



# Sun Finance

Sun Finance Treasury (Malta)

Reg. no. C 79771

LEI: 984500D1C496094F3921

## Terms of the Notes Issue

ISIN	LV0000803187
Type of security:	Senior Unsecured Notes
Nominal:	EUR 1,000.00 (one thousand euro)
Nominal value of the issue:	EUR 40,000,000.00 (forty million euro)
Annual Coupon Rate:	11%
Maturity:	30 November 2027

*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.

Article 5f of Regulation (EU) No. 833/2014 (as amended by Council Regulation (EU) No. 2022/328) and Article 1f of Regulation (EC) No. 765/2006 (as amended by Council Regulation (EU) No 2022/398) prohibit the sale of euro denominated transferable securities issued after 12 April 2022 or units of undertakings for collective investment (UCIs) providing exposure to such transferable securities, to any Russian or Belarusian national, any natural person residing in Russia or Belarus or to any legal person, entity or body established in Russia or Belarus. This prohibition does not apply to nationals of a Member State or to natural persons holding a temporary or permanent residence permit in a Member State of the European Union.

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.

Any previous discussions or presentations provided to prospective investors were solely for information purposes and the Notes are issued in accordance with these Terms of the Notes Issue. A prospective investor should not make an investment decision relying solely upon the information provided in the prospective investor presentation or otherwise.

Arranger:



17 May 2024

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## **Terms and abbreviations used**

<b>Accounting principles</b>	: International Financial Reporting Standards (IFRS) within the meaning of Regulation 1606/2002/EC (or as otherwise adopted or amended from time to time).
<b>AML/CFT</b>	: Anti-money laundering and counter terrorism and proliferation financing.
<b>Arranger</b>	: Signet Bank AS, registration number 40003043232, legal address: Antonijas Street 3, Riga, LV-1010, Latvia.
<b>Auditor</b>	: Any auditor from the following list that is licensed in the Republic of Latvia: AS Baker Tilly Baltics, SIA Ernst&Young Baltic, SIA KPMG Baltics, SIA PricewaterhouseCoopers, SIA Deloitte Latvia, SIA BDO Latvia.
<b>Bank Debt</b>	: Debt of the Issuer or any Subsidiary provided by the banks or other financial institutions secured with a pledge over assets, property, shares, or receivables of the Issuer and/or any Subsidiary.
<b>Bank Debt Security</b>	: A security in relation to outstanding Bank Debt.
<b>Business Day</b>	: Business Day is the day when the Nasdaq CSD system is open and operational to effectuate T2S-eligible securities settlement transactions.
<b>Capitalization Ratio</b>	: Ratio of total Shareholder's equity to Net Loan Portfolio of the Group calculated according to the most recent Financial Report.
<b>Change of Control</b>	: 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, except if the Control over the Issuer changes within the Group structure.
<b>Collateral Agent</b>	: A person authorized to act with the Guarantee in favour of all the Noteholders in accordance with these Terms of the Notes Issue and the Collateral Agent Agreement, initially ZAB Kronbergs Čukste Levin SIA, a law firm registered with the Latvian Bar Association and registered with the Register of Enterprises of the Republic of Latvia under registration No. 40203350456 and with a registered address at: Muitas Street 1, Riga, LV-1010, the Republic of Latvia, e-mail: advocate@levinlaw.lv, phone number: +371 67 043 803.
<b>Collateral Agent Agreement</b>	: The agreement entered into between the Issuer and the Collateral Agent which stipulates the rights and obligations of the Collateral Agent in relation to the enforcement of the Guarantee, as provided in these Terms of the Notes Issue, in the interests of the Noteholders, as well as the Collateral Agent's compensation. The Collateral Agent Agreement is concluded on the 15 of May 2024.
<b>Control or Controlled</b>	: 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.

<b>Coupon</b>	: Interest on Notes calculated in accordance with the Section 3. "Information on Notes".
<b>Coupon Payment Date</b>	<p>: First Coupon Payment Date shall be 30 June 2024.</p> <p>Coupon payments will be made 12 times per year – on every 31 January, 28 February, 31 March, 30 April, 31 May, 30 June, 31 July, 31 August, 30 September, 31 October, 30 November, and 31 December.</p> <p>Should any Coupon Payment Date fall on a date which is not a Business Day, the payment of the Coupon due will be postponed to the next Business Day.</p>
<b>Covenants</b>	: Financial Covenants and General Covenants as according to Section 5 of these Terms of the Issue.
<b>Custodian</b>	: Nasdaq CSD participant directly or licensed credit institution or investment brokerage company that has a financial securities' custody account with Nasdaq CSD participant.
<b>EBITDA</b>	<p>: The consolidated net profit of the Group for the Relevant Period calculated according to the most recent Financial Reports:</p> <ul style="list-style-type: none"> <li>(a) before deducting any amount of tax on profits, gains or income paid or payable by any Subsidiary;</li> <li>(b) before deducting any Net Finance Charges;</li> <li>(c) before taking into account any exceptional items which are not in line with the ordinary course of business;</li> <li>(d) not including any accrued interest owing to any Subsidiary;</li> <li>(e) 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);</li> <li>(f) before taking into account any gains or losses on any foreign exchange gains or losses;</li> <li>(g) 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;</li> <li>(h) after deducting the amount of any profit (or adding back the amount of any loss) of any Subsidiary which is attributable to minority interests;</li> <li>(i) 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</li> <li>(j) after adding back any amount attributable to the amortization, depreciation, or depletion of assets of Subsidiaries.</li> </ul>
<b>Existing Security</b>	: All Security provided by the Issuer, any Subsidiary, or the Group in existence on the Issue Date.
<b>Exchange Offer</b>	: The offer to exchange the existing notes with the ISIN LV0000802494 for the Notes, as described under Clause 7.1.2.
<b>Exchange Offer Settlement Date</b>	The settlement date for the Notes exchanged during the Exchange Offer, which is 12 June 2024.

<b>EUR</b>	: Euro (single currency of the member states of the European Monetary System).
<b>Event of Default</b>	: Any event or circumstances set out in Clause 4.2 of these Terms of the Issue.
<b>Fair Market Value</b>	: 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 the Group.
<b>Financial Indebtedness</b>	: Any interest bearing Financial indebtedness of the Group according to the most recent Financial Report, including: <ul style="list-style-type: none"> <li>(a) monies borrowed or raised, including borrowings from Loan Marketplace, loans from Related Parties;</li> <li>(b) the amount of any liability in respect of any financial lease;</li> <li>(c) receivables sold or discounted (other than any receivables to the extent they are sold on a non-recourse basis);</li> <li>(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;</li> <li>(e) any derivative transaction based on mark-to-market value;</li> <li>(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</li> <li>(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).</li> </ul>
<b>Financial Report</b>	: The annual consolidated audited financial report of the Group and the quarterly consolidated unaudited report (as applicable) of the Group prepared in accordance with Accounting Principles.
<b>First North</b>	: Multilateral Trading Facility (MTF) First North operated by Nasdaq Riga.
<b>First Settlement Date (Issue Date)</b>	: The date when interest on the Notes starts to accrue: 22 May 2024.
<b>Force Majeure Event</b>	: Has the meaning set forth in Clause 4.4.
<b>Group or Sun Finance</b>	: Group of the legal entities comprising AS “Sun Finance Group”, registration number 40203205428, legal address at Skanstes Street 52, Riga, LV-1013, Latvia, and its direct or indirect Subsidiaries.
<b>Guarantee</b>	: Written guarantee made by the Guarantors for the fulfilment of the Issuer’s obligations under the Notes.
<b>Guarantor</b>	: 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”, registration number 40203205428, legal address at Skanstes iela 52, Riga, LV-1013, Latvia, and all Material Subsidiaries of the Group.
<b>Interest Coverage Ratio (ICR)</b>	: The ratio of EBITDA to Net Finance Charges for the Relevant Period.

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<b>Issuer</b>	: Sun Finance Treasury Limited, registration number: C 79771, registered office at Suite 23, Level 4, Vincenti Buildings, 25 Strait Street, Valletta VLT1432, Malta.
<b>Latvijas Banka</b>	: Bank of Latvia. Autonomous public institution and central bank of the Republic of Latvia, which carries out the supervision of Latvian credit institutions, insurance companies and insurance brokerage companies, participants of financial instruments market, as well as private pension funds, payment institutions and electronic money institutions.
<b>Legal Acts</b>	: All legal acts, including regulations of the Latvijas Banka, Nasdaq Riga and Nasdaq CSD, which are in force from time to time in Latvia, Malta, and each other country in which any Subsidiary is domiciled.
<b>Loan Marketplace</b>	: 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.
<b>Majority Noteholders</b>	: Noteholders (other than the Issuer, its direct or indirect shareholders and the Related Parties) who collectively hold in aggregate the Notes with the Nominal Value representing at least 1/2 (one half) of the aggregate Nominal Value of all outstanding Notes (other than the Notes held by the Issuer, its direct or indirect shareholders and the Related Parties) plus at least one additional Note. The Issuer, its direct or indirect shareholders and the Related Parties holding any such Notes are not eligible for voting.
<b>Material Subsidiary</b>	: 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.
<b>Maturity Date</b>	: Date when the Notes shall be repaid in full at their Nominal Value by the Issuer, which is 30 November 2027.
<b>Minimum Settlement Unit</b>	: The minimum amount which can be held and traded, which is equal to Nominal Value.
<b>Mintos</b>	: Loan Marketplace operated by Mintos OÜ (registration No. 12807141) (Estonia) and SIA Mintos Finance (registration No 40203022549) (Latvia), SIA Mintos Finance No.3 (registration number 40203387571) (Latvia) and SIA Mintos Finance No.41 (registration number 40203404528) (Latvia) acting as loan originators and AS Mintos Marketplace (registration No. 40103903643) (Latvia) maintaining and managing the Mintos platform and servicing the claims of the investors.
<b>Mintos Debt Security</b>	: Pledge registered over relevant Subsidiary's receivables in favour of Mintos Finance Estonia OÜ (Estonia) where Mintos is acting as the fiduciary agent for investors in accordance with the assignment agreement.
<b>Nasdaq CSD or Depository</b>	: Nasdaq CSD SE (registration number: 40003242879, legal address Valņu Street 1, Riga, LV-1050, Latvia).
<b>Nasdaq Riga</b>	: AS "Nasdaq Riga" (registration number: 40003167049, legal address: Valņu Street 1, Riga, LV-1050, Latvia).

