse publicity may have a material adverse effect on the Group's business, financial condition, results of operations, prospects and cash flows. Defence of any lawsuit, even if successful, could require substantial time and attention of the Group's management and could require the expenditure of significant amounts for legal fees and other related costs. Sun Finance is also subject to a risk of regulatory proceedings, and could suffer losses from the interpretation of applicable laws, rules and regulations in regulatory proceedings, including regulatory proceedings in which the Group is not a party. Any of these events could have a material adverse effect on the Group's business, financial condition, results of operations, prospects and cash flows.

1.1.20. Risk of natural disasters and other business disruption

The Group's services and operations are vulnerable to damage or interruption from tornadoes, earthquakes, fires, floods, power losses, telecommunication failures, terrorist attacks, acts of war, human errors and similar events. A significant natural disaster, such as a tornado, earthquake, fire or flood, could have a material adverse impact on the Group's ability to conduct business, and its insurance coverage may be insufficient to compensate for losses that may occur. Although Sun Finance has implemented business continuity plans, acts of terrorism, war, civil unrest, violence or human error could cause disruptions to the Group's business or the economy as a whole. Any of these events could cause consumer confidence to decrease, which could decrease the number of loans issued to customers. Any of these occurrences may have a material adverse effect on the Group's business, financial condition, results of operations, prospects and cash flows.

1.1.21. Taxation risk

The Group operates in various countries with diverse sets of tax regimes. Changes to local tax regimes or challenges to the current tax structures of the Group's business could have material adverse effect on its business, financial condition, or results of operations. Additionally, certain tax positions taken by the Group require the judgement of management and, thus, could turn to be inefficient or challenged by tax authorities due to possible erroneous interpretation of tax legislation.

1.2. Risk factors related to the Notes

1.2.1. Notes repayment risk

At maturity, the entire principal amount of the Notes, together with accrued and unpaid interest, will become due and payable. The Group may not have the ability to repay or refinance these obligations. If the Maturity Date occurs at a time when other arrangements prohibit the Group from repaying the Notes, it could try to obtain waivers of such prohibitions from the lenders and holders under those arrangements, or the Group could attempt to refinance the borrowings that contain the restrictions. If the Group fails to obtain the waivers or refinance these borrowings, it would be unable to repay the Notes.

1.2.2. Subordination risk

The Notes and the related guarantees will not be secured. The Notes will rank *pari passu* with other senior unsecured liabilities of the Issuer. In case of insolvency, the Investors have equal rights for satisfaction of their claims with other creditors ranking in the same claims' group according to the relevant Legal Acts, after the satisfaction of all claims of all secured creditors of the Issuer. The guarantees will be effectively subordinated to any secured indebtedness of the

respective Guarantor, to the extent of the value of the collateral securing such indebtedness, incurred in the future by the Guarantors. The effect of this subordination is that upon a default in payment on, or the acceleration of, any of the Issuer's or any Guarantor's secured indebtedness or in the event of a bankruptcy, insolvency, liquidation, dissolution, reorganization or similar proceeding involving the Issuer or any of the Guarantors, the proceeds from the sale of assets securing the Issuer's or any Guarantor's secured indebtedness will be available to pay obligations on the Notes or Guarantees, as applicable, only after all of the Issuer's or any Guarantor's secured indebtedness has been paid in full.

As of 31 May 2021, the Group had outstanding liabilities towards Loan Marketplace (Mintos) in the amount of EUR 38.8 million. Due to specifics of national legislation, in some of the countries the Group operates in (Latvia, Kazakhstan and Vietnam), 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. In addition, in some countries the Group provides a Group guarantee for the loan portfolio listed on the platform by the specific loan originator in the country.

As of 31 May 2021, the Group had the following commercial pledge agreements and Group guarantee agreements with Mintos:

Country	Maximum amount of pledge	Group guarantee
Latvia	EUR 12,000,000	No
Kazakhstan	EUR 30,000,000	Yes
Vietnam	EUR 4,800,000	Yes
Mexico	No pledge	Yes
Poland	No pledge	No
Denmark	No pledge	No
Sweden	Not on Mintos	Not on Mintos

The Issuer has two senior unsecured notes issues: EUR 10,000,000 notes issue (ISIN: LV0000802395) maturing on 20 August 2021 and EUR 15,000,000 (ISIN:LV0000802445) notes issue maturing on 30 September 2022. Both notes issues have 11% annual coupon rate, which is paid quarterly. These notes will rank *pari passu* with Notes, which the Issuer plans to issue according to these Terms of Notes Issue. The Maturity Date of LV0000802395 and LV0000802445 notes is before Maturity Date of the Notes, thus inability to repay or refinance these obligations might result in an event of default on the Notes. Additionally, as of 31 May 2021, the Issuer had other unsecured Financial Indebtedness that ranks *pari-passu* with the Notes in the amount of EUR 14.7 million.

1.2.3. Guarantee enforceability risks

Each Guarantee provides the holders of the Notes with a direct claim against the relevant Guarantor. However, each Guarantee will be limited to the maximum amount that can be guaranteed by the relevant Guarantor without rendering the relevant Guarantee voidable or otherwise ineffective under applicable law, and enforcement of each Guarantee would be subject to certain generally available defences. Enforcement of any of the Guarantees against any Guarantor will be subject to certain defences available to Guarantors in the relevant jurisdiction. Although laws differ among these jurisdictions, these laws and defences generally include those that relate to corporate purpose or benefit, fraudulent conveyance or transfer, voidable preference, insolvency or bankruptcy challenges, financial assistance, preservation of share

capital, thin capitalization, capital maintenance or similar laws, regulations or defences affecting the rights of creditors generally. If one or more of these laws and defences are applicable, a Guarantor may have no liability or decreased liability under its Guarantee depending on the amounts of its other obligations and applicable law.

There is a possibility that the entire Guarantee may be set aside, in which case the entire liability may be extinguished. If a court decided that a Guarantee was a preference, fraudulent transfer or conveyance and voids such Guarantee, or holds it unenforceable for any other reason, the investor may cease to have any claim in respect of the relevant Guarantor and would be a creditor solely of the Issuer and, if applicable, of any other Guarantor under the relevant Guarantee which has not been declared void or held unenforceable.

The Notes will be guaranteed by the initial and any additional Guarantors, which are organized or incorporated under the laws of multiple jurisdictions. In the event of a bankruptcy, insolvency or similar event of a Guarantor, bankruptcy, insolvency or similar proceedings could be initiated against that Guarantor in any of the relevant jurisdictions. The rights of holders of the Notes under the Guarantees will thus be subject to the laws of a number of jurisdictions, and it may be difficult to enforce such rights in multiple bankruptcy, insolvency and other similar proceedings. Moreover, such multi-jurisdictional proceedings are typically complex and costly for the creditors. In addition, the bankruptcy, insolvency, administration and other laws of the jurisdiction of organization of the Issuer or the Guarantors may be materially different from, or in conflict with, one another, including in relation to the creditor's rights, the priority of creditors, the ability to obtain post-petition interest and the duration of the insolvency proceeding. The application of these various laws in multiple jurisdictions could trigger disputes over laws of which jurisdiction(s) should apply and could adversely affect the ability to realize any recovery under the Notes and the Guarantees.

1.2.4. Liquidity risk

Neither the Issuer nor any other person guarantees the minimum liquidity of the Notes. Thus, the Noteholders should take into account that they may not be able to sell or face difficulties in selling their Notes in secondary market at their fair market value or at all.

1.2.5. Delisting risk

After Notes registration the Issuer plans to request admission to trading of the Notes on the Multilateral Trading Facility (MTF) First North operated by Nasdaq Riga. There is a risk that Nasdaq Riga would not accept the Notes to be admitted to trading on First North or order to delist the Notes from the First North before the maturity after the admission to trading has taken place due to changes in Legal Acts, including Nasdaq Riga regulations, or recommendations by the Financial and Capital Market Commission of Latvia.

1.2.6. Price risk

The development of market prices of the Notes depends on various factors, such as changes of interest rates, central bank policies, overall economic development, or demand for the Notes.

The Notes bear a fixed interest rate. Thus, the Noteholders who seek to sell the Notes before their final maturity are exposed to interest rate risk: If the market interest rate increases, the price of fixed rate Notes typically declines.

Neither the Issuer, nor any other person undertakes to maintain a certain price level of the Notes. The Noteholders are, thus, exposed to the risk of an unfavourable price development of their Notes if they sell the Notes prior to the final maturity. If a Noteholder decides to hold the Notes until maturity, the Notes will be redeemed at their Nominal Value.

1.2.7. Foreign exchange risk

The Notes will be denominated and payable in EUR. If investors measure their investment returns by reference to a currency other than EUR, an investment in the Notes will entail foreign exchange-related risks as the value of EUR relative to their reference currency may significantly fluctuate due to economic, political and other factors over which the Group has no control. Depreciation of the EUR against the reference currency could lower the effective yield of the relevant Notes below their stated coupon rate and could result in a loss to investors when the return on such Notes is translated into the reference currency.

1.2.8. Repurchase or redemption risk

The Group may seek to repurchase or redeem a portion of the Notes from time to time, especially when prevailing interest rates are lower than the rate borne by such Notes. If prevailing rates are lower at the time of redemption, the investor may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as the interest rate on such Notes being redeemed. The Group's redemption right also may adversely impact investor's ability to sell such Notes. The Group may from time to time repurchase the Notes in the open market, privately negotiated transactions, tender offers or otherwise. Any such repurchases or redemptions and the timing and amount thereof would depend on prevailing market conditions, liquidity requirements, contractual restrictions and other factors. Such transactions could impact the market for such Notes and negatively affect the Notes' liquidity.

1.2.9. Tax risk

Tax rates and tax payment procedure applicable at the moment of purchase of the Notes to the tax residents, non-residents of Malta, and residents of other countries may change. The Issuer will not compensate the Noteholders for any increases in taxes. Therefore, the Noteholders may receive smaller payments related to the Notes. At the time of signing these Terms of the Issue Maltese laws do not impose on the Issuer any tax withholding obligation in relation to payments to Noteholders related to the Notes to non-residents on Malta. In case, where the Noteholder is a person (both corporate or non-corporate) who qualifies as being a resident of Malta during the year in which the investment income (interest) is derived, the interest payable in respect to the Bond shall be subject to the final withholding tax, currently at the rate of 15% (10% in case of certain types of collective investment funds), unless the Issuer is instructed by the resident Noteholder to receive interest gross of any withholding tax based on the election made at the time of subscription. For more detailed information you are advised to seek an advice on the taxation of such an income as specific rules may apply.

1.2.10. Resolutions of Noteholders risk

The majority resolution of the Noteholders is binding on all Noteholders. Thus, a Noteholder is subject to the risk of being outvoted by a majority resolution of the other Noteholders. As such, certain rights of such Noteholder against the Issuer may be amended or reduced, or even cancelled, without its consent.

2. Party responsible for the Terms of the Issue

2.1. Party responsible for the Terms of the Issue

Sun Finance Treasury Limited

Registration number: C 79771

LEI code: 984500D1C496094F3921

Registered office: Suite 20, The Penthouse, 4th Floor, Ewropa Business Centre, Dun Karm Street, Birkirkara, BKR9034, Malta

2.2. Representations and Warranties of the Issuer

The Issuer shall, in accordance with these Terms of the Issue, issue Notes and perform the obligations arising from the Notes to the Noteholders. The Issuer shall be liable to the Investors for due and complete fulfilment of its obligations deriving from the Notes.

The Issuer gives the following warranties to the Investors:

- I. The Issuer is duly registered private limited company operating in compliance with the laws of Malta;
- II. All the Issuer's obligations assumed under this issue of the Notes are valid and legally binding to the Issuer and performance of these obligations is not contrary to the Issuer's Articles of Association, laws or any agreement concluded by the Issuer;
- III. The Issuer has all the rights and sufficient authorizations to issue the Notes and fulfil obligations arising from issuing the Notes;
- IV. The Issuer has performed all the formalities required for issuing the Notes and fulfilling the obligations arising here from;
- V. All information that is provided by the Issuer to the Noteholders is true, accurate, complete and correct as at the date of presenting the respective information and is not misleading in any respect;
- VI. The Issuer is solvent, able to pay its debts as they fall due, there are no liquidation or insolvency proceedings pending or initiated against the Issuer;
- VII. There are no legal or arbitration proceedings pending or initiated against the Issuer, which may have, or have had significant effect on the Issuer's financial position or profitability;
- VIII. There are no criminal or misdemeanour proceedings pending or initiated against the Issuer.

2.3. Assurance of the information provided in the Terms of the Issue

The Issuer and its directors are responsible for the information contained in Terms of the Issue.

Hereby I, undersigned director of Sun Finance Treasury Limited, Demetris Apousianas, certify that, that the Issuer has taken all reasonable care to ensure that, the information contained in these Terms of the Issue is, to the best of the Issuer's knowledge, true, complete and not misleading in any material respect.


Demetris Apousianas
Director of Sun Finance Treasury Limited

Signed before me

Dr. James Grech LL.B., N.P., LL.D.
Notary Public & Commissioner for Oath
2A, 'Delmar', Flat 1, Brared Street,
Birkirkara, BKR 1251, Malta.
99229334 / 27331527

3. Information on Notes

3.1. The use of the proceeds

The total issue size is EUR 20,000,000 (twenty million euro).

Funds that will be raised as a result of the Notes issue will be used to refinance the Group's existing LV0000802395 Notes and the Group's liabilities on Loan Marketplace. The Funds will be distributed to the Group Subsidiaries on basis of loan agreements between the Issuer and the Group Subsidiaries.

3.2. Information on the offered Notes

3.2.1. General information

The Notes are bearer and any person or entity that holds the Notes in his securities account has the right to receive Coupon and the Nominal Value payments. It is planned to issue Notes with Nominal Value of EUR 1,000.00 (one thousand euro) for one Note and total nominal value of EUR 20,000,000.00 (twenty million euro).

The ISIN (International Security Identification Number) of the Notes allocated by Nasdaq CSD is LV0000802494.

3.2.2. Legal Acts that regulate the Notes issue

The Notes issue is a private placement arranged in compliance with the Financial Instrument Market Law and other Legal Acts of the Republic of Latvia that are in force including the FCMC, the Nasdaq CSD and the Nasdaq Riga regulations. Minimum subscription size for Notes is EUR 100,000 (one hundred thousand euro) with minimum step of EUR 1,000 (one thousand euro).

All disputes between any one or more Noteholders and the Issuer shall be settled in courts of the Republic of Latvia in accordance to the Legal Acts of the Republic of Latvia in force. Terms of the Issue are drafted and signed in English and any translations of the Terms of the Issue into another language are unofficial and made exceptionally for the Potential Investors' convenience. In case of any disputes' settlement, interpretation of the norms of the Terms of the Issue in English holds the priority against an interpretation in any other language.

3.2.3. Form and accounting of the Notes

The Notes are issued in dematerialized form and will be recorded in the Latvian SSS (securities settlement system governed by Latvian law), which will provide the maintaining function for the Notes. Noteholders may hold Notes through Nasdaq CSD participants participating in the Latvian SSS.

3.2.4. Currency of the Notes

Currency of the Notes is EUR (euro).

3.2.5. Status of the Notes

The Notes rank *pari passu* with other senior unsecured obligations of the Issuer. In case of the insolvency of the Issuer, the Noteholders will be entitled to recover their investment on the same

terms as other senior unsecured creditors in the respective claims' group according to the relevant Legal Acts. Save for mandatory provisions of law, there are no contracts or other transaction documents that would subordinate the claims of the Noteholders to other unsecured liabilities of the Group.

As of 31 May 21, the Group had total outstanding liabilities towards Loan Marketplace Mintos in the amount of EUR 38.8 million.

The Issuer has two senior unsecured notes issues: EUR 10.0 million notes issue (ISIN: LV0000802395) maturing on 20 August 2021 and EUR 15.0 million (ISIN: LV0000802445) notes issue maturing on 30 September 2022. These notes will rank *pari passu* with Notes, which the Issuer plans to issue according to these Terms of Notes Issue.

As of 31 May 2021, the Group had other unsecured Financial Indebtedness in the form of unsecured loans from minority shareholders, management, and other investors in the amount of EUR 14.7 million ranking *pari passu* with the Notes.

As of 31 March 21, the Issuer had an outstanding Subordinated Debt in the amount of EUR 20.4 million that is subordinated to the Notes.

3.2.6. Guarantors of the Notes

AS Sun Finance Group and each of the current and future Material Subsidiaries guarantees the fulfilment of Issuer's obligations under the Notes. Any future Material Subsidiary shall guarantee the fulfilment of the Issuer's obligations under the Notes within 20 (twenty) Business Days after the consolidated audited report has been published.

Full list of Guarantors as of the Issue Date is provided in Clause 11.10.2 "List of Material Subsidiaries of the Group".

3.2.7. Rights and restrictions connected with the Notes Issue

Any Noteholder has the right to receive Coupon and Nominal Value payments in accordance with the Clause 3.2.8 "Coupon payments" and 3.2.9 "Procedure of Notes repayment", as well as exercise other rights fixed in the Terms of the Issue and Legal Acts of the Republic of Latvia.

The Issuer has the right to purchase the Notes on the secondary market directly from the Noteholders. The Notes that are purchased by the Issuer are held in Issuer's financial instruments' custody account and the Issuer has the right to sell the purchased Notes to Potential Investors and other Noteholders. The Issuer cannot cancel the purchased Notes held in the Issuer's financial instruments' custody account, therefore decreasing the size of the Notes issue.

The Notes owned by the Issuer and / or its Related Parties are not eligible to participate in the voting in accordance with the Terms of the Issue.

3.2.8. Coupon payments

Coupon rate

The Coupon rate for the Notes is 11% (eleven per cent) per annum and is fixed until the Maturity Date.

Coupon payment procedure

Coupon payments are made on each Coupon Payment Date. Coupon payments are made once a quarter on the last Business Day of the last month of a quarter. The first Coupon payment will be made on 30 September 2021, the last Coupon payment will be made on 30 June 2024.

The Coupon record date is the 5th (fifth) Business Day prior to the Coupon Payment Date. At the end of the Coupon record date the list of the Noteholders, who will be eligible for the Coupon payments, will be fixed. Coupon payment shall be made to the Noteholders, in accordance with the relevant Noteholders' list, on each Coupon Payment Date for the preceding Coupon period.

The Issuer pays the Coupon through the intermediary of Nasdaq CSD and in accordance with the applicable Nasdaq CSD regulations, which regulate the procedure for paying income from debt securities. The Nasdaq CSD regulations applicable on the day of preparation of the Terms of the Issue are Nasdaq CSD Rulebook and Corporate Action Service description.

If the Coupon Payment Date of the Notes is not a Business Day, the Issuer will pay the Coupon payment on the Business Day preceding the Coupon Payment Date of Notes.

If the Issuer has failed to make Coupon payments in accordance with the deadlines specified in the Terms of the Issue, the Noteholders shall have the right to submit claims regarding the payment of the Coupon but not earlier than after 10 (ten) Business Days following the payment date of the relevant Coupon.

Coupon calculation

Quarterly Coupon payments on 30 September 2021 are determined according to the following formula:

$CPN1 = F * C/360 * 70$ or $CPN1\% = C/360 * 70$, where:

CPN1 – the amount of Coupon payment in EUR per Note on 30 September 2020;

F – Nominal Value of one Note;

C – annual Coupon rate (%).

Quarterly Coupon payments, starting from 31 December 2021, are determined according to the following formula:

$CPN = F * C / 4$ or $CPN\% = C/4$, where

CPN – the amount of Coupon payment in EUR per Note;

F – Nominal Value of one Note;

C – annual Coupon rate (%).

The authority performing the calculation is not required to calculate the Coupon payment, since the annual rate of the Coupon for the relevant period is fixed in advance.

3.2.9. Procedure of the Notes repayment

The Nominal Value of one Note is EUR 1,000.00 (one thousand euro 00 cents) and the Issuer will repay the Nominal Value of Notes at Maturity Date.

The Issuer will pay the Nominal Value in accordance with Nasdaq CSD intermediary and applicable Nasdaq CSD regulations. The Nasdaq CSD regulations applicable on the day of preparation of the Terms of the Issue are Nasdaq CSD Rulebook and Corporate Action Service Description. The Nominal Value will be paid on the Maturity Date. The list of the Noteholders eligible to receive the Nominal Value will be fixed at the end of the previous Business Day before Maturity Date.

If the Maturity Date of the Notes is not a Business Day, the Issuer will pay the Nominal Value of the Notes on the Business Day preceding the Maturity Date.

If the Issuer has failed to make Nominal Value payment in accordance with the deadlines specified in the Terms of the Issue, the Noteholders shall have the right to submit claims regarding the repayment of the Nominal Value not earlier than after 10 (ten) Business Days following the Maturity Date.

3.2.10. Early redemption (call option)

The Issuer shall be entitled to full early redemption (call option) on every Coupon Payment Date starting:

- from 30 June 2022 (including) until 31 March 2023 (including) by paying 102% (one hundred and two per cent) of the Nominal amount;
- from 30 June 2023 (including) until 31 March 2024 (including) by paying 101% (one hundred and one per cent) of the Nominal amount;

The Issuer can carry out call option only in full amount of total outstanding Notes.

If the Issuer takes a decision on early redemption of the Notes, the Issuer shall notify the Noteholders at least 20 (twenty) Business Days prior to the redemption date of the Notes with intermediation of Nasdaq Riga information system.

If the Issuer redeems the Notes, the Issuer will pay the redemption payment in accordance with Nasdaq CSD intermediary and applicable Nasdaq CSD regulations. The Nasdaq CSD regulations applicable on the day of preparation of the Terms of the Issue are the Nasdaq CSD Rulebook and Action Service Description. The list of the Noteholders eligible to receive the redemption payment will be fixed at the end of the previous Business Day before the redemption payment date.

3.2.11. Early redemption for investors (put option)

Investors shall have no rights to demand early redemption of the Notes (put option).

3.2.12. Early redemption (event of default and Change of Control)

Noteholders have the rights to demand early redemption of Notes in case of occurrence of the events of default in accordance with Clause 4.2 "Event of default".

In case of breach of the covenant under Clause 5.2.1 “Not to Change of Control” Noteholders have the rights to demand early redemption of the Notes at the price of 101% (one hundred and one percent) of the Nominal Value, along with the accrued Coupon within 5 (five) Business Days after the Issuer has received such notification.

3.2.13. Accrued interest calculation

The first Coupon starts to accrue on 20 July 2021, which is the First Settlement Date of the Notes issue.

The accrued Coupon is calculated presuming that there are 360 days in one year (day count convention – “European 30/360”). Accrued interest between Coupon Payment Dates shall be calculated as follows:

$AI = F * C / 360 * D$, where

AI – accrued interest of one Note;

F – Nominal Value of one Note at the beginning of the relevant Coupon calculation period, i.e. the initial Nominal Value at the time of the issue of a Note, as may be reduced by the redemption or repurchase amounts paid during the previous periods in accordance with the Terms of the Issue;

C – annual Coupon rate (%);

D – the amount of days from the beginning of the Coupon accrual period according to European 30/360 day count method.

3.2.14. Representation of the Investors

Within the framework of the issue, it is not planned, yet not prohibited, to create an organization of authorized persons which would represent the Noteholders. In case of the insolvency of the Issuer, every Noteholder has the right to represent his own interests in creditors’ meetings. The Noteholders will have equal rights for satisfaction of their claims with other creditors in the same claims’ group.

3.2.15. Decisions of the Issuer on the Notes issue

On 29 June 2021, the Issuer's directors passed the decision to issue debt securities (Notes) in the amount of up to EUR 20,000,000 (twenty million euro) with a coupon rate of 11% and maturity of 3 years.

3.2.16. First Settlement Date of the Notes Issue

The First Settlement Date (Issue Date) of the Notes issue is 20 July 2021, on which the Coupon starts to accrue.

3.2.17. Restrictions on free circulation of the Notes

The Notes are freely transferable securities and can be pledged. However, the Notes cannot be offered, sold, resold, transferred or delivered in such countries or jurisdictions or otherwise in such circumstances in which it would be unlawful or require measures other than those required under the laws of the Republic of Latvia.

Any Noteholder wishing to transfer or offer the Notes must ensure that any offering related to such transfer or offer would not be qualified as public offering in the essence of the applicable law. According to the Terms of the Issue, it is the obligation and liability of the Noteholder to ensure that any offering of the Notes does not fall under the definition of public offering under the applicable law.