<b>Negative Pledge</b>	: The Notes will have the benefit of a negative pledge as described in Clause 5.2.3. of the Terms of the Issue.
<b>Net Finance Charges</b>	: All recurring debt related charges for the Group for the Relevant Period calculated according to the most recent Financial Reports: <ul style="list-style-type: none"> <li>(a) including cash interest expense on Financial Indebtedness;</li> <li>(b) after deducting any interest income relating to Cash and Cash equivalents;</li> <li>(c) excluding any payment-in-kind interest capitalized on loans from Related Parties (if any); and</li> <li>(d) excluding gains arising from foreign currency revaluations of intercompany balances.</li> </ul>
<b>Net Loan Portfolio</b>	: 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 Period.
<b>Nominal Value</b>	: Face value of a single Note, which is EUR 1,000.00 (one thousand euro and 00 cents).
<b>Note(s)</b>	: Debt security that is issued by the Issuer according to the Terms of the Issue.
<b>Noteholder</b>	: 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.
<b>Permitted Business</b>	: 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.
<b>Permitted Security</b>	: Any Security: <ul style="list-style-type: none"> <li>(a) arising by operation according to the existing law or in the ordinary course of business (including, collateral or retention of title arrangements in connection with but, for the avoidance of doubt, excluding guarantees or security in respect of any monies borrowed or raised);</li> <li>(b) provided in relation to any agreement under which the Issuer or a Subsidiary leases office space or other premises;</li> <li>(c) provided in relation to a derivative transaction;</li> <li>(d) incurred as a result of the Issuer, Subsidiary or Group acquiring another entity with existing encumbrances that have been created prior to the date when such entity becomes a Subsidiary of the Group, provided that such Security was not created in contemplation of the acquisition of such company;</li> <li>(e) over assets or property of the Issuer or any Subsidiary securing Financial Indebtedness or other obligations of the Issuer or such Subsidiary owing to the Issuer or another Subsidiary, or Security in favour of the Issuer, any Subsidiary or the Group;</li> <li>(f) any Bank Debt Security;</li> <li>(g) Mintos Debt Security;</li> <li>(h) any Existing Security of the Issuer, Subsidiary or the Group.</li> </ul>

<b>Potential Investor</b>	: 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.
<b>Prospectus Regulation</b>	: 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.
<b>Related Parties</b>	: 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).
<b>Relevant Period</b>	: Each period of 12 (twelve) consecutive calendar months, fixed at the end of each calendar quarter.
<b>Sanctions</b>	: Restrictions in connection with money laundering and terrorism and proliferation Financing, sanctions, embargoes, restrictions, and similar legislative measures adopted by the Office of Foreign Assets Control (OFAC), the European Union (EU), the United Nations (UN) and any governmental authority that has direct or indirect influence over affairs of the Group or the Arranger.
<b>Security</b>	: Has the meaning set forth in Clause 5.2.3.
<b>Settlement Unit Multiple</b>	: Multiple that defines that the settlement quantity or nominal must be a multiple of the Minimum Settlement Unit.
<b>Subordinated Debt</b>	: Unsecured debt of the Group in form of loans or subordinated notes that is subordinated to the Notes with respect to claims on assets or earnings and is fully or partially repayable only if all obligations under the Covenants of the Notes are met.
<b>Subsidiary</b>	: Direct and indirect subsidiaries of the Group defined in accordance with the IFRS.
<b>Terms of the Issue</b>	: This document, which entitles the Issuer to execute the Issue and the initial offering of the Notes.
<b>Unencumbered Net Loan Portfolio</b>	: Part of the Net loan portfolio that is not pledged, charged, assigned, or encumbered in any other manner to any party, as determined from the most recent Financial Report.

BEFORE DECIDING TO PURCHASE THE NOTES, POTENTIAL INVESTORS MUST 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 Sun Finance 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 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 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, Southeast Asia, Africa, and the Americas, including Denmark, Poland, Kazakhstan, Latvia, Mexico, Sweden, Philippines, Kenya, and Spain 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 the Group's potential customer base, in turn reducing the Group's revenues. Additionally, during periods of economic slowdown or recession, the ability of the 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 the 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 the Group's business, financial condition, results of operations, prospects, and cash flows.

The worldwide economy following the COVID-19 pandemic, Russia's invasion into Ukraine, and the rise in cost-of-living is displaying an unexpected resilience. Inflation has declined more rapidly than anticipated, with minimal impact on employment and economic activity; mainly caused by the positive supply-side developments and central banks' efforts to maintain stable inflation expectations. Nonetheless, high interest rates and reduced fiscal support are expected to hinder growth in 2024. The economy in Europe is projected to grow at a slow but steady rate following its significant exposure to the war in Ukraine. Meanwhile, Asia's emerging and developing economies are forecasted to experience slightly declining growth rates in the next few years, but they are still expected to remain considerably higher than those of other regions, at around 5%. At the same time Latin America's economy is expected to experience varying growth rates – on the one hand, negatively affected by policy adjustments in Argentina and, on the other hand, driven by strong domestic demand and trading partner growth in Brazil and Mexico. Furthermore, economic growth in Africa is predicted to further rise as supply chains are gradually recovering from earlier weather shocks.

According to the International Monetary Fund, the global economy is expected to maintain a stable growth rate of 3.1% in 2024, with a slight increase to 3.2% in 2025, reflecting tight monetary policies, reduced fiscal support, and sluggish underlying productivity growth. The global headline inflation is expected to decline from 6.8% in 2023 to 5.8% in 2024 and 4.4% in 2025 as a result of lower core country inflation driven by tight monetary policies, slower labour market and ongoing decline in energy costs.

The overall decrease in interest rates, coupled with anticipated positive economic growth, has the potential to stabilize aggregate demand, alleviate inflationary pressures, boost economic activity, enhance the labour market, and further augment household incomes. Ultimately, this could lead to increased demand for the Group's products while potentially improving the quality of its loan portfolio.

In turn the ability to successfully collect the Group's loans may also decline with an increase in unemployment and reduction in household income. Accordingly, any decrease in demand for the Group's products and loan portfolio quality could have a significant impact on its income. If the Group fail to adapt to a significant change in customer demand for its products and services, the Group's income could decline significantly, and its ongoing business operations could be adversely affected.

#### **The Group's operational market GDP growth over time and assigned credit ratings**

Country	GDP growth %				Credit Rating		
	2021	2022	2023F	2024F	Moody's	S&P	Fitch
Denmark	4.9	3.6	1.4	1.2	Aaa (stable outlook)	AAA (stable outlook)	AAA (stable outlook)

Poland	6.8	4.9	0.6	2.3	A2 (stable outlook)	A- (stable outlook)	A- (stable outlook)
Kazakhstan	4.1	3.2	4.6	4.2	Baa2 (positive outlook)	BBB- (stable outlook)	BBB (stable outlook)
Latvia	4.1	2.0	0.5	2.6	A3 (stable outlook)	A+ (negative outlook)	A- (positive outlook)
Mexico	4.7	3.1	3.2	2.1	Baa2 (stable outlook)	BBB (stable outlook)	BBB- (stable outlook)
Sweden	5.4	2.6	(0.7)	0.6	Aaa (stable outlook)	AAA (stable outlook)	AAA (stable outlook)
Philippines	5.7	7.6	5.3	5.9	Baa2 (stable outlook)	BBB+ (stable outlook)	BBB (stable outlook)
Kenya	7.6	4.8	5.0	5.3	B3 (negative outlook)	B (negative outlook)	B (negative outlook)
Spain	6.4	5.8	2.5	1.7	Baa1 (positive outlook)	A (stable outlook)	A- (stable outlook)

*Source: IMF World Economic Outlook, October 2023*

### 1.1.2. Geopolitical risk

On 24 February 2022, Russia launched a military assault on Ukraine. This has led to significant volatility in the global credit markets and the global economy. Although, as of the date of the Terms of the Notes Issue, the restrictive measures imposed against Russia and Belarus have had no direct material impact on the Group, introduction of new sanctions packages and general deterioration of the economic situation, particularly as a result of significant increase of inflation potentially resulting in lower disposable incomes of the Group's customers, may affect the Group's business results and financial performance.

The political circumstances or inadequacies of the legal systems and law enforcement mechanisms in certain countries in which the Group operates may have a material negative impact on the Group's reputation, revenue, cash flows and financial condition.

### 1.1.3. The global pandemic risk

The global economy has experienced a period of elevated uncertainty since the outbreak of Covid-19, in March 2020. The global outbreak of Covid-19 pandemic, and the extraordinary health measures and restrictions on both a local and global basis imposed by authorities across the world has to some extent, and could potentially cause, disruptions in the Group's operations in the future.

While the situation with respect to the Covid-19 pandemic is quite stable at the moment, a new wave of a new global pandemic cannot be ruled out, which could result in new laws and regulations that could directly, or indirectly, affect the Group's operations and cause operation disruptions, negatively affecting the Group's revenue base. Thus, the effects of a new pandemic situation could negatively affect the Group's revenue and operations going forward, where the severity of the situation in the future and the exact impacts for the Group are uncertain.

#### 1.1.4. Regulatory and licensing risk

The 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 into intense scrutiny in recent years. Failure to comply with existing laws and regulations applicable to the Group's operations, or to obtain and comply with all authorizations and permits required for the 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 the Group's licenses, or in criminal penalties being imposed on the Group's officers.

#### Overview of laws and regulations governing consumer lending activities in the Group's operational markets

Country	Regulatory Framework
Denmark	<p>Applicable 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>The main laws and legislations:</p> <ul style="list-style-type: none"><li>• The Act on Consumer Loan Businesses (in Danish: Lov om forbrugslånsvirksomheder).</li><li>• The Danish Marketing Act (in Danish: Lov om markedsføring),</li><li>• The Danish Credit Agreements Act (in Danish: Lov om kreditaftaler).</li><li>• The Danish Act on Measures to Prevent Money Laundering and Financing of Terrorism (in Danish: hvidvaskloven).</li><li>• The Supervisory Authorities:</li><li>• The Danish Consumer Ombudsman (Forbruger-ombudsmanden) supervises compliance with marketing law.</li></ul> <p>The Danish Financial Supervisory Authority (Finanstilsynet), supervises compliance with AML/CTF and consumer lending companies' laws.</p>
Poland	<p>In Poland, the consumer lending market is a regulated market, but no license is required for providing consumer lending services. A payment institution that grants loans in connection with the issuance of credit cards must obtain the status of a Small Payment Institution (MIP).</p> <p><u>The main laws and legislations:</u></p>

	<ul style="list-style-type: none"> <li>The main legal act regulating the consumer lending market is the Act on Consumer Credit, which regulates the most important aspects of consumer credit agreements. The loan institution must meet the requirements set out in the Consumer Credit Act: The minimum share capital – PLN 1,000,000, legal form: limited liability company with a Supervisory Board 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. The main act regulating the operation of a Small Payment Institution (MIP) is the Payment Services Act. Obtaining the status of a Small Payment Institution is possible after entry in the MIP register kept by the KNF (Polish Financial Supervision Authority).</li> </ul> <p><u>The Supervisory Authorities:</u></p> <ul style="list-style-type: none"> <li>The regulatory institution is KNF (Polish Financial Supervision Authority) that has registers of lending companies, financial intermediaries, and Small Payment Institution (MIP).</li> <li>Consumer lending companies and Small Payment Institution (MIP) are also supervised by the Office of Competition and Consumer Protection and Rzecznik Finansowy (Financial Ombudsman).</li> </ul> <p><u>Other regulatory acts, regulating Issuer's activities, are:</u></p> <ul style="list-style-type: none"> <li>Polish Civil Code – stating the main conditions in civil law, also concerning consumer rights protection.</li> <li>Act on Preventing Money Laundering and Terrorism Financing – the purpose of this law is to prevent money laundering and terrorist financing.</li> <li>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.</li> <li>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.</li> <li>Code of good practice in lending companies' advertisement – stating the main pre-conditions for advertising.</li> </ul>
Kazakhstan	<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", as well as by other regulatory legal acts of the authorized body of the Republic of Kazakhstan - Agency of the Republic of Kazakhstan for Regulation and Development of the Financial Market.</p> <p>From 01.07.2020, all companies that issue online loans must register as an organization carrying out microfinance activities with the Agency of the Republic of Kazakhstan for Regulation and Development of the Financial Market.</p>