4. Special Conditions

4.1. Disclosure of information

Up until the Maturity Date, the Issuer and the Group shall publish all the information required by covenants, rules of Nasdaq Riga and regulatory enactments.

- (a) For so long as the Notes are not admitted to trading on First North, all notices and reports to the Noteholders shall be published on the Group's website (www.sunfinance.group).
- (b) As of the date when the Notes are admitted to trading on First North, all notices and reports to Noteholders shall be published on Nasdaq Riga website, as well as on the website of the Group (www.sunfinance.group). Any notice or report published in such manner shall be deemed to have been received on the same Business Day when it is published.

4.2. Event of Default

If the Issuer receives a written notification from the Noteholders representing at least 10% (ten) per cent of the outstanding Notes issue, stating that the Notes owned by the relevant Noteholder(s) have become due and payable, at any time after the event of default has occurred (and as long as the event of default exists), the Issuer shall pay the Nominal value of Notes along with the accrued Coupon and contractual penalty in accordance with Clause 4.3 "Contractual penalty" within 5 (five) Business Days after the receipt of the notification.

Each of the events or circumstances set out in below shall constitute an event of default:

4.2.1. Non-payment

The Issuer has failed to pay out any amount payable by it under the Terms of the Issue when such amount is due for payment, unless its failure to pay is caused by administrative or technical error in payment systems or the Nasdaq CSD and payment is made within 10 (ten) Business Days following the original due date. Noteholder shall have the right to submit claims regarding failure to pay amount due not earlier than 10 (ten) Business Days after the date of the relevant payment.

4.2.2. Breach of covenants

The Issuer or the Group has violated the conditions of the Section 5 "Covenants" and has failed to remedy such violation as according to the Clause 4.2.3 "Covenant cure".

4.2.3. Covenant cure

- I. The shareholders of the Group may cure or prevent a breach of the covenant in Clause 5.1.2 (and any Event of Default arising as a result thereof) if, prior to or within 90 (ninety) calendar days of the earlier of (i) the date on which the relevant financial report is to be published pursuant to the Terms of the Issue and (ii) the date that such financial report was in fact published pursuant to the Terms of the Issue for any measurement period in which such failure to comply was (or would have been) first evidenced, the Group received the cash proceeds of new shareholder injections from the shareholders of the Group (the "Equity cure"), in an amount at least sufficient to ensure that the covenant set forth under 5.1.2 would be complied with if tested again as at the last date of the same measurement period on the basis that any Equity Cure so be provided shall be included for the

measurement period as if provided immediately prior to the last day of such measurement period.

- II. Any new equity and or Subordinated Debt so provided in respect of any measurement period shall be deemed to have been provided immediately prior to the last date of such period and shall be included (without double counting) in all relevant covenant calculations until the date it was deemed provided falls outside any subsequent measurement period.
- III. If after the equity adjustment the requirement of the relevant financial covenant is met, then the requirement thereof shall be deemed to have been satisfied as at the relevant original date of determination of any default, Event of Default, occasioned thereby shall be deemed to have been remedied for the purposes of the Terms of the Issue.

4.2.4. Cross default

If for Issuer or any of the Guarantors representing more than 20.00 (twenty) per cent of either (a) the total assets of the Group on a consolidated basis (for the avoidance of doubt, excluding any intra-group transactions) or (b) the EBITDA of the Group on a consolidated basis for the Relevant Period:

- I. any Financial Indebtedness in neither paid when due nor within any applicable grace period; or
- II. any Financial Indebtedness is declared to be or otherwise becomes due and payable prior to its specified maturity as a result of an event of default (however described); or
- III. any commitment for any Financial Indebtedness is cancelled or suspended by a creditor as a result of an event of default (however described); or
- IV. any creditor becomes entitled to declare any Financial Indebtedness due and payable prior to its specified maturity as a result of an event of default (however described);
- V. any security securing Financial Indebtedness over any asset is enforced by secured creditor.

Provided, however, that the aggregate amount of such Financial Indebtedness or commitment for Financial Indebtedness falling within paragraphs (I) to (V) above exceeds a total of EUR 1,000,000 (one million euro) (or the equivalent thereof in any other currency); provided that it does not apply to any Financial Indebtedness owed to a Group Subsidiary or Related Parties and other than (i) proceedings or petitions which are being disputed in good faith and are discharged, stayed or dismissed within ninety (90) calendar days of commencement or, if earlier.

4.2.5. Insolvency

If the Issuer or any of the Guarantors representing more than 20.00 (twenty) per cent of either (a) the total assets of the Group on a consolidated basis (for the avoidance of doubt, excluding any intra-group transactions) or (b) the EBITDA of the Group on a consolidated basis for the Relevant Period :

- I. is declared insolvent or bankrupt by a court of competent jurisdictions or admits inability to pay its debts in case of lawful claims save for claims by Related Parties or claims within Group;
- II. an application to initiate insolvency or legal protection proceedings or similar proceedings of the Issuer or respective Guarantor or any other proceedings for the settlement of the debt of the Issuer is submitted to the court by the Issuer or the Guarantor.

Other than (i) proceedings or petitions which are being disputed in good faith and are discharged, stayed or dismissed within ninety (90) calendar days of commencement or, if earlier, the date on

which it is advertised and (ii), in relation to the Issuer or any of the Guarantors, solvent liquidations) in relation to: (i) the suspension of payments, winding-up, dissolution, administration or reorganisation (by way of voluntary agreement, scheme of arrangement or otherwise) of any Guarantor or the Issuer; (ii) the appointment of a liquidator, receiver, administrator, administrative receiver, compulsory manager or other similar officer in respect of any Guarantor or the Issuer or any of its assets; or (iii) any analogous procedure or step is taken in any jurisdiction in respect of any Guarantor or the Issuer.

4.3. Contractual penalty

In the case of non-compliance or inadequate compliance with a payment obligation arising from the Notes, the respective Noteholder shall be entitled to require and the Issuer shall be obliged to pay a contractual penalty upon the request of any Noteholder to all the Noteholders that shall accrue from the due date for payment (excluding), to the actual payment date (including) in the amount of 0.1% (zero point one per cent) per day of the relevant outstanding amount.

If the Issuer has failed to make Coupon payments in accordance with the deadlines specified in the Terms of the Issue, the Noteholders shall have the right to submit claims regarding the payment of the Coupon not earlier than after 10 (ten) Business Days following the due date for payment of the relevant Coupon.

If the Issuer has failed to make the Nominal Value payment in accordance with the deadline specified in the Terms of the Issue, the Noteholders shall have the right to submit claims regarding the repayment of the Nominal Value not earlier than after 10 (ten) Business Day following due date for payment of the Nominal Value.

5. Covenants

5.1. Financial covenants

From the Issue Date of the Notes to the date of repayment thereof, the Issuer and the Group shall comply with the following financial covenants:

- 5.1.1. To maintain consolidated ratio of EBITDA to Net Finance Charges of at least 1.75x, calculated for the Relevant Period at the end of each quarter.
- 5.1.2. To maintain consolidated Capitalization ratio of Adjusted Equity to Net Loan Portfolio of at least 20% (twenty percent) at the end of each quarter.
- 5.1.3. To maintain consolidated ratio of Unencumbered Net Loan Portfolio to total unsecured Financial Indebtedness of at least 1.2x at the end of each quarter.
- 5.1.4. Financial covenants stated in Clauses 5.1.1 to 5.1.3 shall be tested at the end of each quarter and proof of compliance with these covenants shall be included in every consolidated quarterly financial report of the Group.
- 5.1.5. The Issuer may in its sole discretion choose to calculate the Financial covenants under Clauses 5.1.1 to 5.1.3 in accordance with Accounting Principles.
- 5.1.6. The Group shall not pay dividends or make other distribution of profits to its shareholders and / or entities directly or indirectly owned by them in form of a loan, investment or any other distribution, except permitted distribution ("Permitted Distribution"):
 - Up to 50% of consolidated net profit for the Relevant Period if after distribution Capitalization ratio as according to Clause 5.1.2 remains 20% or greater and provided that Group shareholder's equity is positive;
 - Up to 75% of consolidated net profit for the Relevant Period if after distribution Capitalization ratio as according to Clause 5.1.2 remains 25% or greater and provided that Group shareholder's equity is positive;
 - Up to 100% of consolidated net profit for the Relevant Period if after distribution Capitalization ratio as according to Clause 5.1.2 remains 30% or greater and provided that Group shareholder's equity is positive.

5.2. General covenants

From the Issue Date of the Notes to the date of repayment thereof, the Issuer and the Group shall undertake the following:

- 5.2.1. Not to Change of Control of the Issuer or the Group.
- 5.2.2. To include Notes on First North operated by Nasdaq Riga within 12 (twelve) months after the Issue Date.
- 5.2.3. To subordinate all existing and future liabilities under the loans received from all direct or indirect shareholders (natural person or legal entity) and subsidiaries of the Issuer or the Group who own, in the form of direct or indirect shareholding, more than 25% (twenty five percent) of capital shares or voting stock of the Issuer or the Group, to the Notes.

- 5.2.4. Not to commence any new type of economic activity outside the scope of Permitted Business except if revenue from such activity does not exceed 5% (five percent) of consolidated revenue.
- 5.2.5. Not to make investments outside the Group except for Permitted Investment.
- 5.2.6. Not to sell, present, change, rent, license, invest, or otherwise transfer into utilization the right to use the trademarks of the Group and / or its Subsidiaries
- 5.2.7. Not to initiate or allow initiation of the Issuer's liquidation or similar proceedings and not to reduce the share capital of the Issuer;
- 5.2.8. To publish consolidated condensed unaudited quarterly reports of the Group with management commentary as per Accounting Principles by the end of the second month following the end of each respective quarter.
- 5.2.9. To publish audited consolidated annual report as per Accounting Principles by the end of the second quarter following the end of each financial year.
- 5.2.10. Any transactions with Related Parties should be at Fair Market Value.

5.3. Procedure for applying for Noteholders' consent

The Issuer has the right to request a consent (waiver) of Noteholders to amend the conditions included in the Terms of the Issue (apply for the waiver). However, the Issuer shall have a right to amend the technical procedures relating to the Notes in respect of payments or other similar matters without the consent of the Noteholders, if such amendments are not prejudicial to the interests of the Noteholders.

The amendment of the Terms of the Issue may include the amendment of any conditions, which is not restricted by such characteristics of the Notes as currency, Coupon rate, Coupon calculation method, Coupon and Nominal Value payments, inclusion of Notes to regulated or alternative markets, the Maturity Date and other conditions, unless they contradict applicable Legal Acts of the Republic of Latvia.

The Issuer can apply for the waiver itself or through the intermediary of an authorized person ("Agent"). To request a waiver, the Issuer or Agent shall notify the Noteholders directly, or, if Notes are included in First North, via Nasdaq Riga information system, specifying at the least the following information:

- a description of the requested amendment;
- a justification of the necessity of such amendment;
- the date when the list of the Noteholders eligible to grant the waiver (vote) will be fixed;
- the term within which a Noteholder can support or reject the offered waiver;
- instructions concerning notification about the support or rejection of the waiver and the procedure for filling in the voting questionnaire;

- notification that a Noteholder willing to grant the waiver offered by the Issuer shall notify the Issuer and Issuer's Agent within the term specified in the application, which is certified by a postal seal, signature on receipt or notification (letter or email) Noteholder's Custodian. If the Noteholder does not notify the Issuer or Issuer's Agent about the approval to grant the waiver within the term specified in the application, a Noteholder shall be deemed as not having granted the waiver;
- contact details of the Issuer and/ or the Issuer's Agent to be used for notifications (telephone number for inquiries, email or address for sending filled in and signed questionnaires, list of representative offices and/ or branches of the Issuer and/ or Issuer's Agent where Noteholders can submit the questionnaires in person);
- other information, including a fee to the Noteholders for approving the waiver (if any).

The list of Noteholders shall be inquired from the Nasdaq CSD as of the date falling to the 5th (fifth) Business Day after the waiver was sent to Noteholders directly and / or after the relevant announcement of the waiver has been published via Nasdaq Riga information system, if Notes are included in First North.

The term allowed to Noteholders for deciding upon refusal to grant the waiver to the Issuer may not be shorter than 14 (fourteen) calendar days after the waiver was sent to Noteholders directly and/or after the relevant announcement of the waiver has been published via Nasdaq Riga information system, if Notes are included in First North.