	<p>From 01.01.2021, all companies that issue online loans must obtain a license from the Agency of the Republic of Kazakhstan for Regulation and Development of the Financial Market to carry out microfinance activities.</p>
Latvia	<p>In Latvia, the consumer lending market is regulated. A permission (license) for providing consumer crediting services is required to issue consumer loans.</p> <p><u>The main laws and legislations:</u></p> <ul style="list-style-type: none"> <li>• The main legal act regulating the market is the Consumer Rights Protection Law and connected legal acts. 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.</li> <li>• 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, as well as annual prolongation of license operation, the fee of which is EUR 55,000; by Cabinet Regulation No. 691 of 25 October 2016, "Regulations On Consumer Credit", Law On Out-Of-Court Consumer Dispute Resolution Bodies, Personal Data Processing Law; Law on the Prevention of Money Laundering and Terrorism and Proliferation Financing; Unfair Commercial Practice Prohibition Law; Law On Extrajudicial Recovery of Debt, and Consumer Rights Protection Law.</li> </ul> <p><u>The key terms for issue / revocation of the license include the following:</u></p> <ul style="list-style-type: none"> <li>• 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.</li> <li>• 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.</li> <li>• If a licensee breaches the requirements of the license, CRPC can revoke or suspend the license. As of now there have been no precedents of revocation of this type of a license in the Latvian market, only precedents of its suspension.</li> </ul>
Mexico	<p>In Mexico the consumer lending market, is mostly regulated on a corporate basis, but no license is required for providing consumer lending services.</p> <p><u>The main laws and legislations:</u></p> <ul style="list-style-type: none"> <li>• 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. The authority or Institution that guarantees to the consumer that the operation held by a company is under the laws is the Federal Consumer Attorney's Office,</li> </ul>

	<p>however no special permission or license is needed to grant loans, except for those that are needed for corporate purposes, e.g., Tax Registration. 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 when the amount of issued loan exceeds USD 8,325 within a period of six months and that amount has been given to only one person.</p> <p><u>Other regulatory acts, indirectly regulating Issuer's activities, are:</u></p> <ul style="list-style-type: none"> <li>• 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.</li> <li>• 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.</li> <li>• Law for the Transparency and Regulation of Financial Services - This Law regulates the commissions and exchange fees as well as other aspects related to financial services and the granting of credits of any nature carried out by the entities, in order to guarantee the transparency and efficiency of the payment system and protect the interests of the public.</li> <li>• Foreign Investment Law - Since the company has foreign capital, it's necessary to obtain a registration before the Ministry of Economy. The registration must be made within 40 business days from the date of incorporation of the company or participation of the foreign investment; of formalization or protocolization of the relative documents of the foreign company; or of constitution of the respective trust or granting of trustee rights in favour of the foreign investment.</li> </ul>
Sweden	<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 authorization (license) 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 authorization (license) application and approval of the articles of association/by-laws is SEK 65,000. Swedish FSA also charges an annual supervision fee of SEK 50,000.</p> <p>Swedish FSA also has the rights to continuously check if the companies follow their articles of association.</p>

	<p><u>The main laws and legislations:</u></p> <ul style="list-style-type: none"> <li>• The Banking and Financing Business Act (2004:297) (in Swedish: Lag (2004:297) om bank- och finansieringsrörelse).</li> <li>• The Consumer Credit Activities Act (2014:275) (in Swedish: Lag (2014:275) om viss verksamhet med konsumentkrediter).</li> <li>• The Consumer Credit Act (2010:1846) (in Swedish: Konsumentkreditlagen (2010:1846)).</li> <li>• Marketing Act (2008: 486) (in Swedish: Marknadsföringslag (2008:486))</li> </ul> <p><u>The Supervisory Authorities:</u></p> <ul style="list-style-type: none"> <li>• The Swedish Financial Supervisory Authority (in Swedish: Finansinspektionen);</li> <li>• The Swedish Consumer Agency (in Swedish: Konsumentverket) – exercises supervision regarding the conditions for granting a loan, whether The Consumer Credit Act has been complied.</li> </ul>
<p><b>Philippines</b></p>	<p>In the Philippines the consumer lending market is regulated. The regulatory and supervisory body is Securities and Exchange Commission (SEC).</p> <p><u>The main laws and legislations:</u></p> <ul style="list-style-type: none"> <li>• The Republic Act No. 3765, also known as “Truth in Lending Act”, which is aimed to protect persons against inaccurate and unfair credit billing and credit card practices, requiring the lenders to provide consumers with loan cost information;</li> <li>• Republic Act No. 9474 (or the Lending Company Regulation Act of 2007), which prohibits any person from engaging or carrying out a lending business without the Certificate of Authority to operate from SEC.</li> <li>• The consumer lending must also be in compliance with Republic Act 7394, otherwise known as the “Consumer Act of the Philippines”.</li> <li>• Based on the SEC Rules and Regulations of the Financial Products and Services Consumer Protection Act (SEC FCPA IRR), companies must develop and implement various procedures and mechanisms, such as consumer protection risk management system and financial consumer protection assistance mechanism.</li> </ul> <p>Since 3 March 2022, based on Memorandum Circular No. 3 issued by SEC, the loans which are up to PHP 10,000 and with loan tenor up to 4 months, must meet certain interest and fee caps established by this Memorandum. The lending and financing companies operating in the Philippines also have the obligation to submit a business plan to SEC indicating the company's loan products and services as well as the applicable pricing parameters. Additionally, every year starting from 2023, lending companies must fill and submit Impact Evaluation Form, which SEC shall use to assess the impact of the imposition of interest rate caps on certain unsecured loans mainly in terms of financial inclusion, customer protection, and pandemic relief.</p>
<p><b>Kenya</b></p>	<p>The Central Bank of Kenya (“CBK”) published a Legal Notice No. 46 of March 18, 2022, of the Central Bank of Kenya (Digital Credit Providers) Regulations, 2022 (the</p>

	<p>“DCPs Regulations”). The DCPs Regulations were issued pursuant to Sections 57(1), 57(3) and 57(4) of the Central Bank of Kenya Act. They provide for the licensing and oversight of previously unregulated Digital Credit Providers (“DCPs”).</p> <p>The DCPs Regulations provide for inter alia the licensing, governance, and lending practices of DCPs. They also provide for consumer protection, credit information sharing, and outline the Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) obligations of DCPs.</p> <p>Consequently, in accordance with Section 59(2) of the CBK Act, all previously unregulated DCPs were required to apply to CBK for a license within six months of the publication of the DCPs Regulations, i.e., by September 17, 2022, or cease operations.</p> <p>Application for the license costs 5,000 KES. The granting of a license and annual fee is 20,000 KES.</p> <p><u>The main laws and legislations:</u></p> <ul style="list-style-type: none"> <li>• Legal Notice No. 46 of March 18, 2022, of the Central Bank of Kenya (Digital Credit Providers) Regulations, 2022 (the “DCPs Regulations”)</li> <li>• The Consumer Protection Act, 2012 (No. 46 of 2012)</li> <li>• Proceeds of Crime and Anti-Money Laundering Act No. 9 of 2009 of the Laws of Kenya (POCMLA), Anti-Money Laundering and Combating of Terrorism Financing Laws (Amendment) Act, 2023 (the Act) of 1 September 2023</li> </ul> <p><u>The Supervisory Authority:</u></p> <p>The Central Bank of Kenya</p>
Spain	<p>No license is required for providing consumer lending services in Spain.</p> <p><u>The main laws and legislations:</u></p> <ul style="list-style-type: none"> <li>• Law 16/2011, of June 24, on consumer credit contracts;</li> <li>• Law 3/2014, of March 27, which modifies the consolidated text of the General Law for the Defense of Consumers and Users and other complementary laws, approved by Royal Legislative Decree 1/2007, of November 16;</li> <li>• Law 22/2007, of July 11, on distance marketing of financial services intended for consumers;</li> <li>• Law of July 23, 1908, on the nullity of usurious loan contracts.</li> </ul> <p>Law 10/2010 of 28 April, on the prevention of money laundering and terrorist financing.</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 licensing or other type of permit for provision of consumer lending activities, and countries where the licensing is not required. For example, in Latvia where Consumer Rights Protection Centre (CRPC) carries out supervisory functions for consumer finance and licenced 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. The 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.

#### 1.1.5. Competition risk

The Group faces competition in all countries it operates, and in some markets the competition is more intense than others. Globally, the 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 the 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.

**1.1.6. 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 the 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 the Group's impairment methodology is very prudent and the Group's non-performing loan portfolio coverage as at end of December 2023 is 2.6x, actual loan losses may materially exceed the level of the Group's allowance for impairment losses, which may have a material adverse effect on the 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 the Group's key jurisdictions, or natural disasters, may result in an increase in non-performing loans. The 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.

The Group ensures that appropriate risk treatment measures are adopted to address the type of risk described under this Section.

**1.1.7. 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 centres 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.

To address the type of risk described under this Section, the Group has adopted a set of different technical and organizational controls ensuring that the risk in question is treated in appropriate manner.

#### 1.1.8. 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 nine 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, Europe, Asia and Africa. 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, AML/CFT, sanctions 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.

1.1.9. Geographical concentration risk

Several of the countries in which the Group operates generate a significant portion of its revenues. As a result, the Group is exposed to country-specific risks with respect to these national markets. In such markets, dissatisfaction with the Group's products, revocation of its operating license, a decrease in customer demand, failure to continue to expand its customer base and retain its existing customer base could have a material adverse effect on the Group's business, financial condition, results of operations, prospects, or cash flows. The Group continue to seek opportunities to expand its operations into new markets. However, there can be no assurance that such diversification efforts will be successful. The Group's business, financial condition, results of operations, prospects or cash flows could be materially adversely affected if it fails to diversify geographically and expand its operations and customer base.

1.1.10. 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 several markets 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.

1.1.11. 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 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 the 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.

Addressing the risk in question the Group ensures that appropriate risk treatment steps are taken. For example, by appointing responsible employees, following changes and trends in the field of privacy and data protection, adopting appropriate technical and organizational measures, etc.

#### 1.1.12. AML/CFT and sanctions breach risk

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

The Group is constantly improving the adopted risk treatment measures to ensure that the risk described under this Section is properly addressed at all times.