Noteholders shall submit signed questionnaires with their decision to the Issuer or Issuer's Agent by a deadline set in the application of the waiver. The waiver is deemed to be granted, if Noteholders owning more than 50% (fifty per cent) of the outstanding Notes issue (excluding Notes owned by the Issuer and its Related Parties from the total outstanding amount of Notes issue) have voted for granting the waiver. The Notes owned by the Issuer and its Related Parties are not eligible to participate in the voting.

The Issuer or Agent shall count the received votes and notify Noteholders of the results of the voting within one Business Day after the deadline for submitting the questionnaires by sending relevant notification to Noteholders directly and/or by publishing relevant announcement via Nasdaq Riga information system, if Notes are included in the First North.

If the accepted changes refer to specifications of the Notes and/ or Coupon calculation method, as well as procedure of Coupon payments and/ or repayment of the Nominal Value, the Issuer shall inform Nasdaq CSD on the mentioned changes according to the regulation determined in the Nasdaq CSD rules.

If the Issuer offers Noteholders a fee for approving the waiver and the waiver is granted, the Issuer transfers the fee amount to the account stated by a Noteholder in the questionnaire not later than 90 (ninety) calendar days after the waiver comes into force.

5.4. Force majeure and limitation of liability

The Issuer shall be entitled to postpone the fulfilment of its obligations under the Terms of the Issue in case the performance is not possible due to continuous existence of any of the following circumstances (a "Force Majeure Event").

- I. action of any authorities, war or threat of war, rebellion or civil unrest;
- II. disturbances in postal, telephone, or electronic communications which are due to circumstances beyond the reasonable control of the Issuer and that materially affect the operations of the Issuer and the Group;
- III. any interruption of or delay in any functions of measures of the Issuer as a result of fire, frost or other similar disaster;
- IV. any industrial action, such as strike, lockout, boycott or blockade affecting materially the activities of the Issuer; or
- V. any other similar force majeure hindrance.

In case of occurrence of a Force Majeure Event, the Issuer's fulfilment of the obligations may be postponed for the period of the existence of such respective circumstances and shall be resumed immediately after such circumstances cease to exist, provided that the Issuer shall put all best efforts to limit the effect of the Force Majeure Event and to resume the fulfilment of its obligations as soon as possible.

6. Taxes

These Terms of the Issue do not contain analysis of all tax consequences relating to the Notes and do not take into account or discuss the tax implications for any Noteholder.

At the time of signing these Terms of the Issue Maltese laws do not impose on the Issuer any tax withholding obligation in relation to payments to Noteholders related to the Notes to non-residents of Malta. In case, where the Noteholder is a person (both corporate or non-corporate) who qualifies as being a resident of Malta during the year in which the investment income (interest) is derived, the interest payable in respect to the Bond shall be subject to the final withholding tax, currently at the rate of 15% (10% in case of certain types of collective investment funds), unless the Issuer is instructed by the resident Noteholder to receive interest gross of any withholding tax based on the election made at the time of subscription.

The information provided in the Terms of the Issue shall not be treated as legal or tax advice and prospective Noteholders are strongly advised to consult their own tax advisors as to the tax consequences of the subscription, ownership and disposal of the Notes applicable to their particular circumstances.

7. Terms of the Private Offering

7.1. Subscription to the Notes

7.1.1. Placement period

The placement period for the Notes is divided in two stages:

- I. The first stage of the Placement Period is the Exchange offer that commences on 30 June 2021 10 am (Riga time) and end on 16 July 2021 4 pm (Riga time). In the first stage the Existing notes can be exchanged for the Notes with a settlement date on the Issue Date;
- II. The second stage of the Placement Period commences on 30 June 2021 at 10 am (Riga time) and ends on the Maturity Date or when all the Notes are sold, whichever is earlier. In the second stage of the Placement (“New subscription”) the Notes are offered for a price of Nominal Amount plus accrued interest (if any) with a settlement date not earlier than one Business Day after the Issue Date.

7.1.2. Exchange Offer

- I. By filing a respective corporate event notification to the Depository, within the first stage of the Placement Period, the Issuer will offer to all Noteholders holding the existing notes of the Issuer with the ISIN code LV0000802395 with maturity on 20 August 2021 (the “Existing Notes”) to exchange the Existing Notes with the Notes (“Exchange Offer”). The exchange ratio is one-to-one and any number of the Existing Notes can be used for the exchange.
- II. Noteholders can exchange their Existing Notes for the Notes by submitting within the respective stage of the Placement period an offer for exchange to their Custodian in writing using the Offer form provided by the Custodian banks stating the number of Existing Notes to be exchanged. The Custodian shall in turn inform the Nasdaq CSD on the total number of Existing Notes to be exchanged with the Notes and noteholders who requested the exchange.
- III. Every noteholder participating in the Exchange Offer is entitled to a fee of 1.611% (one point six hundred eleven) per cent of Nominal Value of the Existing Notes that the Noteholder has exchanged with the Notes. The fee includes: (i) 1.000% as compensation for participation in the Exchange Offer and (ii) 0.611% accrued interest on the Existing Notes for the period from last Coupon Payment Date until the Issue Date. The fee is payable within 10 (ten) Business Days after the Issue Date and the record date for the fee is the Issue Date. For tax purposes the fee is treated as interest payment.

7.1.3. New subscription

Potential Investors wishing to purchase the Notes shall submit their subscription orders (the “Subscription Orders”) during the respective stage of the Placement Period. Subscription Orders can be submitted to the Arranger every Business Day during Arranger’s business hours. More detailed information on the submission of the subscription orders is available by phone +371 67 081 069.

Subscription order can also be submitted to other Custodians, which in turn shall submit orders to the Arranger. Business relations between the Potential Investors and the Custodians are regulated by contracts between them and by the applicable Legal Acts.

Existing holders of the Issuer's bonds with ISIN codes LV0000802395 and LV0000802445 who participate in the New subscription during the period from 30 June 2021 to 16 July 2021 are also entitled to receive a fee of 1% (one per cent) of the Nominal Value of the Notes subscribed for during the New subscription. The fee is payable within 10 Business Days after the Issue Date and the record date for the fee is the last Coupon record date for the respective notes.

7.1.4. Subscription terms

The minimal initial subscription size (the "Minimum Investment Amount") is EUR 100,000 (one hundred thousand euro). Subscription size should be equal to a multiple of the Settlement Unit Multiple.

Total Nominal Value of the Notes to be purchased and provided in each Subscription Order shall be for at least Minimum Investment Amount. Potential Investors have the right to submit several orders during the offering.

All Subscription orders to the Notes shall be considered as binding and irrevocable commitment to acquire the allotted Notes.

By submitting the subscription order the Potential Investor confirms that it (i) has read and understands the Terms of the Issue, (ii) agrees and commits to adhere to the Terms of the Issue.

The First Settlement Date of Notes is 20 July 2021.

All the expenses related to the acquisition and custody of the Notes shall be borne by a Potential Investor in compliance with the pricelist of a credit institution or investment service provider, through which the investor purchases and keeps Notes. The Issuer is not obliged to compensate any such expenses incurred by the Potential Investor.

7.1.5. Notes price

The Notes purchase price during New subscription can be equal to 100% (one hundred per cent) of the Nominal Value or purchase price could be lower or higher than the Nominal Value, meaning that the Notes can be sold with discount or premium, plus accrued interest.

All subscription orders that have been submitted after the First Settlement Date shall be executed with accrued interest, unless the subscription orders are submitted during the 5 (five) Business Days before the end of each respective quarter – from the Coupon record date and until the Coupon Payment Date, in which case the subscription orders shall be executed without accrued interest.

7.1.6. Allocation of the Notes to investors

The number of the Notes to be allotted during the second stage of the Placement Period will be the total number of Notes less the number of Notes exchanged during the Exchange Offer.

In case the total number of Notes subscribed for during the New subscription is less than the number of Notes available, the Notes will be allotted based on Subscription orders placed.

In case the total number of the Notes subscribed for is higher than the number of Notes available the proportionate reduction principle shall be applied to the extent possible. The Notes allocated to investors shall not be less than the Minimum Investment Amount.

The Issuer or Arranger at its sole discretion has a right to refuse to allocate all or part of the subscribed Notes to any Potential Investor.

7.1.7. Reduction of the Notes issue size

At any time the Issuer may decide to discontinue placement of the Notes. The total issue size is equal to the actual issue size of the Notes before such decision.

7.2. **Settlement and delivery of the Notes**

Settlement of the Notes will be executed by the Issuer from its direct securities account at the Depository (operated by Signet Bank AS) in accordance with the DVP (delivery versus payment) principle pursuant to the applicable rules of the Depository. For all the Existing Notes to be exchanged with the Notes, the Depository will instruct a relevant Depository member to transfer the total number of the Notes to its clients, which in turn will transfer specific number of the Notes to each of the investors. On the Issue date, the Depository will delete a number of the Existing Notes that were exchanged for the Notes from each of its members accounts. On the Issue Date the Depository shall record to the Issuer's account all the Notes that were not exchanged for during the first stage of the Placement Period. Any Notes remaining on the Issuer's account after the end of the second stage of the Placement Period shall be deleted.

During New subscription settlement for the Notes can be executed according to the DVP principle or any other procedure that is agreed between the Arranger and a Potential Investor, including FOP (free of payment). The Custodians execute payments for the Notes based on the results of the subscription provided by the Arranger. The Notes will be transferred to Potential Investors' financial instrument accounts on the settlement date.

7.3. **Pre-emptive rights**

None of Potential Investors has the rights of pre-emption in respect to acquisition of the Notes in the initial placement.

8. Including of the Notes on the market and trading regulations

The Issuer plans to request the admission to trading of the Notes on First North within 12 months after the Issue Date and submit Terms of the Notes Issue and company description with Nasdaq Riga. The Issuer does not undertake to register the Notes prospectus with the FCMC or list the Notes on any regulated market.

The Issuer has not signed any agreement with any person for Notes liquidity maintenance on the secondary market.

9. Additional information

9.1. Advisors involved in the Issue

The issuer has concluded an agreement with the Arranger to organize the Notes issue, to communicate with the Nasdaq CSD, market it to investors and conduct settlement during the subscription period. The Arranger may provide other services to the Issuer in the future and receive remuneration for it. The Arranger may invest its own funds in the Notes.

9.2. External audit of the information included in the securities description

The auditors have not verified the information included in the securities description.

9.3. Statements or reports included in the securities description

The securities description does not contain any expert statements or reports.

9.4. Credit ratings

There is no credit rating assigned to the Issuer or to the Notes issue.

10. The Issuer

10.1. General information on the Issuer and the Group

The issuer is Sun Finance Treasury Limited.

The Issuer's registration number is C 79771 and legal entity identifier is 984500D1C496094F3921.

Legal address of the Issuer is: Suite 20, The Penthouse, 4th Floor, Ewropa Business Centre, Dun Karm Street, Birkirkara, BKR9034, Malta.

Legal form: limited liability company, legal status – legal person.

Country of location: Malta.

The Issuer carries out its activities in accordance with the legal acts of Malta.

10.2. Description of the Issuer's position within the Group

The Issuer acts as the Group's Treasury company, raising funds to finance the Group's principal activity – consumer lending. The funds raised by the Issuer are further distributed to the Group Subsidiaries on basis of loan agreements between the Issuer and Subsidiaries.

Shares in the Issuer belong to AS Sun Finance Scandinavia (50%) and AS Sun Finance Europe (50%) who are fully owned subsidiaries of AS Sun Finance Group. The Issuer's ability to meet its obligations under the Notes according to the Terms of the Issue is therefore dependent on financing and cash flows transferred to it from the operating subsidiaries of the Group.

10.3. Auditor

The Group's financial auditor of annual reports for the years 2019 and 2020 is Baker Tilly Baltic AS (registration number: 40003444833, legal address: Rīga, Kronvalda bulvāris 10-32, LV-1010).

11. Business of the Group

11.1. Overview

The Group was founded by the current Management team in 2017 and is one of the fastest-growing online consumer lending businesses headquartered in Europe. The Group's data-driven approach has allowed it to build a well-performing portfolio. The Group uses the latest technologies to ensure instant customer credit scoring and to provide convenient, simple and transparent financing to its customers. The Group currently offers short term loans with a short-term of up to 30 days, an open-end line of credit and instalment loans via websites and selected offline channels. In addition, the Group has recently introduced an Instalment Loan product in selected markets with plans to further expand this business segment in future.

The Group has currently established operating entities in 7 countries: Denmark, Poland, Kazakhstan, Latvia, Mexico, Sweden and Vietnam and has plans to further expand its geographic footprint in the near term. Currently, the Group's largest markets are Poland, Kazakhstan and Latvia, which together account for 72% of the Group's Net Loan Portfolio as of 31 March 2021.

11.2. Key Strengths of the Group

11.2.1. *Simple, available and transparent products for customers*

Sun Finance aims to provide simple, available and transparent loans to the Group's customers. Therefore, the Group designs its websites to be as simple and convenient as possible to use, with clear terms and conditions. Typically, customers can expect a decision in less than 5 minutes after submitting an application on whether a loan will be offered. The Group provides simple online loan products for up to 30 days for short term loans, line of credit with open-ended term and instalment loans. Full information on pricing and applicable components is disclosed in a clear and simple way.

11.2.2. *High-quality customer service and satisfaction*

The Group's customer care ("CC") department consists of c. 300 specialists and around 20 employees in local CC management teams across all the markets the Group operates in. All of the Group's operations are fully in-house built in order to keep this area to the highest possible standard. Customer care specialist responsibilities are to respond to customers' inquiries, inform and update customers about products, terms, legal rules and help to solve any problems that have appeared during application, repayment, log-in and other processes with the aim to increase customer satisfaction and number of returning customers. To be even more customer and data-oriented, the Group has rolled out a new contact center solution / auto dialler which will improve customer contact handling, speed, efficiency as well as increase the number of databases to be covered during outbound calls. All information on reason of contacts and inquiries is stored in the Group's internal database that can be an outstanding tool for analysis in Customer care and Data science units and a contribution to the Group's mindset to provide the best customer experience.

11.2.3. *Innovative, data-driven approach*

The Group's data-driven approach has allowed it to build a strong customer base and well performing portfolio, to support expansion capabilities and to ensure compliance with regulatory changes and AML/CFT and PEP regulatory requirements. Sun Finance has a dedicated Risk team, consisting of 15 specialists with significant experience in the industry. The Group's in-house built Risk IT systems have proven to be reliable and scalable. The Risk IT systems are capable to run

sophisticated predictive scoring models and allow it to perform advanced identity check, ensure sound credit risk underwriting, effective data cost management and strong debt collection strategy that supports the entire loan management life cycle – from customer on-boarding to collection.

The Group's near real-time business intelligence solutions ensure effective business decision-making process for Risk and Data department and enable productive workflow throughout the Group. Sun Finance believes that its Risk and Data department analytical capability in synergy with the Risk IT system capacities enhance the Group customer's experience with a fast and efficient decision-making process.

11.2.4. *Strong and efficient debt collection procedures*

The Group has established efficient debt collection processes across all business units. All debt collection methods in each operating market, procedures and instructions are adjusted to comply with local legislation and reflect, in the Group's view, best practices in the market. Debt collection processes are launched already before payment due date in order to reduce the volume of potentially delayed payments.

Sun Finance 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 across countries, implementation of continuous improvements in its debt collection approach and team of qualified and motivated specialists.

11.2.5. *Experienced management*

The Group's top management team and country managers are highly experienced professionals who have gained extensive experience in fintech, risk, audit, marketing and sales. Their previous experience and knowledge has been a significant investment into the Group's strategy and product development and launch of new markets. Sun Finance believes that such industry and key segment know-how is one of the most significant competitive advantages in the industry.

11.2.6. *High internal legal compliance standards*

Sun Finance operates in a highly regulated market. Thus, the Group's central and local legal and compliance teams are focused on continuously monitoring the regulatory environment and preparing for any upcoming changes in all current and potential markets. Additionally, Sun Finance engages highly qualified external legal advisors in different jurisdictions who inform the Group about upcoming changes in regulation.

11.3. **Strategy of the Group**

The Group's strategy is based on the following foundations:

- I. sustainable growth – the Group aims to achieve continued growth in existing and new markets;
- II. strengthening the foundation – to strengthen the Group's already established market position it plans further investments in IT systems, marketing, data science and customer service;

- III. leveraging on technology – continued investments in technology to provide best possible products to the customers and continue integrating the technologies into different business areas, such as digital marketing, anti-fraud, anti-money laundering, risk tools and payments systems;
- IV. product roll-out – the Group plans to develop new product offerings in existing and new markets, such as the recently introduced Instalment loan product.
- V. geographic expansion and diversification - the Group continues to monitor business development opportunities in new countries, to maintain sufficient level of diversification of its loan portfolio;
- VI. balanced capital structure – the Group aims to have access to diversified and efficient sources of funding, and sees unsecured notes as an integral part of its funding structure.

11.4. The Group's products

11.4.1. *Short Term Loans*

The Group provides short term loans to customers in Poland, Kazakhstan, Latvia, Mexico and Vietnam. Short term loans are short-term, unsecured loans provided in principal amounts between approximately EUR 5 and EUR 2,900 for a term of up to 30 calendar days. The Group aims to disburse loans to a customer's bank account within 15 minutes of approving an online application. Repayment amounts and dates are determined at the application time. Customers have the option to repay the loan on the due date or pay a fee to extend the loan terms for a further fixed period of up to 30 days. A loan may be extended in such a way several times depending on the regulation in each country. In most of the markets the Group offers a discounted or interest-free first loan for new customers of a short-term loan product, whereby the customer may repay a loan with no interest at the end of the first 30-day period.

In all of the Group's countries of operations, except Denmark and Sweden, it offers short-term loans via its internet platform. In addition, in certain countries, such as Latvia and Kazakhstan, the Group also offers short-term loans by phone or through offline points of sale maintained by the Group.

Sun Finance expects to launch short-term loans in the new jurisdictions in which the Group may operate in the future.

11.4.2. *Line of Credit*

The Group provides an open-ended line of credit in Denmark and Sweden. It is a revolving line of credit of up to EUR 2,100. Customers have a minimum monthly repayment of accrued interest and option to make partial principal repayment. Pricing and fees charged to customers are transparent and provided so that the minimum monthly repayment fee is met.

The Group expects to launch line of credit loans in the new jurisdictions in which it may operate in the future.

11.4.3. *Instalment Loans*

In the first quarter of 2021, the Group introduced a flexible instalment loan product in selected markets. It is a long-term product, offering customers to borrow loans from 3 to 36 months, provided in principal amounts with an average ticket size of EUR 1,500. Customers have a fixed monthly payment schedule, based on the selected repayment terms. As to all our other products, pricing and fees charged to consumers are transparent and provided upfront so that the customer can make an educated borrowing decision.

The Group is planning to roll-out the product across new and existing markets over the near future.

11.5. Marketing

Sun Finance markets its products in the countries of its operation with the aim to build trust and confidence in its products. In each country, the Group is specifically investigating the media market and digital platforms in order to find the highest positions and to get the desired targeting. TV media is the leader in Poland, while in Kazakhstan, advertisement on subway and billboard advertising are the most effective ways to attract new customers. In advertising of the Group's products, it also observes national laws when using various media and digital channel platforms. The Group uses a wide range of offline marketing channels, such as radio, billboard public transport and sponsorship.

11.6. Credit risk underwriting

The Group's cutting edge statistical and data analysis capabilities enable informed decision making in the key aspects of its business. The Group is confident to deliver continuous innovative credit risk underwriting solutions, support expansion capabilities and ensure compliance with regulatory changes and Anti Money Laundering (AML)/Combating the Financing of Terrorism (CFT) and Politically Exposed Persons (PEP) regulatory requirements through data-driven business insight generation.

There is a dedicated Risk IT team at the Group. The Group's in-house built Risk IT systems have proven to be reliable and scalable. The Risk IT systems are capable to run sophisticated predictive scoring models and allow the Group to perform advanced identity checks, ensure sound credit risk underwriting, effective data cost management and strong debt collection strategy that supports the entire loan management life cycle – from customer on-boarding to collection.

The Group's near real-time business intelligence solutions ensure effective business decision-making process not only for the Risk and Data department but also enables productive workflow throughout the Group.

The analytical capabilities of the Group's Risk and Data department in synergy with the Risk IT system capacities enhance its customer experience with a fast and efficient decision-making process. The Group uses a mix of traditional and alternative data sources in its credit risk underwriting process to ensure accurate AML/CFT and PEP screening, fraud check, credit risk decision making and limit assignment process. Purposeful use of data helps the Group to maintain high approval rates, offer affordable limits, ensure high recovery rates and retention of the most profitable customers.

The Group's Risk and Data department gathers the best industry experts of the field, it has a healthy mix of experienced experts and recent university graduates. The approach and methodology are continuously challenged and the knowledge base is strengthened by the

attendance of world-class tech and data science conferences, seminars and workshops in Europe and the United States.

The Group has fully automated credit risk underwriting process, requiring only minor manual inputs, using the Group's Risk IT systems which are connected with external traditional and alternative data sources and paired with world-class lending analytics platforms.

The loan issuance processes in all the Group's products includes the following steps:

11.6.1. Customer registration and loan application

The Group's customers can register for its short-term loans and line of credit using respective web pages. After successful registration, a personalized website account is created for each customer. The Group's customer registration processes are set in the manner that only the customers with national personal ID, active local phone numbers and local bank account numbers are eligible to register. The Group's process is designed in the manner that the new customers who apply for a loan through the website account or at the physical point of sale in order to proceed have to have successful identification. Repeated customers can apply for a new loan or an additional amount through the website account or by phone. For repeated customers, instead of identification the customer is checked for previous delinquencies and credit history within the product. Internal credit information between multiple products is checked for each new and repeated customer in countries where the Group has more than one product. The Group has established the process where the customers can withdraw a loan amount within an assigned limit cap and can have only one open loan agreement at the same time. The majority of the Group's customer applications come from online web profile-based applications.

11.6.2. Customer identification

The Group's customer identification methods depend on local regulations and the available sources of information about the customer. The Group has three key methods of customer identification: (i) acquisition of data accrediting the identity of a natural person from a credit institution or payment institution by using an identification payment, (ii) secure electronic signature, (iii) comparison of the photograph in a personal identity document and electronic self-portrait photograph, or (iv) manual identification. The Group cross-checks information from the application form with information received through identification channels using automated data matching algorithms to identify the customer.

11.6.3. AML/CFT compliance

The Group's customers are automatically screened against AML/CFT (Anti-Money-Laundering / Countering Financing of Terrorism) and PEP (Politically Exposed Persons) lists in real time using the world-class AML/CFT screening system and, if there is a hit against any AML/CFT or PEP lists, the Group stops the loan issuance process, the assigned responsible person together with the AML officer manually checks and makes the decision to approve or reject application. The main sanction lists include EU, UN, OFAC, but additional national sanction lists may be included depending on each country's regulations.

The Group employs professional AML compliance specialists, AML compliance officer, who is member of Association of Association of Certified Anti-Money Laundering Specialists (ACAMS - the largest international membership organization dedicated to enhancing the knowledge, skills and

expertise of AML/CTF and financial crime detection and prevention professionals) and lawyer, who is Certified Anti-Money Laundering Specialist (CAMS) and member of ACAMS.

The Group is continuously strengthening its AML team, AML tools, policies and procedures to comply with the tightening anti-money laundering rules globally. The Group has created its AML/CFT policy for all Group entities, including entities which are not subject to AML laws in their own countries. Each entity is responsible to implement the Group's policy into their procedures. Local staff receives regular AML/CFT and PEP screening trainings.

11.6.4. *Fraud check*

The Group's fraud check process is based on high level expertise and industry know-how methods. Besides internal blacklisting processes, the Group extensively uses global fraud screening systems and their machine learning capacities to identify fraudulent behaviour among incoming loan applications. The Group's centralized Risk and Data department has implemented a forefront fraud check strategy in each product. The Group has highly trained local fraud analysts in key markets who continuously analyse changes in fraud behaviour and in cooperation with centralized Risk and Data department makes immediate fraud strategy changes where necessary. The Group addresses any new fraud pattern behaviour by challenging and, where needed, changing existing fraud rule set up to make sure that fraud attacks are prevented and that existent fraud rules are false positive low. Analytical capabilities using world-class analytical platforms allow the Group to follow up on fraud check rule real-time fluctuations.

The Group's fraud management team is aware of recent global fraud trends and Fraud Manager is a member of the Association of Certified Fraud Examiners and candidate of CFE certificate.