#### 1.1.13. 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.

The Group ensures that the risk in question is properly treated by the adopted risk treatment measures that are monitored and improved where necessary.

#### 1.1.14. Cyber security risk

The Group's business involves the storage and transmission of consumers' personal data, 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 centre providers, as well as on the general availability of the Internet. The Group has seen various phishing and malicious email threats as well as malware targeting its internal network, yet the Group has incurred no material costs from 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 centre providers. Although Sun Finance and its data centre 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, data, and other technology assets as well as the confidentiality, integrity, and availability (CIA triad) 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 CIA of the systems and the Group's data centre providers' efforts to ensure the integrity of their systems, effective preventive measures against all security breaches may not be anticipated or implemented, especially because of the changing attack vectors and techniques used which may not be recognized until launched. 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 platforms and services (PaaS, SaaS) 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 centre 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 standards 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.

To address the risk described under this Section, the Group has set up a team dedicated to cybersecurity matters and ensures continuous improvement of technical and organizational measures maintaining a level of security appropriate to the risk.

#### 1.1.15. 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 and social media, such as Meta, TikTok 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.

#### 1.1.16. 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 centre 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.

#### 1.1.17. 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 is 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 marketplaces. 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 and, more recently, the Russia's invasion of Ukraine. 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.

#### 1.1.18. Loan Marketplace risk

To sustain its growth the Group needs access to diversified and efficient funding sources. 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 mostly 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 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 the 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.

#### 1.1.19. 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.

#### 1.1.20. 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 labour 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.

#### 1.1.21. 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, the Kenyan Shilling and the Philippine peso 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.

#### 1.1.22. 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.

#### 1.1.23. 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.

#### 1.1.24. 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 Noteholders 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 December 2023, the Group had outstanding liabilities towards Loan Marketplace (Mintos) in the amount of EUR 21.9 million. Due to specifics of national legislation, in some of the countries the Group operates in (Latvia and Kazakhstan), loans of the borrowers are not directly listed on the Mintos platform. In these countries Mintos acts as an intermediary, granting loans to the relevant Subsidiaries of the Group, and these loans are secured by commercial pledge agreements. 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 December 2023, the Group had the following commercial pledge agreements and the Group guarantee agreements with Mintos:

Country	Maximum amount of pledge	Group guarantee
Latvia	EUR 20,800,000	No
Kazakhstan	EUR 30,000,000	Yes
Denmark	Not on Mintos	Not on Mintos
Poland	Not on Mintos	Not on Mintos
Mexico	Not on Mintos	Not on Mintos
Sweden	Not on Mintos	Not on Mintos
Philippines	Not on Mintos	Not on Mintos
Kenya	Not on Mintos	Not on Mintos
Spain	Not on Mintos	Not on Mintos

The Issuer has three senior unsecured notes issues: EUR 20,000,000 (ISIN:LV0000802494) notes issue maturing on 30 June 2024 that will be refinanced with these Notes, EUR 50,000,000 (ISIN:LV0000860112) notes issue maturing on 30 September 2025 and EUR 27,000,000 (ISIN: LV0000802692) notes issue maturing on 30 November 2026. LV0000802494 notes have 11% annual coupon rate, paid quarterly, while LV0000860112 and LV0000802692 notes have 11% + 3M EURIBOR annual coupon rate, paid monthly. These notes will rank pari passu with Notes, which the Issuer plans to issue according to these Terms of Notes Issue and their maturity date 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 December 2023, the Issuer had other unsecured Financial Indebtedness that ranks pari-passu with the Notes in the amount of EUR 22.7 million.

#### 1.2.3. Guarantee enforceability risks

Each Guarantee provides the Noteholders 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 Noteholder 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. No limitation on issuing additional debt

The Issuer and the Group are not prohibited from issuing further debt. If the Issuer or the Group incurs significant additional debt of an equivalent seniority with the Notes, it will increase the number of claims that would be equally entitled to receive the proceeds, including those related to the Issuer's possible insolvency. Further, any provision which confers, purports to confer, or waives a right to create security interest in favour of third parties, such as a negative pledge, is ineffective against third parties since: (i) it is an issue of a contractual arrangement only being binding upon the parties to such contractual arrangement; (ii) there is no specific legislation in Latvia and Malta providing beneficiaries of negative pledge undertakings or covenants with a preferred position vis-a-vis the claims of third parties; and (iii) no registry or public record exists in Latvia and Malta through which negative pledge undertakings or covenants could be filed to obtain a preferred position. Should the Company breach its obligations under such undertakings and covenants and create a security interest in favour of a third party, such third party would obtain a valid and enforceable security interest over the pledged asset.

#### 1.2.5. 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.

#### 1.2.6. 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.

**1.2.7. 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.

**1.2.8. Foreign exchange risk**

The Notes will be denominated and payable in EUR. If Noteholders 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 Noteholders when the return on such Notes is translated into the reference currency.

**1.2.9. 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 Noteholder 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 Noteholder'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.

**1.2.10. 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 tax withholding obligation for payments made to Noteholders non-residents of Malta in relation to the Notes. In case a Noteholder (corporate or non-corporate) qualifies as being a tax resident of Malta during the year in which the investment income (interest) is derived, the interest payable in respect to the Note shall be subject to the final withholding tax, currently at the rate of 15%, unless the Issuer is instructed by the resident Noteholder at the time of subscription to receive interest gross of any withholding tax. For more detailed information you are advised to seek advice on the taxation of such an income as specific rules may apply.

#### 1.2.11. Resolutions of Noteholders risk

The resolution of the Majority 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.

#### 1.2.12. Risk that some Noteholders might have more preferential terms than others

While the Issuer will try to maintain the proportional reduction principle to the extent possible in final allocation of the Notes, in case the total number of Notes subscribed for is higher than the number of Notes available, the Issuer has a right to refuse all or part of the subscribed Notes to any Potential Investor due to perceived risks that might not be directly measurable and subjective, thus, the proportionality principle might not be observed.

Additionally, the Issuer has the right to sell the Notes at a price lower than their Nominal value to selected Noteholders and/or enter into agreements that may add additional rights to selected Noteholders if the Issuer perceives them as especially important for this Notes issue due to the size of their investment or added experience. This may result in a situation where some Noteholders might gain preferential terms for investment into the Notes than the rest of the Noteholders.

#### 1.2.13. Risks associated with the Collateral Agent Agreement

The Noteholders are represented by the Collateral Agent in all matters relating to the Guarantee. There is a risk that the Collateral Agent, or anyone appointed by it, or replacing it, does not properly fulfil its obligations in terms of enforcing or taking other necessary actions in relation to the Guarantee. Subject to the terms of the Collateral Agent Agreement, the Collateral Agent is entitled to enter into agreements for the use of services of a third-party and appoint third-party representatives in the course of performance of its tasks and acts as stipulated in these Terms of the Notes Issue or take any other actions necessary for the purpose of enforcing the Guarantee or for the purpose of settling, among others, the Noteholders rights to the Guarantee.

#### 1.2.14. The Guarantee will be subject to certain limitation on enforcement and may be limited by the applicable law or subject to certain defences that may limit its validity and enforceability.

The Guarantee provides the Collateral Agent, acting for the benefit of the Noteholders, with a claim against the relevant Guarantor. However, the Guarantee will be limited to the maximum amount that can be guaranteed by the relevant Guarantor without rendering the Guarantee voidable or otherwise ineffective under the applicable law, and enforcement of the Guarantee would be subject to certain generally available defences.

Enforcement of the Guarantee against any Guarantor will be subject to certain defences available to the Guarantors in the relevant jurisdiction. Although, laws differ among jurisdictions, 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, the Guarantors may have no liability or decreased liability under the Guarantee depending on the amounts of its other obligations and applicable law.

There is a possibility the entire Guarantee may be set aside; in which case the entire liability may be extinguished. If a court decides that the Guarantee was a preference, fraudulent transfer or conveyance and voids the Guarantee, or holds it unenforceable for any other reason, the Noteholders 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.

The Notes will be guaranteed by the Guarantors, which are organised or incorporated under the laws of relevant jurisdiction. 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 Noteholders under the Guarantee will thus be subject to the laws of a number of jurisdictions, and it may be difficult to enforce such rights in several 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 and 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 realise any recovery under the Notes and the Guarantee.

1.2.15. The enforcement of the Guarantee will be subject to the procedures and limitations set out in the Collateral Agent Agreement and these Terms of the Notes Issue.

1.2.16. Even when the Guarantee is enforceable, the enforcement is subject to the procedures and limitations agreed in the Collateral Agent Agreement and these Terms of the Notes Issue. There can be no assurances as to the ability of the Noteholders to instruct the Collateral Agent to initiate any enforcement procedures. Furthermore, any enforcement of the Guarantee may be delayed due to the provisions of the Collateral Agent Agreement and these Terms of the Notes Issue. The rights of the Noteholders depend on the Collateral Agent's actions and financial standing.

By subscribing for, or accepting the assignment of, any Note, each of the Potential Investors will accept the appointment of the Collateral Agent as the agent and representative of the Noteholders, to represent and act for the Noteholders in relation to the Guarantee. Only the Collateral Agent is entitled to exercise the rights under the Guarantee and enforce the same. Any failure by the Collateral Agent to perform its duties and obligations properly, or at all, may adversely affect the enforcement of the rights of the Investors due to, for example, inability to enforce the Guarantee and/or receive any or all amounts payable from the Guarantee in a timely and effective manner.

Under the Collateral Agent Agreement, the Majority Noteholders may pass a decision to replace the Collateral Agent at any time. At any time, the Collateral Agent may resign from its role as the Collateral Agent with 1 (one) month notice. Furthermore, the Collateral Agent's liability to the Noteholders and the Guarantors is limited in accordance with Clause 3.2.20.10. and 3.2.20.11. As of the date of the Terms of the Notes issue the Collateral Agent's professional liability is insured with an insurance company "Compensa Vienna Insurance Group" ADB Latvijas filiāle (registration number: 40103942087).

## **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 23, Level 4, Vincenti Buildings, 25 Strait Street, Valletta VLT1432, 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 Noteholders for due and complete fulfilment of its obligations deriving from the Notes.

The Issuer gives the following warranties to the Noteholders:

- I. The Issuer is duly registered private limited company operating in compliance with the laws of Malta;
- II. All the Issuer's and the Guarantors' obligations assumed under the Notes and the Guarantee are valid and legally binding to them and performance of these obligations is not contrary to Applicable Law, their constitutional documents or agreement concluded by them;
- III. The Issuer and the Guarantors have all the rights and sufficient authorizations to issue the Notes, to provide the Guarantee and fulfil obligations arising from issuing the Notes;
- IV. The Issuer and the Guarantors have performed all the formalities required for issuing the Notes and to provide the Guarantee and fulfil other 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 and the Guarantors are solvent, able to pay their debts as they fall due, there are no liquidation or insolvency proceedings pending or initiated against the Issuer or the Guarantors;
- VII. There are no legal or arbitration proceedings pending or initiated against the Issuer or the Guarantors, which may have, or have had significant effect on their financial position or profitability;
- VIII. There are no criminal or misdemeanour proceedings pending or initiated against the Issuer or the Guarantors;
- IX. The Issuer shall not, and shall procure that none of its directors, officers, employees or agents, use the proceeds from the Notes: (i) to fund, finance or facilitate any activities or business of or with any person that is, or is owned or controlled by persons that are, or in any country, region or territory, that, at the time of such funding, financing or facilitating is, or whose government is, the target of Sanctions; or (ii) in any other manner that would result in a violation of Sanctions by any person (including, any person participating in the subscription of Notes, whether as lender, underwriter, advisor, investor, or otherwise).

### **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 Jānis Kundziņš, 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.

On behalf of Sun Finance Treasury Limited  
Jānis Kundziņš  
Director

*This document is signed with secure electronic signature containing a time stamp*

### **3. Information on Notes**

#### **3.1. The use of the proceeds**

The total issue size is EUR 40,000,000 (forty million euro).

Funds that will be raised as a result of the Notes issue will be used to refinance the Group's EUR 20,000,000 notes issue (LV0000802494), as well as for general corporate purposes - to finance new product development and further geographic expansion. The Funds will be distributed to the Group Subsidiaries on basis of loan agreements between the Issuer and the 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 40,000,000.00 (forty million euro).

The ISIN (International Security Identification Number) of the Notes allocated by Nasdaq CSD is LV0000803187.

##### **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 Latvijas Banka, 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 with 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 December 2023, the Group had total outstanding liabilities towards Loan Marketplace Mintos in the amount of EUR 21.9 million.

The Issuer has three senior unsecured notes issues: EUR 20.0 million (ISIN:LV0000802494) notes issue maturing on 30 June 2024, EUR 50.0 million (ISIN: LV0000860112) notes issue maturing on 30 September 2025 and EUR 27.0 million (ISIN: LV0000802692) notes issue maturing on 30 November 2026. These notes will rank pari passu with Notes, which the Issuer plans to issue according to these Terms of Notes Issue.

As of 31 December 2023, 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 22.7 million ranking pari passu with the Notes.

### 3.2.6. Guarantors of the Notes

Sun Finance 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".

The Collateral Agent is authorized to enforce the Guarantee on behalf of the Noteholders pursuant to these Terms of the Notes Issue and the Collateral Agent Agreement and its amendments.

### 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 3.2.10. "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 with the exception of 2 (two) week period prior to the Maturity Date of the Notes, starting from 16 November 2027 (inclusive).

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.

#### *Coupon payment procedure*

Coupon payments are made 12 times a year on Coupon Payment Date – on every 31 January, 28 February, 31 March, 30 April, 31 May, 30 June, 31 July, 31 August, 30 September, 31 October, 30 November, and 31 December. The first Coupon payment date is 30 June 2024, the last Coupon payment will be made on 30 November 2027. 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 after 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*

Monthly Coupon payments, except for the first Coupon payment, are determined according to the following formula:

$$CPN = F * C / 12 \text{ or } CPN\% = C / 12, \text{ where}$$

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

F – Nominal Value of one Note;

C – annual Coupon rate (%)

#### *Calculation of first Coupon payment*

The first Coupon payment in respect of the time period between the Issue Date and 30 June 2024, is determined according to the following formula:

$$CPN1 = F * C * 38 / 360, \text{ where}$$

CPN1 – the amount of Coupon payment in EUR per note on 30 June 2024;

F – Nominal value per Note;

C – annual Coupon rate (%).

#### 3.2.9. Accrued interest calculation

The first Coupon starts to accrue on 22 May 2024, 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:

$$AI = F * C / 360 * D, \text{ where}$$

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

#### 3.2.10. 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.

### 3.2.11. Early redemption (call option)

The Issuer may redeem the Notes in whole or in part in the minimum amount of EUR 5,000,000 (five million euro) per each partial redemption on every Coupon Payment Date:

- from 30 June 2025 (inclusive) until 31 May 2027 (inclusive) by paying 102.0% (one hundred and two per cent) of the Nominal amount;
- from 30 June 2027 (inclusive) until Maturity Date by paying 100.0% (one hundred per cent) of the Nominal amount.

Any such partial redemption shall be made pro rata to the number of Notes held by each Noteholder.

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 by publishing a relevant notice with sufficient details on its webpage [www.sunfinance.group](http://www.sunfinance.group) and, until the listing of the Notes, also inform Nasdaq CSD. After the Notes are listed, the relevant notice should be published on the Group's webpage [www.sunfinance.group](http://www.sunfinance.group) and on Nasdaq Riga information system. Any such notice shall state the redemption date and the relevant record date and is irrevocable but may, at the Issuer's discretion, contain one or more conditions precedent. Upon expiry of such notice and the fulfilment of the condition's precedent (if any), the Issuer shall redeem Notes at the applicable amounts.

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 Corporate 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.

### 3.2.12. Early redemption at the option of Noteholders (put option)

In case a Change of Control has occurred or is anticipated to occur, the Issuer has the obligation (in case of anticipated Change of Control – a right) to inform the Noteholders by publishing a relevant notice with sufficient details on its webpage [www.sunfinance.group](http://www.sunfinance.group) and on Nasdaq Riga information system (if the Notes are listed) no later than 20 (twenty) Business Days after the Change of Control has occurred and at any time before the anticipated occurrence of a Change of Control:

- (a) stating that the Change of Control has occurred or is anticipated to occur, and that each Noteholder within a period of 10 (ten) Business Days has the right to require the Issuer to redeem all of such Noteholder's Notes at a price equal to 101% (one hundred and one percent) of the Nominal Value plus accrued and unpaid Coupon;
- (b) stating the redemption date, which shall be not earlier than 10 (ten) Business Days and not later than 20 (twenty) Business Days from the date such notice is delivered to Noteholders; however, if the notice is delivered prior to the occurrence of a Change of Control, the Issuer may state that the redemption of the Notes is conditional upon the occurrence of a Change of Control, in which

case the Notes will be redeemed not later than 20 (twenty) Business Days following the occurrence of a Change of Control;

- (c) stating the record date;
- (d) stating that any Note redeemed will cease to accrue interest after redemption and any Notes not redeemed will continue to accrue interest;
- (e) describing the circumstances and relevant facts regarding the transaction or transactions that constitute a Change of Control; and
- (f) describing the procedures determined by the Issuer that the Noteholder must follow to have its Notes redeemed.

To exercise the Change of Control put option, the Noteholder must within a period of 10 (ten) Business Days after the date of publication of the Issuer's notice submit to the Issuer a duly signed and completed notice of exercise put option in the form provided by the Issuer. The completed form shall be submitted to the Issuer by the Noteholder directly (physically signed form delivered by post or courier or electronically signed delivered by e-mail) or indirectly via the Noteholder's Custodian. If no response from the Noteholder has been received within the designated time period, it shall be considered that the Noteholder will not execute its put option. No option so exercised may be withdrawn without a prior consent of the Issuer.

If 75 (seventy-five) per-cent or more in Nominal Amount of the Notes then outstanding have been redeemed pursuant to this Clause, the Issuer may, on not less than 30 (thirty) nor more than 60 (sixty) days' notice to the Noteholders given within 30 (thirty) days after the redemption of the Notes pursuant to this Clause redeem on a date to be specified in such notice at its option, all (but not some only) of the remaining Notes at 101% (one hundred and one percent) of the Nominal Value plus accrued and unpaid Coupon.

### 3.2.13. Early redemption (in case of Event of Default)

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

### 3.2.14. Representation of the Noteholders

Within the framework of the Notes 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 13 May 2024, the Issuer's shareholders passed the decision to issue debt securities (Notes) in the amount of up to EUR 40,000,000.00 (forty million euro) with a coupon rate of 11% and maturity of 3.5 (three point five) years and to authorize the directors to sign all the documents related to the execution of the shareholders' decision to issue the Notes, registering the Notes with Nasdaq CSD and listing the Notes on First North.

On 13 May 2024, the Issuer's directors passed the decision to approve the issuance of the Notes and to approve the Terms of the Issue of the Notes.

### 3.2.16. First Settlement Date of the Notes Issue

The First Settlement Date (Issue Date) of the Notes issue is 22 May 2024, 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.

### 3.2.18. Noteholders and the Collateral Agent

By submitting a subscription order or acquiring the Notes on the secondary market, each Noteholder:

- (a) appoints the Collateral Agent to act as its agent and to perform the obligations and exercise the rights in connection with the Guarantee as set forth in these Terms of the Notes Issue, the Guarantee and the Collateral Agent Agreement and authorises the Collateral Agent to exercise the rights, powers, authorities and discretions specifically given to the Collateral Agent under or in connection with these Terms of the Notes Issue, the Guarantee and the Collateral Agent Agreement;
- (b) acknowledges that the Issuer has concluded the Collateral Agent Agreement with the Collateral Agent;
- (c) confirms the fact that the Collateral Agent's acts under the Collateral Agent Agreement, the Guarantee or other agreements in connection with the Notes concluded with the Issuer does not constitute any conflict of interests with respect to the Noteholder;
- (d) agrees that upon the performance of its obligations and exercising of its rights in connection with the Guarantee, the Collateral Agent shall be entitled to act at its own discretion, considering the interests of the Noteholders collectively and generally (and not of any particular Noteholder), unless specifically instructed otherwise by the Majority Noteholders in accordance with these Terms of the Notes Issue and without prejudice to Clause 3.2.20.8. of these Terms of the Notes Issue.

By submitting a subscription order or acquiring the Notes on the secondary market each private individual or legal entity, as well as their authorized representatives upon the request of the Collateral Agent are obliged to disclose to the Collateral Agent all information and documents on these private individuals or the legal entities, as well as their authorized representatives, and the Collateral Agent is entitled to receive this information and documents for the purposes of performance of duties of the Collateral Agent. This information and documents also include those documents and information that are necessary to the Collateral Agent in order to fulfil the Collateral Agent's obligations under AML/CFT and Sanctions regulations (e.g., information and documents on the beneficial owner).

### 3.2.19. Scope of Obligations of the Collateral Agent

#### 3.2.19.1. The rights and obligations of the Collateral Agent are limited to those expressly specified in the Collateral Agent Agreement and these Terms of the Notes Issue and, notwithstanding any other

provisions of these Terms of the Notes Issue, such rights are limited to the exercise of those rights which belong to the Collateral Agent in its capacity as an authorised representative of the Noteholders in respect of the Guarantee.

3.2.19.2. The Collateral Agent does not have any obligation:

- (a) to take any action (including, without limitation, to commence legal proceedings, compulsory enforcement proceedings, bankruptcy proceedings or any other proceedings) with the purpose to satisfy any claims arising under these Terms of the Notes Issue in connection with any assets of the Guarantors, except for enforcing the Guarantee in accordance with these Terms of the Notes Issue and the Guarantee upon the Guarantee becoming enforceable and receiving the relevant instructions from the Majority Noteholders;
- (b) to ensure the existence, enforceability or validity of the Guarantee or to assess any rights arising from or relating to the Guarantee;
- (c) to inform the Noteholders and the Guarantors about any circumstances relating to the Guarantee except to the extent such obligation to provide information is explicitly set forth in these Terms of the Notes Issue; and
- (d) to provide any advice to the Noteholders in legal, accounting, tax or other matters.