11.6.5. *Credit check*

Sun Finance performs an automated credit check for those customers who have successfully passed the first four phases of credit risk underwriting process. The Group has processed and analysed over 13.4 million loan applications since February 2017. Its Risk and Data team has significant experience in adding an optimal mix of alternative and traditional data sources and the knowledge of how to use collected data for high-quality credit risk underwriting.

The Group's credit check includes a collection of traditional credit bureau data and income information. The collected information from credit bureaus includes positive and negative information such as open loan amounts borrowed by the customer from other lenders, unpaid debt information, previous requests for loans, declared and actual addresses, real estate owned by the customer. The Group collects alternative data about the customer and loan application, such as user activity on the web pages, email reputation from global networks, activities in social networks and social network presence, available information from public governmental institutions, legal proceedings, criminal records, emigration notes and asset seizure information.

The Group ensures that the manner in which it collects, stores and processes personal data for credit risk underwriting purposes complies with the regulatory requirements of each market.

The Group has established a linear rules strategy to evaluate each loan application through an automated credit risk underwriting process. The linear rules complement the Group's credit scoring strategy and serve as a primary line of defence to underwrite smaller segments. The Group also aims to underwrite credit risk for customers without information in traditional credit bureaus by using information from alternative data sources. The approach opens an opportunity to grow its portfolio while maintaining its credit risk levels under control.

The portfolio management team is dedicated to specific regions and continuously monitors data flows, analyses collected customer personal data information and challenges existing linear credit risk underwriting rules through A/B testing aiming to set optimal linear rule set-up. The Group applies a separate credit risk underwriting strategy for different customer segments and different products. Credit risk underwriting strategy differs for new and repeated customers, short-term loan and line of credit products. The Group's centralized portfolio team structure (Portfolio Credit Risk Analyst together with dedicated Data Scientist and Fraud Analyst) allows to focus on a specific geographical segment to assure that market specifics are deeply understood and addressed in credit risk underwriting strategy. Nevertheless, extensive knowledge and best practice are being shared between the teams and it makes teams to work effectively.

11.6.6. Credit scoring and data science models

The Group's credit risk underwriting models are developed by a centralized Data science team. The Group develops its credit risk underwriting models based on the information collected throughout customer registration, loan application, customer identification, fraud check and credit check phases. It is enriched by the customer behavioural data collected at every step of the customer lifecycle within the Group. The model development methodology allows the Group to develop an initial risk evaluation model within 3 to 5 months after the new product has been launched. In later stages, risk underwriting process is continuously supported by appropriate risk evaluation models at every step of portfolio maturity and customer lifetime within the Group.

The Group's Data science team closely monitors the quality of collected data, validates and checks the completeness of the required data points. The team ensures alignment of the credit checks strategy with the credit checks model set-up, defines data requirements for every decision step and ensures effective data management.

Data scientists develop several types of predictive models to support various business objectives: from effective data management pipelines up to a sound credit underwriting and effective debt collection strategies. They work jointly with domain experts to develop valuable data products. Data scientists altogether with analysts have also implemented an automated online model monitoring solution to assure stable performance of developed models.

Data science model development methodology and techniques are continuously challenged against the latest developments of algorithmic computing in the field and extended to the required level. Regular attendance of scientific and industry conferences, participation in expert-taught workshops and internal knowledge sharing enable the team to be up-to-date and suggest the most appropriate business solutions.

The Data science team is formed of a well-balanced set of experienced data scientists with deep knowledge of industry, experts of academia and recent university graduates. Majority of the team holds a postgraduate degree, equivalent to a Master's degree or higher.

11.6.7. Loan agreements

A loan application is approved if the above-described checks are successful. After a message of a loan application approval is communicated to a customer, the customer is directed to the Group's website to execute a legally binding automatically generated online loan agreement. The terms of the Group's loan agreements are the same across all the jurisdictions, subject to any requisite modifications required to comply with local laws and regulatory guidance. Such modifications may cover interest rates, commission fees, penalty fees, personal information disclosure, customer

withdrawal rights, direct debit rights, loan rollover (extension) terms and some other terms. Local regulations may have an impact on the availability to customers of an electronic/digital signatures with which to enter into the legally binding loan agreement with the Group entities.

The Group disburses loans to the customers not only by way of bank transfer, but also by way of cash payments if a loan application is processed at one of the Group's physical points of sale.

11.7. **Debt collection**

The Group has established efficient debt collection processes across all its business units. The policy includes main principles and guidelines of debt collection to be followed up in each country and they are adjusted to be in line with local legislation specifics, best debt collection practices and cost efficiency considerations.

The Group's debt collection practices are strictly in line with the legislation requirements. In each business unit the Group has a local expert/lawyer who controls that. All debt collection activities are recorded and controlled to ensure, that the Group has performed the right collection actions in the right manner and in accordance with its standards, policies and regulations.

Despite the fact that in all the markets the Group has established, automated and standardized processes, the Group still monitors and analyzes the results with the aim to find and implement new solutions to increase its efficiency. The Group is working closely with each business unit, Risk and Data department, IT specialists, local lawyers, and market specialists to increase the recoveries from delayed loans and to adjust processes to the market situation in the best possible way.

The Group uses the following debt collection methods:

- I. In-house debt collection;
- II. Outsourced debt collection;
- III. Debt sale.

11.7.1. *In- house collection*

The Group's philosophy is to strive for successful debt collection by having a dialogue with the customers to help them to find the best way to repay their loans and to become the Group's long-term customer.

Substantial part of collections are driven by customer invoicing and billing process. These processes are fully automated - customers make payments either through electronic-banking (in most cases), cash terminals or at the available offline point and in some countries the Group uses direct debit functionality or invites the customer to make the payment during the call conversation. All invoices and other relevant information can be accessed to customers by email and on the Group's product website in their user profile. Sun Finance allows and encourages customers to self-service and considers it an advantage that also increases the responsibility of customers taking care of their liabilities.

As soon as the Group receives from a customer the principal and applicable interest in full amount, the customer's repayment status is updated on his private account in the Group's website and the customer is informed via text message/e-mail notification. The Group's debt collection system and the relevant customer's credit history are automatically updated once the customer fully repays the loan.

The Group's debt collection processes starts already before the payment due date. In order to reduce the volume of potentially delayed payments, the Group has established extensive communication workflow in regard to communication with customers before and after loan repayment due date.

As soon as the deadline of payment is reached, Sun Finance starts collection processes through all possible channels and with an intensive regularity. The Group usually handles delayed payments in-house up to 30-60 days after the Maturity Date, but this practice may differ due to the specifics of each market. For example, if the Group sees that external collection could bring higher return and is more cost efficient, it will opt for this solution. In certain markets, where the Group handles in-house debt collection activities after the 30th day of the delay in payment, it offers repayment schedule options to customers and/or other special and more beneficial repayment options. If such option is allowed in respective jurisdiction, the Group offers customers a service of extension.

During the collection process the Group uses automated notifications via text message, e-mail, voice message and also letters by post to declared and actual places of residence. At the same time, the Group also calls its customers, as this is the most efficient way to find a solution for a payment default. Collection calls are made immediately after the loan falls due.

The Group generally increases the pressure on loan repayment as the number of days past maturity increases to establish an understanding of potential inconveniences for the customer in case of uncovered debt and benefits from timely recovery. In the final steps of in-house debt collection, the Group warns customers of next steps, such as e-court, external collection, debt sale and other actions that may cause their expenses to grow.

The Group has commenced implementing a new call center platform for both customer service and debt collection teams that includes predictive dialling system. Additionally, the Group uses debt collection scoring to segment its customers and apply the most appropriate and effective approach to each target group. The Group is constantly improving its processes by measuring the best times and days for reaching the customer, creating the most effective communication content, and reviewing all related process steps.

11.7.2. *Outsourced debt collection*

As soon as the in-house debt collection process has been completed and the Group evaluates that there still is potential for collection, it proceeds with the next debt collection steps. In those markets where the debt acquisition markets are not sufficiently developed or the potential recovery from debt sale is not economically beneficial, the Group outsources debt collection activities to a wide range of well-known debt collection agencies that the Group considers its international partners and treats as part of the Group. The Group organizes training with partners and activity assessments on a regular basis to ensure the customers are informed correctly about the product, serviced professionally and appropriately.

The Group's decision on the next steps for the debt recovery are dependent on the assessment of costs that will be incurred in the process, market situation, portfolio quality, estimate of the potential outcome and the time involved.

The process of outsourcing collection activities is part of the Group's debt collection policy. The Group chooses its partners thoughtfully, based on the following principles:

- good reputation;
- best price;
- required support actions;
- automated solution of data exchange and safety.

The Group has regular meetings with its partners, closely monitors their results and changes the partners in case of weak performance.

11.7.3. *Debt sale*

In all of its markets, after the in-house debt collection process, the Group strives to establish a debt sale process on a regular basis to ensure immediate and predictable cash inflows from bad debts.

The Group focuses on continuing debt sales (Forward Flow) deals, but also executes separate one-time debt sell activities. The Group organizes tenders on debt sale also in the countries where it has established a regular debt sale process to be in line with actual offers in the market.

11.8. **Information Technology/Engineering**

Sun Finance has a Group-level IT department with in-house continuous software and systems development, allowing the Group to meet and align with business goals, growth and strategies. The Group has 60+ highly skilled professionals within Engineering department and dedicated full stack regional delivery teams in place for each individual market. Each team is responsible for all aspects of the software development lifecycle. The Group's teams employ the best industry practices, such as DevOps and continuous delivery, fully owning every aspect of the cycle, from the idea and planning right through to operations and optimization. Within each full stack team, the resources are spread evenly between highly skilled engineers working directly with the Group's Chief Technical Officer.

The Group's team includes the following experts:

- Technical architects,
- Technical team leads and experts,
- User Experience and Design experts,
- Dedicated Back-End Software developers,
- Dedicated Front-End Software developers,
- Quality Assurance engineers,
- Automation QA engineers,
- SRE and Infrastructure engineers
- Data engineering experts
- Product Owners per team.

The Group also has a team focused on project and product management, allowing the Group to deliver new products to the business with optimum efficiency. The Group's engineering teams are fully focused on providing and maintaining the highest quality code, software, application and infrastructure platforms and solutions, which are highly available, scalable and reliable. The Group is continuously reviewing its tech stack and currently rebuilding and improving the Group's platforms to meet future business growth plans.

11.9. Financing structure of the Group

The Group's goal is to achieve a balanced financing structure to provide it with flexibility and support its growth prospects.

The Group currently uses the following financing sources: shareholder's equity, Subordinated Debt, unsecured notes, financing from Loan Marketplace, and unsecured loans from minority shareholders, management, and other investors. The Group is also working to introduce bank loans or loans from other financial partners to its funding mix.

The Group's funding structure as of 31 May 2021 is as follows (in EUR million):

Equity	33.3	Paid-in capital and undistributed Group profits
Subordinated Debt	20.4	Subordinated Debt
Adjusted Equity	53.7	
Unsecured notes	22.1	Unsecured notes maturing in Aug 2021 and Oct 2022
Loan marketplace	38.8	Borrowings from Mintos
Other unsecured loans	14.7	Unsecured loans received from minority shareholders, management and other investors
Total Financial Indebtedness	75.6	
TOTAL FUNDING	129.2	

11.9.1. Loan Marketplace funding

The Group has historically attracted funding from Loan Marketplace to achieve its growth targets. While the proportion of funding from Loan Marketplace in the Group's overall funding structure has declines, the Group, as part of funding source diversification, continues using Loan Marketplace Mintos to attract flexible funding.

Loan Marketplace platforms (including Mintos) typically work as follows: (i) borrowers (i.e., the Group's customers) apply for a loan with the loan originator (i.e. Group Subsidiary), (ii) the loan originator evaluates the application, sets an interest rate and lends money from its own funds and (iii) loans are then listed on the Loan Marketplace, where investors can select loans to invest in, therefore receiving part of monthly payments and interest. By investing in a loan, investors are buying claim rights against a borrower based on an assignment agreement or equivalent arrangement. In case a borrower is unable to repay the loan, investors may lose some or all of their invested capital. The loan originator may guarantee the performance of the borrower, by undertaking to buy back the assigned claims if they remain unpaid for 60 days after they are due. In certain cases, however, Mintos as a loan originator grants a loan (or a series of loans) to the originator which then repays the loans from its customers servicing as source of repayment and Mintos as the loan originator further lists such loans on the Mintos marketplace, where investors can select loans to invest in, thereafter receiving part of monthly payments and received by Mintos from the originator. In these cases loans are secured by commercial pledge agreements entered between Mintos and the Group.

The legal arrangements with Mintos provide that in the unlikely case of event of default by the loan originators under the cooperation agreements with Mintos, Mintos as fiduciary shall be entitled at its sole discretion to inform any and all borrowers (i.e., the Group's customers) on the assignment of claims on behalf of the loan originators as the assignors and the respective assignees (i.e. investors on the Mintos marketplace platform). The loan originators in such cases shall automatically authorise Mintos or, in case

of transfer of the management of the claims by Mintos to a third party, such third party to submit notifications to the borrowers on the assignment of the claims and continue to manage all claims of the loan originators arising from the respective loan agreements together with the claims of assignment. As from the moment the borrower has received such notification the borrower will be obliged to make all those payments arising from the loan agreements that derive from all claims assigned through the Mintos portal, as well as, all claims of the loan originators arising from said loan agreement that are not further assigned through Mintos portal to the bank account or electronic money institution's account of Mintos or, in case of transfer of the management of the claims by Mintos to a third party, such third party as the fiduciary agent of the loan originator and the assignees indicated in the notification on the assignment.

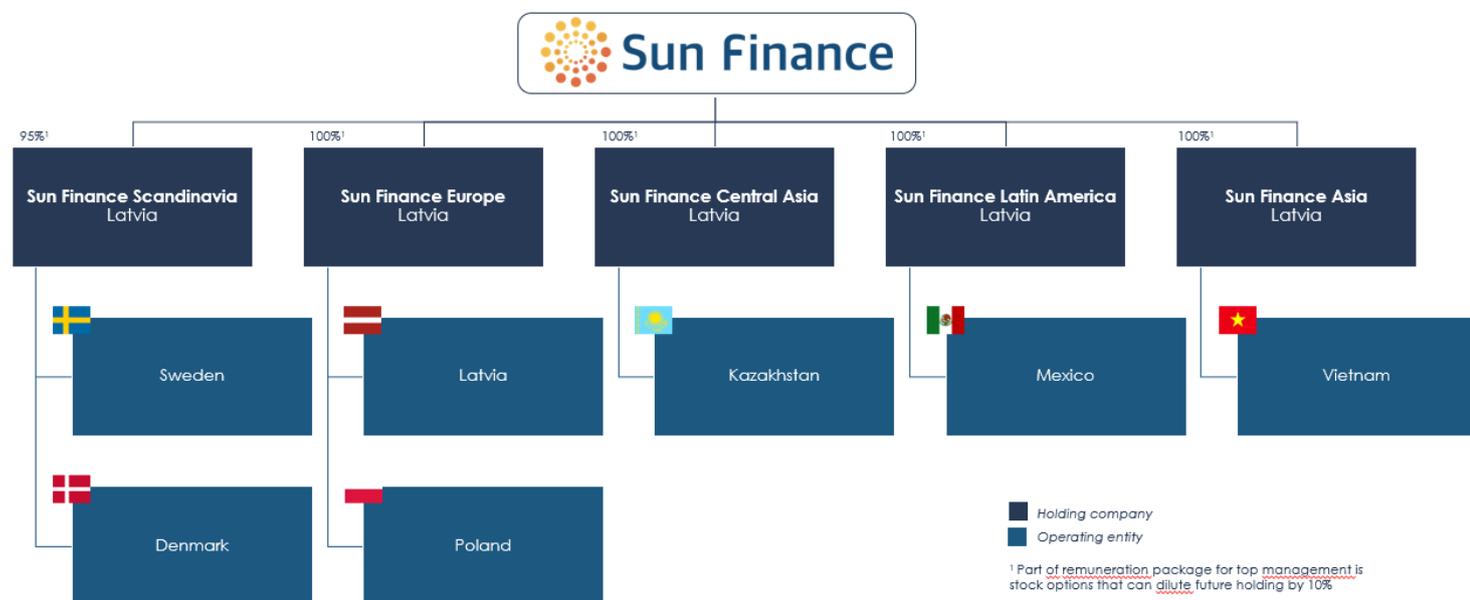
Upon the receipt of the borrower's payments arising from the loan agreement from the borrower Mintos or, in case of transfer of the management of the claims by Mintos to a third party, such third party shall:

- 1) retain from all received funds any applicable taxes;
- 2) retain from all received funds a commission fee payable by the loan originator to Mintos or, in case of transfer of the management of the claims by Mintos to a third party, such third party, that is equal to the part of all interest received from the borrower (including, the interest due to the loan originator for the outstanding principal amount of the loan not further assigned to other creditors i.e. investors on Mintos platform) which is calculated from the difference between the interest rate specified in the loan agreement and the interest rate specified in the assignment agreement;
- 3) retain from all received funds the share due to all assignees having claims arising from the loan agreements against the borrower for subsequent distribution among them;
- 4) transfer to the loan originator the received funds that are due to the loan originator of the outstanding principal amount of the loan, which is not assigned to other creditors (i.e. investors on Mintos platform);
- 5) transfer to the loan originator the remaining share of the interest pursuant to the interest specified in the assignment agreement for the outstanding principal amount of the loan not further assigned to the other creditors (i.e. Mintos or, in case of transfer of the management of the claims by Mintos to a third party, such third party retains the part of the interest due to the loan originator as a commission fee).

11.10. Group structure

11.10.1. Legal and operational structure

The Group is currently structured in HUB setups. Each HUB represents an operational region with separate top-level management team as well as centralized functions (such as risks, finance, IT and others).



The HUB structure ensures that day-to-day decision making is made within each HUB, while key strategic decisions are aligned centrally. Each of the HUBs has separate customer care, debt collection teams as well as dedicated finance, IT and risks & data science team members from HQ.

This setup ensures the Group's ability to remain flexible and pivot as necessary within each region and operational country.

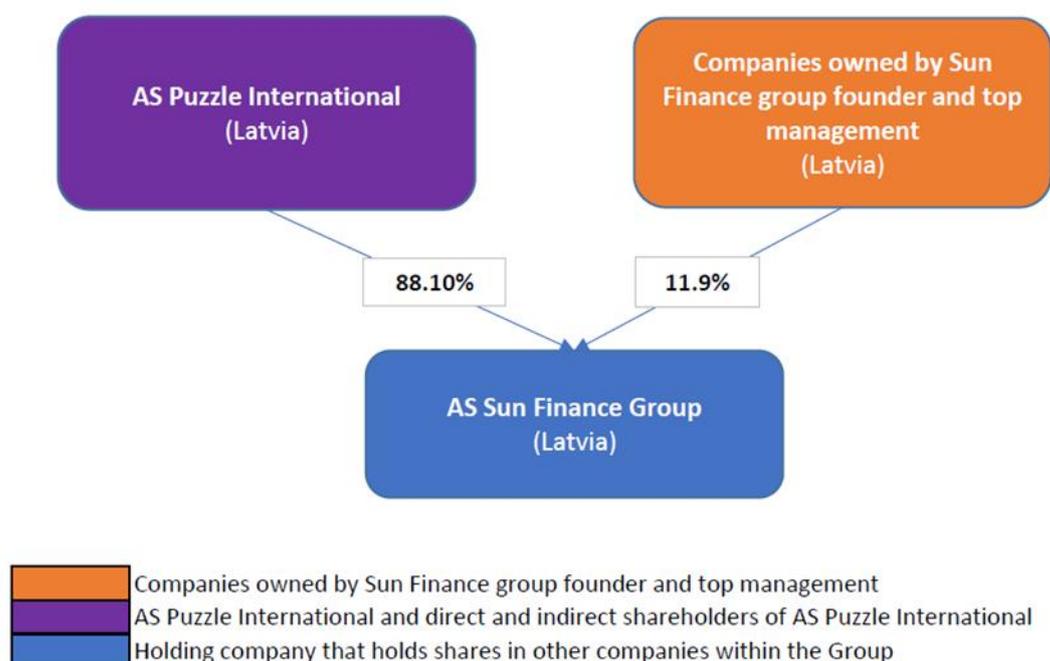
11.10.2. *List of Material Subsidiaries*

As of 31 December 2020, the Group had the following list of Material Subsidiaries:

- Aps Capitolia (Denmark),
- Sp.z.o.o Primastar (Poland),
- Sp.z.o.o Ducatos (Poland),
- LLC MFO Sofi Finance (Kazakhstan),
- LLC MFO Creditum (Kazakhstan),
- SIA Extra Credit (Latvia),
- AS Sun Finance Europe (Latvia),
- AS Sun Finance Group (Latvia),
- SF Treasury SG (Singapore),
- S. de R.L. de C.V. Proximus Finance (Mexico),
- Luma Finans AB (Sweden),
- Panamerican Limited (Malta),
- Digital Credit Trading Service Company Limited (Vietnam).

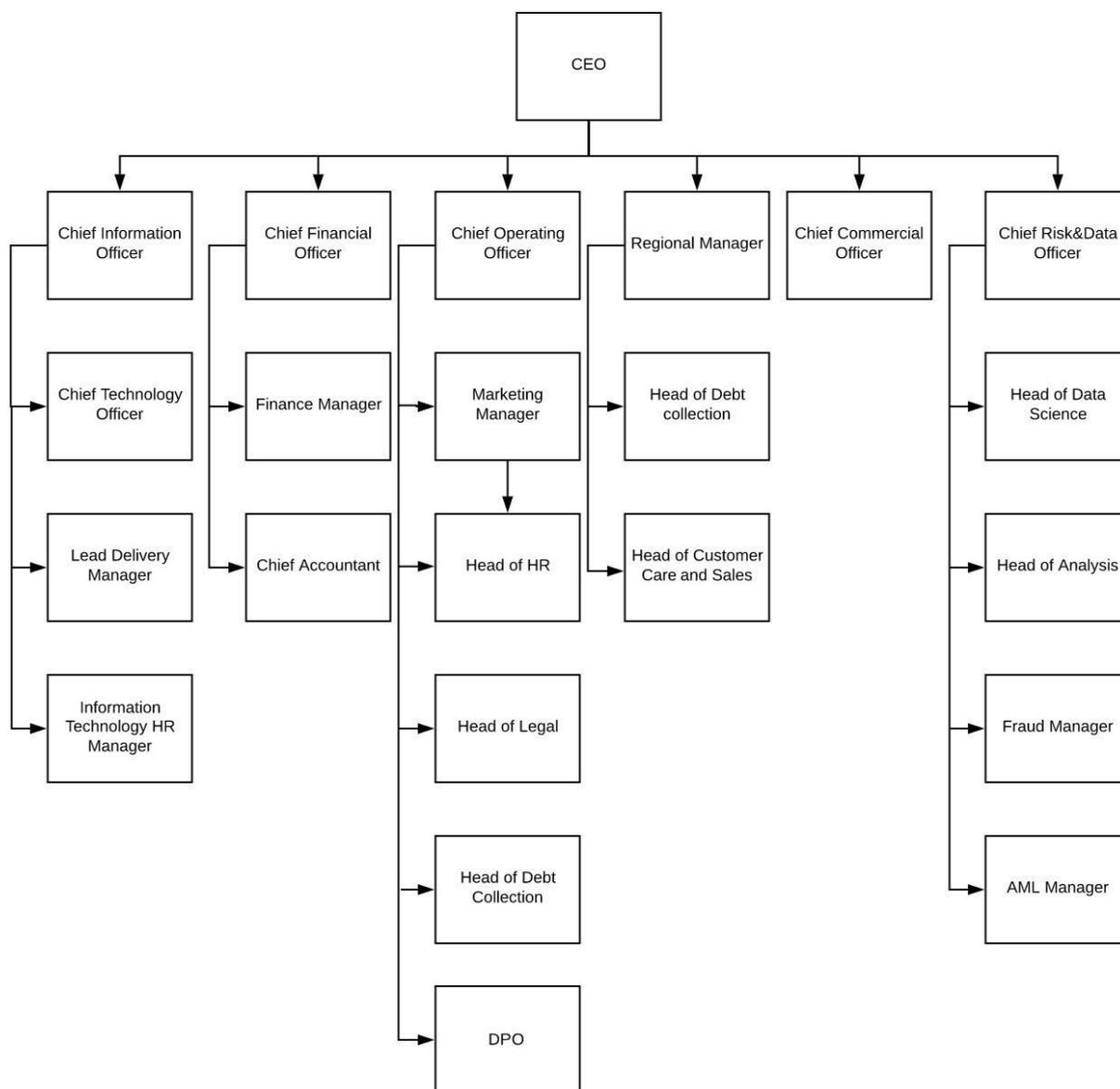
11.10.3. *Shareholder Structure*

The Group was founded by its current management team in 2017. In 2018 Sun Finance attracted a strategic investor AS Puzzle International (Controlling Beneficial owner of AS Puzzle International – Aigars Kesenfelds).