3.2.19.3. The Noteholders shall not have any independent power to enforce the Guarantee or to exercise any rights or powers arising under the Collateral Agreement. Noteholders may exercise their rights in relation to the Guarantee only through the Collateral Agent pursuant to these Terms of the Notes Issue.

3.2.19.4. Upon the performance of its obligations and exercising its rights, the Collateral Agent shall act at its own discretion in the interests and on the account of the Noteholders collectively, and generally (and not any particular Noteholder) without having any independent interests of its own (for the avoidance of doubt, the Collateral Agent has the right to withhold the proceeds necessary for satisfying the fees, costs, expenses, damages and claims of the Collateral Agent in accordance with Clause 3.2.21.1. (a) and without any obligation to consider any interests of the Guarantors and without any right of the Guarantors to give any instructions to the Collateral Agent. In particular, in accordance with these Terms of the Notes Issue the Collateral Agent shall be entitled to decide at its sole discretion as to what would be in the best interests of the Noteholders upon failure to obtain instructions from the Majority Noteholders. However, the Collateral Agent shall not start the enforcement of the Guarantee without instructions provided by the Majority Noteholders as described in these Terms of the Notes Issue.

3.2.19.5. The Collateral Agent is under no circumstances liable for the performance of the obligations of the Issuer or impossibility to enforce the Guarantee in accordance with these Terms of the Notes Issue and the Guarantee or any restrictions or delays thereof.

3.2.19.6. Upon the performance of its obligations and exercising of its rights hereunder the Collateral Agent shall have the right at its own cost to use the services of third parties and to appoint third-party representatives (including, during the performance of its tasks and acts as stipulated in these Terms of the Notes Issue and the Guarantee). In case of use of the services of third parties and/or appointment of third-party representatives, the Collateral Agent shall evaluate and appoint only reputable third parties having professional expertise for the fulfilment of the tasks and acts as stipulated in these Terms of the Notes Issue. In case of use of the services of third parties and/or appointment of third-party representatives, the Collateral Agent shall also ensure that: (i) no conflict of interest exists in respect to the Issuer and the Majority Noteholders; (ii) the fees, costs and expenses of such third-party services are at a reasonable market price; (iii) the fees, costs and expenses for using

the services of third parties and/or appointment of third-party representatives would not exceed costs, fees and expenses of the Collateral Agent if the latter would perform its obligations under these Terms of the Notes Issue, the Guarantee and the Collateral Agent Agreement on its own; and (iv) it remains a duty and obligation of the Collateral Agent to perform its obligations under these Terms of the Notes Issue and the Collateral Agent Agreement and not of the appointed third-party. In case the use of services of third parties or appointment of third-party representatives is required for the fulfilment of obligations arising from these Terms of the Notes Issue, including the Guarantee, Clause 3.2.19.10. of these Terms of the Notes Issue is applicable. The Collateral Agent shall not be responsible for any losses and damage caused by the acts and omissions by third parties.

- 3.2.19.7. At the request of the Collateral Agent, the Noteholders shall provide the Collateral Agent with any information required for the purposes of identification of the Noteholders and/or for the performance of other obligations arising from the applicable laws.
- 3.2.19.8. At the request of the Collateral Agent, the Issuer shall provide the Collateral Agent with an updated list of Noteholders specifying the outstanding Nominal Value of the Notes each of them is holding and their latest known email addresses, if such information is available.
- 3.2.19.9. The Collateral Agent is not liable for any circumstances relating to or affecting the validity of the Guarantee that are outside the control or sphere of influence of the Collateral Agent.
- 3.2.19.10. The Collateral Agent shall have the right to receive fees from the Issuer and to be compensated by the Issuer for those costs relating to the performance of its obligations under these Terms of the Issue and the Guarantee in accordance with the Collateral Agent Agreement and shall have the right to withhold the performance of its duties and obligations in case of any delay of payment of the relevant fees and costs. As regards the costs, the Issuer shall also compensate to the Collateral Agent all payments made by the Collateral Agent to third parties for the purposes of enforcement of the Guarantee in accordance with these Terms of the Notes Issue and the Guarantee (including, without limitation, state fees and taxes, other fees and payments established by applicable laws, costs and expenses incurred by the Collateral Agent), as well as all damages incurred by the Collateral Agent in relation to the same.
- 3.2.19.11. Notices and documents to the Collateral Agent shall be valid only if made and forwarded in writing either by post or e-mail by using the contact details set forth in these Terms of the Notes Issue. All notices of the Noteholders to the Collateral Agent shall be sent in writing (letter and email) to the Collateral Agent and copied to the Issuer and the Arranger. If the Collateral Agent has doubts that a notice from a Noteholder has not been sent to the Issuer or the Arranger, then the Collateral Agent shall immediately forward such notice to the Issuer or the Arranger (as applicable).
- 3.2.19.12. The Collateral Agent has the right to terminate the Collateral Agent Agreement in case: (a) the Guarantee have not been granted within the term stipulated in Clause 3.2.6. of these Terms of the Notes Issue, and/or (b) the Collateral Agent withdraws from performance of the tasks set out in these Terms of the Notes Issue on the grounds set out in Clause 3.2.20.12. or Clause 3.2.20.14. of these Terms of the Notes Issue. Fees and payments already paid to the Collateral Agent shall not be refunded in the event of termination of the Collateral Agent Agreement.
- 3.2.19.13. The Issuer has the right to terminate the Collateral Agent Agreement in case the Issuer decides not to proceed with the Notes issue and/or if the Issuer considers that the Collateral Agent allows wilful misconduct or gross negligence in exercising its rights. A new collateral agent must be designated by the Issuer who must take over the obligations of the Collateral Agent.

3.2.20. Establishment, Release and Enforcement of the Guarantee

- 3.2.20.1. For the purpose of guaranteeing due and timely payment, discharge and performance of the Notes, the Guarantee shall be established in the favour of Noteholders by the Guarantors.
- 3.2.20.2. By subscribing to the Notes, each Noteholder acknowledges and confirms that the Guarantors may use, deal with, consume, spend, utilize, and dispose their assets in the ordinary course of business and in accordance with reasonable business practices.
- 3.2.20.3. The Collateral Agent shall take all actions that the Collateral Agent as an authorised representative of the Noteholders in respect of the Guarantee may reasonably take with the purpose to enforce the Guarantee according to the procedures provided for in the Guarantee only in case the Majority Noteholders have instructed the Collateral Agent in writing in accordance with the procedure described under Clause 5.3. "Procedure for applying for Noteholders' consent" to enforce the Guarantee pursuant to Clause 3.2.20.4. of these Terms of the Notes Issue. Until the moment when the Collateral Agent receives the aforementioned instructions from the Majority Noteholders, the Collateral Agent may assume that the Issuer has performed its obligations under the Notes in accordance with these Terms of the Notes Issue.
- 3.2.20.4. The Majority Noteholders have the right to instruct the Collateral Agent to enforce the Guarantee only in case an Event of Default has occurred which is continuing, and the Issuer has failed to pay the Noteholders the Nominal Value of the Notes along with the accrued Coupon and default interest (if applicable) pursuant to Clause 4.2. of these Terms of the Notes Issue, and the aforementioned is certified by the Majority Noteholders in the instructions to the Collateral Agent.
- 3.2.20.5. If the Majority Noteholders in accordance with Clause 3.2.20.4. of these Terms of the Notes Issue have instructed the Collateral Agent to enforce the Guarantee, the Issuer shall immediately inform all Noteholders by publishing a relevant notice on its webpage [www.sunfinance.group](http://www.sunfinance.group) and on Nasdaq Riga information system (if the Notes are listed).
- 3.2.20.6. The Majority Noteholders have the right to instruct the Collateral Agent to take specific actions to enforce the Guarantee according to the procedure provided for in the Guarantee in case the conditions set out in Clause 3.2.20.3. of these Terms of the Notes Issue have been fulfilled. The Collateral Agent has a right (but not an obligation) to refuse to follow such instructions until the Majority Noteholders have confirmed such instructions.
- 3.2.20.7. The Collateral Agent shall be entitled (but is not under any circumstances obliged) to request instructions, or clarification of any direction, from the Majority Noteholders as to whether, and in what manner, the Collateral Agent should exercise or refrain from exercising any rights, powers, and discretions with regard to the enforcement of the Guarantee. Upon such request, the Majority Noteholders shall give their instructions or clarifications to the Collateral Agent within the time period specified in the Collateral Agent's request for instructions or clarifications, such a time period is to be at least 2 (two) Business Days. The Collateral Agent may refrain from acting unless and until Majority Noteholders have provided the Collateral Agent with requested instructions or clarifications.
- 3.2.20.8. If, under Clause 3.2.20.4. and 3.2.20.6. of these Terms of the Notes Issue or following the request of the Collateral Agent submitted under Clause 3.2.20.7. of these Terms of the Notes Issue, the Majority Noteholders have duly instructed the Collateral Agent, the Collateral Agent is obligated to comply with these instructions. Any such instructions from the Majority Noteholders will be binding on all Noteholders. The Collateral Agent shall not be liable for any consequences or damages that result from complying with the instructions.
- 3.2.20.9. Notwithstanding Clause 3.2.20.8. of these Terms of the Notes Issue, the Collateral Agent may refrain from doing anything which in its opinion will or may be contrary to the Terms of the Notes Issue, the

Guarantee the Collateral Agent Agreement or applicable laws or otherwise render it liable to any person. The Collateral Agent may refrain from acting in accordance with the instructions of the Majority Noteholders until it has received such indemnification or security as it may require for all costs, claims, losses, expenses (including, but not limited to, legal fees) and liabilities which it will or may expend or incur in complying with such instructions.

3.2.20.10. Without prejudice to Clauses 3.2.20.7., 3.2.20.8. and 3.2.20.9. of these Terms of the Notes Issue, the Collateral Agent may (but is not obligated to) act (or refrain from acting) as it in its own discretion reasonably believes is in the best interests of the Noteholders. The Collateral Agent shall not be liable to the Noteholders for acting (or refraining from acting) as described in these Terms of the Notes Issue or in accordance with the instructions of the Noteholders and/or applicable laws, except for losses, damages, costs, and expenses incurred by the Noteholders due to wilful misconduct or gross negligence by the Collateral Agent. The liability of the Collateral Agent is limited to the amount specified in the Collateral Agent agreement, save in case of wilful breach by the Collateral Agent of its obligations giving rise to the liability of the Collateral Agent.