11.10.4. Organizational structure

The Group is managed by management team consisting of Chief Executive Officer, Chief Operating Officer, Chief Commercial Officer, Chief Financial Officer, Regional Manager, Chief Information Officer and Chief Risk and Data Officer. Management team is located in Group's headquarters in Latvia.



11.10.5. Bios of key Management of the Group

Group Management

- Toms Jurjevs (Founder and CEO)
 - Founder of Sun Finance
 - Regional Director at 4finance
 - Founder & Chairman of the Council at Alternative Financial Services Association of Latvia
 - Launched 2 successful businesses, growing them from a start-up to multimillion businesses
 - BSc Economics and Business SSE Riga

- Roman Kornienko (CIO)
 - Oversees Group's Engineering and IT departments
 - Broad experience in Financial IT solutions for various businesses
 - Previously CTO for E-Tickets service and team lead for regional software development centre (CFT)
 - MSc of Computer Science at Kyrgyz National University
- Lasma Kirjasova (CRO)
 - Oversees Group's Risk and Data Science teams
 - Broad experience in team management & fraud prevention
 - Previously Group Head of Fraud Management for a large European online lender
 - Senior Consultant Assurance, Audit & Fraud at EY Baltics
 - MBA at BA School of Business and Finance
- Elina Zerne (CFO)
 - Oversight of Group's Finance and Accounting teams
 - Previously the leading group auditor for largest short-term lender in Europe
 - Senior Auditor at KPMG
 - Master's degree in tax administration at Riga Technical University

HUB management (CEOs)

- Emils Latkovskis (Co-founder, COO, Central Asia and Latin America)
 - Operational responsibility of the whole Group
 - Overseeing Central Asia and Latin America regional hubs
 - Part of Sun Finance from day 1
 - Board member of the Latvian Football Federation
 - Previously ran marketing agency, specifically focusing on finance industry
- Helena Dombrovska (CCO, South East Asia)
 - Group Chief Commercial Officer
 - Overseeing South East Asia regional hub
 - Part of Sun Finance since 2019
 - Previously head of Financial Planning & Analysis at 4finance
 - Various corporate finance roles at EY and other advisory boutiques
- Gatis Treimanis (Europe)
 - Overseeing Europe regional hub
 - Part of Sun Finance since 2018
 - Previously worked as a managing director, establishing a fintech start-up in Indonesia
 - Group Head of Finance & Control at one of the largest short-term lenders in Europe
 - Senior Consultant at EY
- Daniel Stenberg (Scandinavia)
 - Overseeing Scandinavia regional hub
 - Previously regional manager of Scandinavia, Baltics and Latin America as well as member of the executive committee at 4finance
 - CEO & Chairman at 4spar AB
 - CEO at Segus AB

- o Wealth Manager at EELD Asset management

11.11. Market overview and competition

New alternative financial services providers include large regional, national and international multi-service providers, and are active in many areas of alternative financial services, such as pawn loans, payday loans, auto loans and consumer loans, all of which are provided both online and through traditional points of sale. Growing internet usage, including via mobile devices, increasing ecommerce activity and customers moving financial affairs online are creating even larger opportunities for growth in this market.

In addition to consumer loan lenders, the Group also competes with financial institutions, such as banks, credit unions, other consumer lenders and retail businesses offering similar financial services. The Group believes that some of its products and services face indirect competition from such products as bank overdraft facilities.

In recent years regulatory acts impacting the Group business have been changed. The Group invests significant resources to investigate, follow up and forecast potential regulatory changes and compliance risks in each market by establishing in-house legal and compliance team, and cooperating with local legal professionals. By performing regulatory and compliance review of the markets on an ongoing basis, the Group has eliminated regulatory and compliance risk to a minimum.

11.11.1. *Denmark*

The Danish market for Line of Credit product is mature and with limited further growth opportunities. The Group believes that its main competitors are 4finance Group (*vivus.dk*) and Ferratum Group (*ferratum.dk, kvikautomaten.dk*).

11.11.2. *Poland*

In Poland, the offline market of short-term loans and Instalment Loans is mature, while provision of the same loans to consumers online is still a relatively new, yet rapidly developing market. On the basis of publicly available information on companies that provide online lending services to individuals, the Group's major competitor is 4finance (*vivus.pl*) followed by Creamfinance (*lendon.pl; extraportfel.pl*), Aventus Group (*pozyczkaplus.pl; smartpozyczka.pl*), Twino (*netcredit.pl*) the largest Polish debt collection group Kruk S.A. that recently acquired lending company from WDFC UK Limited (*wonga.pl*), IPF Group (*hapipozyczki.pl*) and Oney Bank (*smartney.pl*).

11.11.3. *Kazakhstan*

The Kazakh market for Short term Loans is still developing and is likely to continue to grow. The Group believes that its main competitors are ID Finance (*moneyman.kz*), Zaimer (*zaimer.kz*), Turbomoney (*turbomoney.kz*) and Aventus (*kredit7.kz*).

11.11.4. *Latvia*

The Latvian Short term loans market is mature with several companies offering such services. The Group believes that the online lending model of 4finance (*smscredit.lv, vivus.lv, ondo.lv*) is the

closest to theirs and consider this group as their main competitor in Latvia, followed by International Personal Finance (*credit24.lv*), VIA SMS Group (*viasms.lv*) and Ferratum Group (*ferratum.lv*).

11.11.5. *Mexico*

The Mexican short-term loan market is still developing with competitors continuously entering and exiting the market. The Group believes that its main competitors currently are online-based Kueski (*kueski.com.mx*), Moneyman (*moneyman.com.mx*) and Tala (*Tala mobile*).

11.11.6. *Sweden*

Luma Finans AB is a fully licensed consumer lending company from the Swedish SFSA. The Swedish short term consumer loan market is a mature market. Since September 2018 after the new consumer lending law / licenses were enforced, the number of market participants declined from 40 to 6 players (Ferratum, Saldo, 4finance, mobillån, Folkia and Luma Finans). The market is strong and the demand for easily accessible capital is growing.

11.11.7. *Vietnam*

Short term loan market is a relatively new market that has grown rapidly over the past few years in Vietnam and is likely to continue its upward trajectory in foreseeable future. The main competitors are Doctor Dong/Finstar (*doctordong.vn*), FEcredit (*cash24.vn*), RoboCash (*robocash.vn*), One Click Money (*oneclickmoney.vn*) and Aventus (*senmo.vn*).

12. Selected Financial Information of the Group

The last audited shareholder's equity of the Group for the year 2020 is EUR 39.6 million, while the Adjusted Equity of the Group is EUR 59.8 million.

The profit / loss forecast has not been carried out.

The Group's financial reports will be available of its website www.sunfinance.group after the Issue Date.

The tables below present key selected financial information for the Group and have been derived from the Group's audited consolidated financial data as at and for the financial year ended 31 December 2020 as well as audited special purpose consolidated financial data as at and for the financial year ended 31 December 2019. The special purpose consolidated accounts for 2019 are presented as the Group's legal structure was developed and streamlined during 2019 and a pro-forma view of the Group presents a more complete view of the operations. In addition, the Group's unaudited consolidated financial report as at and for the first quarter period ended 31 March 2021, has also been provided.

The Group's financial statements have been prepared in accordance with IFRS.

12.1. Consolidated statement of income data (in millions of EUR)

	Audited 12M Period ended 31 Dec 2019	Audited 12M Period ended 31 Dec 2020	Unaudited 3M Period ended 31 Mar 2021
Interest income	101.5	121.3	45.8
Interest expense	(8.7)	(8.2)	(3.2)
Net interest income	92.8	113.1	42.6
Net provisions	(49.4)	(48.0)	(14.7)
Operating costs	(31.4)	(32.9)	(9.4)
Other operating income	3.9	5.4	1.2
Other operating expense	(0.8)	(1.0)	(0.1)
Net foreign exchange result	0.5	(6.3)	0.8
Profit before tax	15.7	30.5	20.3
Corporate income tax	(8.9)	(8.4)	(4.7)
Profit for the period	6.8	22.0	15.6

12.2. Selected consolidated statement of financial position data (in millions of EUR)

	Audited 12M Period ended 31 Dec 2019	Audited 12M Period ended 31 Dec 2020	Unaudited 3M Period ended 31 Mar 2021
Property and equipment	2.9	2.6	2.4
Intangible assets	1.3	19.2	18.1
Tangible and intangible assets	4.2	21.8	20.5
Other non-current financial assets	3.6	0.2	0.5
Deferred tax asset	0.4	1.0	0.9
Non-current financial assets	4.0	1.2	1.4

Sun Finance Treasury Limited Terms of the Notes Issue

Total non-current assets	8.3	23.1	21.9
Loans and advances to customers	56.5	75.8	86.9
Other loans and receivables	9.1	2.7	9.9
Other receivables	13.8	11.6	4.4
Cash and cash equivalents	3.2	8.7	9.9
Total current assets	82.6	98.8	111.1
TOTAL ASSETS	90.8	121.9	133.0
Shareholder's equity			
Share capital	0.3	0.4	0.4
Subordinated debt	20.2	20.2	20.4
Reorganization reserve	0.3	1.2	–
Retained earnings	(9.4)	3.7	18.4
Current year profit	6.8	14.7	6.0
Currency translation reserve	(0.0)	(0.3)	0.2
Equity attributable to eq. holders	18.1	40.0	45.4
Non-controlling interest	-	(0.3)	N/A
TOTAL EQUITY	18.1	39.6	45.4
Liabilities			
Loans and borrowings	52.4	67.4	69.9
Prepayments	0.3	0.5	3.0
Trade and other payables	12.3	5.6	5.2
Taxes payable	7.0	7.5	7.9
Accrued liabilities	0.7	1.4	1.6
Total liabilities	72.7	82.3	87.6
Total equity and liabilities	90.8	121.9	133.0

12.3. Key financial ratios

The definitions for the following key financial ratios are as described in the notes to this table. The Group believes that such key financial ratios are a useful way of understanding trends in the performance of the business of the Group over time.

	Audited 12M Period ended 31 Dec 2019	Audited 12M Period ended 31 Dec 2020	Unaudited 3M Period ended 31 Mar 2021
EBITDA ⁽¹⁾	24.5	45.8	22.9
EBITDA margin ⁽²⁾	24.2%	37.7%	50.1%
Capitalization ratio ⁽³⁾	32.1%	52.3%	52.3%
Net Loan Portfolio ⁽⁴⁾	56.5	75.8	86.9
Interest coverage ratio ⁽⁵⁾	2.8x	5.6x	7.2x
Unencumbered Net Loan Portfolio / unsecured Financial Indebtedness ⁽⁶⁾	2.6x	2.8x	3.0x

(1) Earnings before interest, taxes, depreciation and amortization (EBITDA).

(2) EBITDA margin is equal to earnings before interest, tax, depreciation and amortization (EBITDA) divided by total revenue

(3) Capitalisation ratio calculated as Adjusted Equity to Net Loan Portfolio.

(4) Net Loan Portfolio is gross loan portfolio less provisions for bad debts and debt acquisition costs.

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(5) The ratio is calculated by dividing EBITDA by net financial charges during the preceding twelve-month period.

(6) Gross loan receivables of the Group that are not pledged, charged, assigned or encumbered in any other manner to any party to total amount of senior unsecured obligations of the Group

Apostille Certificate
Convention de La Haye du 5 octobre 1961

1. Country: **Malta**
This public document
2. has been signed by: **James Grech**
3. acting in the capacity of: **Notary Public and Commissioner for Oaths**
4. bears the seal / stamp of: **Same**
Certified
5. at **Ministry for Foreign and European Affairs, Valletta**
6. the **16 JUL 2021**
7. by **Karen Montebello - Legalisation Officer**
8. No: **440082**
9. Seal / Stamp
10. Signature 

According to the rules enshrined in The Hague Convention, the Apostille / Legalisation only certifies the authenticity of the signature and the capacity of the person who has signed the public document and where appropriate, the authenticity of the seal or stamp it bears and not the content of the document.