3.2.20.11. The Collateral Agent shall not be liable to Noteholders and the Guarantors for the outcome of the enforcement of the Guarantee, provided the Collateral Agent has acted in accordance with these Terms of the Notes Issue and the Guarantee, except for losses, damages, costs, and expenses incurred by the Noteholders and the Guarantors due to wilful misconduct or gross negligence by the Collateral Agent. The liability of the Collateral Agent is limited to the amount specified in the Collateral Agent agreement, save in case of wilful breach by the Collateral Agent of its obligations giving rise to the liability of the Collateral Agent.

3.2.20.12. The Collateral Agent shall have the right to unilaterally terminate the performance of its duties described in these Terms of the Notes Issue in accordance with the Guarantee and the Collateral Agent Agreement (including, without limitation, terminate the enforcement of the Guarantee) in case:

- (a) in the reasonable opinion of the Collateral Agent (further) enforcement of the Guarantee on reasonable terms is not possible or feasible due to the commencement of insolvency or reorganisation proceedings of any Guarantor or enforcement of the Guarantee on reasonable terms may not be possible for any other reason; and/or
- (b) in the opinion of the Collateral Agent the Guarantee ceases to exist for any reason.

3.2.20.13. In order to exercise its right of termination under Clause 3.2.20.12. of these Terms of the Notes Issue, the Collateral Agent shall submit a respective written notice (by letter or email) stating the basis of exercising the right of termination to the Issuer. The Issuer shall immediately inform the Noteholders of receipt of the notice by publishing a relevant notice on its webpage [www.sunfinance.group](http://www.sunfinance.group) and on Nasdaq Riga information system (if the Notes are listed). The duties and obligations of the retiring Collateral Agent shall be deemed to have terminated from the moment when the respective written notice is submitted to the Issuer and all of the Noteholders.

3.2.20.14. The Collateral Agent shall have the right to resign due to reasons other than those stated in Clause 3.2.20.12. of these Terms of the Notes Issue by submitting a respective written notice (by letter or email) to the Issuer. The Issuer shall immediately inform the Noteholders of receipt of the notice by publishing a relevant notice on its webpage [www.sunfinance.group](http://www.sunfinance.group) and on Nasdaq Riga information system (if the Notes are listed). The duties and obligations of the Collateral Agent shall be deemed to have terminated upon the appointment of a successor Collateral Agent and acceptance by such appointment of the successor Collateral Agent and the execution of all necessary documentation to effectively substitute the retiring Collateral Agent.

3.2.20.15. No later than 3 (three) months after the receipt of the relevant notice under Clause 3.2.20.12. or Clause 3.2.20.14. of these Terms of the Notes Issue by the Issuer a successor collateral agent must be designated by the Issuer and the Majority Noteholders, who must take over the obligations of the retiring Collateral Agent. If a successor Collateral Agent has not been appointed within the term set out in this Clause, the duties and obligations of the retiring Collateral Agent shall be deemed to have terminated.

3.2.20.16. The Collateral Agent shall evaluate that no conflict of interest exists with regard to the Guarantors and/or the Noteholders and, the existence of conflict of interest shall not prevent the Collateral Agent from fulfilling its obligations to the extent and scope as described in these Terms of the Notes Issue and as provided in the in the Guarantee and in the Collateral Agent Agreement.

3.2.21. Application of the Proceeds from Enforcement of the Guarantee

3.2.21.1. The proceeds from the enforcement of the Guarantee shall be applied in the following order of priority:

- (a) as the first priority: to the satisfaction and payment of all fees, costs and expenses and damages (including, without limitation, state duties, notary fees, valuation costs and fees, costs and expenses of third parties engaged in by the Collateral Agent pursuant to conditions set out, *inter alia*, in Clauses 3.2.19.6. and 3.2.19.10. of these Terms of the Notes Issue) related to performance of its duties by, or otherwise payable to, the Collateral Agent under these Terms of the Notes Issue, the Collateral Agent Agreement and the Guarantee, including, but not limited to, the establishment, amendment, termination and enforcement of the Guarantee incurred by the Collateral Agent or any of the third parties engaged by the Collateral Agent;
- (b) as the second priority (after full satisfaction, payment and deduction of all claims and amounts set forth in Clause 3.2.21.1. (a) of these Terms of the Notes Issue): in payment of the claims of the Noteholders arising under these Terms of the Notes Issue, including, but not limited to, the claims arising from the Notes.

3.2.21.2. The Collateral Agent shall withhold the proceeds necessary for satisfying the fees, costs, expenses, damages, and claims of the Collateral Agent specified in Clause 3.2.21.1. (a) of these Terms of the Notes Issue and immediately transfer the remaining proceeds to the Noteholders for satisfying the claims under Clause 3.2.21.1. (b) of these Terms of the Notes Issue. The Collateral Agent shall immediately return the proceeds from the enforcement of the Guarantee remaining after satisfying all claims set forth in Clause 3.2.21.1. of these Terms of the Notes Issue to the Issuer.

3.2.21.3. In case the proceeds remaining after covering the fees, costs, expenses, damages, and claims under Clause 3.2.21.1. (a) of these Terms of the Notes Issue do not cover the claims of the Noteholders under Clause 3.2.21.1. (b) of these Terms of the Notes Issue in full, these claims of the Noteholders shall be satisfied pro rata to the Nominal Value of the Notes held by the Noteholders.

3.2.21.4. The Collateral Agent is not obliged to pay to the Noteholders or any other persons any interest on the proceeds from the enforcement of the Guarantee (whether deposited or not).

3.2.21.5. In case the Collateral Agent is required, under applicable laws, to withhold or pay any taxes in connection with payments to be made by the Collateral Agent hereunder, the amount to be paid by the Collateral Agent shall be reduced by the amount of respective taxes and only the net amount shall be paid by the Collateral Agent.

## **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 the Covenants, rules of Nasdaq Riga and applicable laws.

All notices and reports to the Noteholders shall be published on the Group's website ([www.sunfinance.group](http://www.sunfinance.group)) and on Nasdaq Riga's website if the Notes are listed. 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**

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. Noteholders 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 accordingly ("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 therefrom) 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 Relevant Period in which such failure to comply was (or would have been) first evidenced ("Breach Period"), 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 Breach Period.
- II. Any new equity so provided in respect of such Breach Period shall be deemed to have been provided during the Breach 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.

#### **4.2.3. 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 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 Subsidiary, Related Parties or Subordinated Debt 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.

#### 4.2.4. 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 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, 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.

#### 4.2.5. Establishment of Event of Default

Noteholders representing at least 10% (ten percent) of the principal amount of the outstanding Notes may by written notice to the Issuer declare the occurrence of Event of Default at any time after an Event of Default has occurred (and as long the Event of Default exists).

The Issuer shall pay all Noteholders the Nominal Value of the 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, provided that the Event of Default is continuing on the date of receipt of the notice by the Issuer and on the repayment date.

If following receipt of the Noteholders' notice, the Issuer is obliged to make the payments as stated under this Clause but is unable to do so, the Issuer is obliged to send the Collateral Agent a written notification and notify the Noteholders by publishing the information on the Issuer's website ([www.sunfinance.group](http://www.sunfinance.group)) and on Nasdaq Riga website (if the Notes are listed) within 20 (twenty) Business Days after receipt of the

Noteholders' notice. The Noteholders may act in accordance with the Clause 3.2.20. "Establishment, Release and Enforcement of the Guarantee".

#### **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 a pay 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.

#### **4.4. Force Majeure**

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

- (a) action of any authorities, war or threat of war, armed hostility or a serious threat of it, including but not limited to enemy attacks, blockades, military embargoes, actions by a foreign enemy, general military mobilisation, military actions, declared and undeclared war, actions by a public enemy, commotions, acts of terrorism, diversions, piracy, disorders, invasion, revolution, coup, insurrection, mass unrest, expropriation, enforced withdrawal, takeover of enterprises, requisition;
- (b) 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;
- (c) any interruption of or delay in any functions or measures of the Issuer as a result of fire, frost or other similar disaster;
- (d) any industrial action, such as strike, lockout, boycott or blockade affecting materially the activities of the Issuer; or
- (e) 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.

## **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 Interest Coverage Ratio of at least 1.75x (one point seventy-five times), calculated for the Relevant Period at the end of each quarter.
- 5.1.2. To maintain consolidated Capitalization ratio of at least 20% (twenty percent) calculated 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 1.4x (one point four times) 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 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.

### **5.2. 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. 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, except permitted distribution:
  - Up to 50% of undistributed retained earnings at the end of the Relevant Period if after distribution Capitalization ratio as according to Clause 5.1.2. remains 30% or greater;
  - Up to 100% of undistributed retained earnings at the end of the Relevant Period if after distribution Capitalization ratio as according to Clause 5.1.2. remains 50% or greater.
- 5.2.2. To request the admission to trading of the Notes on First North operated by Nasdaq Riga within 12 (twelve) months after the Issue Date and submit terms of the Issue and company description with Nasdaq Riga. The Notes shall be listed on First North only in case Nasdaq Riga approved the Notes for listing. Each Noteholder acknowledges that the possible listing of the Notes on First North depends on the discretionary decision of Nasdaq Riga. Therefore, the Issuer cannot ensure the listing of the Notes and, provided that the Issuer has taken all legal steps to ensure listing, shall not be deemed to be in breach of the Terms of the Issue in case the Notes are not listed.
- 5.2.3. So long as any Note remains outstanding, the Issuer shall not, and shall procure that none of the Guarantors create or permit to subsist, mortgage, pledge any security of any kind (each a "Security"), other than a Permitted Security, over any of their assets (present or future) to secure any Financial Indebtedness without at the same time or prior thereto securing the Notes equally and rateably therewith ("Negative Pledge");
- 5.2.4. 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.
- 5.2.5. 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% of consolidated revenue.

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- 5.2.6. Not to obtain participation in any other company by investing funds, except if the Issuer or the Group acquires Control over such other company within the following 6 (six) months or if the requirements of the Clause 5.1.2. are met.
- 5.2.7. Not to provide loans to entities outside the Group except for loans provided in the course of the Group's ordinary business, provided that a loan may be provided to an entity outside the Group if such entity becomes Subsidiary within 12 (twelve) months after receiving such loan and/or the requirements of the Clause 5.1.2. are met.
- 5.2.8. 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.
- 5.2.9. Not to initiate or allow initiation of the Issuer's liquidation or similar proceedings and not to reduce the share capital of the Issuer.
- 5.2.10. To publish consolidated condensed unaudited quarterly reports of the Group with management commentary as per Accounting Principles within 2 (two) months following the end of each consecutive quarter. The reports should also include information if the Issuer is compliant with the financial covenants set out in Clause 5.1. of these Terms of the Notes Issue.
- 5.2.11. To publish audited consolidated annual reports of the Group as per Accounting Principles by the end of the second quarter following the end of each consecutive financial year. The annual reports should be audited by an Auditor.
- 5.2.12. Any transactions with Related Parties should be at Fair Market Value.
- 5.2.13. To provide the Guarantees by the Guarantors to the Collateral Agent in favour of the Noteholders within 30 (thirty) Business Days from the Issue Date and any additional Guarantees (if applicable) within 20 (twenty) Business Days from the date when the audited consolidated annual report (starting from financial year 2024) has been published (in accordance with Clause 3.2.6.).

### **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 or the Guarantees (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 Collateral Agent may ask for instructions from the Noteholders in respect to the Guarantee in the same manner as the Issuer may apply for the consent (waiver) of the Noteholders thereunder.

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 by publishing the relevant announcement on the Issuer's website [www.sunfinance.group](http://www.sunfinance.group), if Notes are not listed, or, if Notes are included in First North, via Nasdaq Riga information system, specifying at the least the following information:

- 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 Agent within the term specified in the application. If the Noteholder does not notify the Issuer or the 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 a request for consent was published. However, if the requisite consents have been received earlier, the relevant decision shall be deemed to be adopted even if the time period for the waiver has not yet expired.

Noteholders shall submit signed questionnaires with their decision to the Issuer, the Agent or their respective Custodian (who in turn shall submit the respective votes to the Issuer or the Agent) by a deadline set in the application of the waiver. The waiver is deemed to be granted, if the Majority Noteholders (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 publishing a relevant announcement on the Issuer's website [www.sunfinance.group](http://www.sunfinance.group), if the Notes are not listed, or via Nasdaq Riga information system, if the 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.

## **5.5. Representation of the Noteholders**

- 5.5.1. The Collateral Agent is authorized to act with the Guarantee in favour of all the Noteholders in accordance with these Terms of the Notes Issue and the Collateral Agent Agreement.
- 5.5.2. The Noteholders have no rights to act with the Guarantee directly, yet at the same time there are no restrictions set for Noteholders' right to create and/or authorize an organization/person that represents the legal interests of all Noteholders or part thereof.
- 5.5.3. In case of the insolvency of the Issuer each Noteholder has the right to represent their own interests in creditors' meetings. The Noteholders will have equal rights for satisfaction of their claims with other creditors in the same claims' group.
- 5.5.4. The Collateral Agent may ask for instructions from the Noteholders in respect to the Guarantee in the same manner as the Issuer may apply for the consent (waiver) of the Noteholders hereunder.

## **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 tax withholding obligation for payments made to Noteholders non-residents of Malta in relation to the Notes. In case a Noteholder (corporate or non-corporate) qualifies as being a tax resident of Malta during the year in which the investment income (interest) is derived, the interest payable in respect to the Note shall be subject to the final withholding tax, currently at the rate of 15%, unless the Issuer is instructed by the resident Noteholder at the time of subscription to receive interest gross of any withholding tax.

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 about tax consequences applicable to their particular circumstances in relation to the subscription, ownership and disposal of the Notes.

## **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. Initial offering (“New Subscription”) of the Notes shall commence on 20 May 2024 10 am (Riga time) and end on Maturity Date or when all Notes are sold, whichever is earlier.
- II. The Exchange Offer shall commence on 27 May 2024 10 am (Riga time) and end on 7 June 2024 4pm (Riga time). During this stage the existing notes with the ISIN LV0000802494 (“Existing Notes”) can be exchanged for the Notes with a settlement date on Exchange Offer Settlement Date, which is 12 June 2024.

#### **7.1.2. Exchange Offer**

- I. By filing a respective corporate event notification to the Depository, within the respective stage of the placement period, the Issuer will offer to all Noteholders holding the existing notes of the Issuer with the ISIN code LV0000802494 with maturity on 30 June 2024 (“Existing Noteholders”) to exchange the Existing Notes with the Notes. The exchange ratio is one-to-one and any number of the Existing Notes can be used for the exchange.
- II. Existing 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 Existing Noteholder participating in the Exchange Offer is entitled to a fee of (i) 1.00% (one percent) as compensation for participation in the Exchange Offer and (ii) 1.589% (one point five hundred and eighty nine percent) determined as accrued interest on the Existing Notes for the period from last coupon payment date until the Exchange Offer Settlement Date minus accrued interest on the Notes for the period from the Issue Date until the Exchange Offer Settlement Date. The fee is payable within 10 (ten) Business Days after the Exchange Offer Settlement Date and the record date for the fee is the Exchange Offer Settlement Date. For tax purposes the fee is treated as interest payment.
- IV. Only those noteholders of Existing Notes who hold the notes in Nominal Amount of at least EUR 100,000 (one hundred thousand euro) are eligible to participate in the Exchange Offer.

#### **7.1.3. New subscription**

Potential Investors wishing to purchase the Notes shall submit their subscription orders (the “Subscription Orders”) during 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 Orders 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.

#### 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.

Article 5f of Regulation (EU) No. 833/2014 (as amended by Council Regulation (EU) No. 2022/328) and Article 1f of Regulation (EC) No. 765/ 2006 (as amended by Council Regulation (EU) No 2022/398) prohibit the sale of euro denominated transferable securities issued after 12 April 2022 or units of undertakings for collective investment (UCIs) providing exposure to such transferable securities, to any Russian or Belarusian national, any natural person residing in Russia or Belarus or to any legal person, entity or body established in Russia or Belarus. This prohibition does not apply to nationals of a Member State or to natural persons holding a temporary or permanent residence permit in a Member State of the European Union, in a country member of the European Economic Area and Switzerland.

The First Settlement Date of Notes is 22 May 2024.

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 month – 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 Notes are allocated to the Noteholders in the amount not larger than the amount specified in the Subscription Order and not less than the Minimum Investment Amount.

All the noteholders of the Existing Notes who have elected to participate in the Exchange Offer, by submitting their instructions in accordance with the Clause 7.1.2., shall be allotted the Notes fully, observing the one-to-one exchange ratio.

The Notes subscribed for during New Subscription, will be allocated based on the Subscription Orders placed. The maximum Nominal Amount of Notes available for New Subscription until the Exchange Offer Settlement Date is EUR 20,000,000 (twenty million euro). After the Exchange Offer Settlement Date all remaining Notes (the total Nominal Amount of Notes less the Nominal Amount of Notes exchanged during the Exchange Offer less the Nominal Amount of Notes subscribed for with a settlement date falling on or before Exchange Offer Settlement Date) will be available for New Subscription.

In case the total number of Notes subscribed for during the Placement Period is less than the number of Notes available, the Notes will be allotted based on the Subscription Orders placed.

In case the total number of Notes subscribed for is higher than the number of Notes available, the proportionate reduction principle shall be applied to the extent possible at the discretion of the Issuer, however, the Notes allocated to the Noteholders 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 due to AML, Sanctions regulations compliance risk or other risks.

#### 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

#### 7.2.1. Settlement of New Subscription

The settlement date for the Notes can be any Business Day which is not earlier than the 2nd (second) Business Day and not later than 20th (twentieth) Business Day after the Subscription Order is duly submitted to the Arranger.

Settlement of the Notes will be executed through the Depository in accordance with the DVP (delivery versus payment) principle pursuant to the applicable rules of Depository.

The Custodians execute payments for the Notes based on the results of the subscription provided by the Arranger. The Notes will be transferred to the Noteholders' financial instrument accounts on the settlement date.

Settlement of the Notes can be executed according to other procedure, which is agreed by the Arranger and Potential Investor, but in any case, through the Depository in accordance with the DVP principle pursuant to the applicable rules of the Depository.

#### 7.2.2. 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 Potential Investors. On the Exchange Offer Settlement 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 Exchange Offer Settlement Date the Depository shall record on the Arranger's account all the Notes that were not exchanged for during the Exchange Offer period.

### 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 (twelve) 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 Latvijas Banka 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 Potential 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.

The Issuer has signed the Collateral Agent Agreement with the Collateral Agent, which is authorized to act with the Guarantee in favour of all the Noteholders in accordance with these Terms of the Notes Issue and the Collateral Agent Agreement. The Collateral Agent may provide other services to the Issuer in the future and receive remuneration for it.

### **9.2. External audit of the information included in the Terms of the Issue**

The auditors have not verified the information included in the Terms of the Issue.

### **9.3. Statements or reports included in the Terms of the Issue**

The Terms of the Issue 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:* Sun Finance Treasury Limited.

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

*Legal address of the Issuer:* Suite 23, Level 4, Vincenti Buildings, 25 Strait Street, Valletta VLT1432, 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 HSFS (50%) and AS HSFE (50%) who are owned subsidiaries of Sun Finance. 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 2019-2023 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 term of up to 30 days, an open-end line of credit and instalment loans via websites and selected offline channels.

The Group has currently established operating entities in 9 countries: Denmark, Poland, Kazakhstan, Latvia, Mexico, Sweden, Philippines, Kenya, and Spain and has plans to further expand its geographic footprint in the near term. Currently, the Group's largest markets are Kazakhstan, Latvia, Sweden, and Poland, which together account for 83% of the Group's Net Loan Portfolio as of 31 December 2023.

### **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. 600 specialists and around 49 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. In addition to the team of dedicated customer care agents, the Group has integrated advanced chatbot technology to further enhance the efficiency and accessibility of its customer service. To be even more customer and data-oriented, the Group has rolled out a new contact centre solution, including an auto dialler and artificial intelligence dialog system which are improving customer contact handling, speed, efficiency as well as increasing the number of databases to be covered during outbound calls. All information on the reason for 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 a well-performing portfolio, support expansion capabilities and ensure compliance with regulatory framework as well as AML/CFT regulatory requirements. Sun Finance has a dedicated Risk team of more than 40 professionals with significant experience in the industry. In addition, the Group has built an in-house Risk IT systems. Those have proven to be reliable and scalable. The Risk IT systems are capable to run sophisticated

predictive scoring models as well as to perform advanced identity and liveliness 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 phase.

The Group's near real-time business intelligence solutions ensure an effective business overview, monitoring and decision-making process especially for the Risk and Data department and throughout the Group. Using Oracle Autonomous Database for analytics and data warehousing (ADW), the Group has built a data warehouse, introducing data modules, data marts and dimensions. Real-time streaming and data transformation across group source systems are achieved with robust Apache Kafka technology. Our Data Warehouse is further empowered by the Oracle Autonomous Database, a solution tailored for high-performance analytical queries, with the robust Exadata platform at its core. This setup is complemented by the Oracle Data Integrator (ODI), executing tasks in sequential cycles to guarantee the continuous influx of fresh data within data models, dimensions, and data marts. These technologies and strategies collectively boost the agility and scalability of our analytical and data science teams, catering to the growing analytics needs of our business units. By achieving this, the Group has cut the time of regular analytic work with already pre-made calculations and algorithms that allows the Risk and Data department to use the same base calculations for core metrics. As a result, the data warehouse grants more time for analytical work and limits individual mistakes and data misinterpretations. Additionally, the speed and performance of complex tasks have increased up to 90% in some cases.

The whole technology set from in-house risk decision systems to DWH allows analytical and data science teams to be more agile and scalable with the increasing volume and demand for analytics from other business units. The Group believes that its Risk and Data department analytical capability in synergy with the risk IT system capacities enhances 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 key 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 have 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, AML/CFT, 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, Mexico, Kenya, and Spain. Short term loans are short-term, unsecured loans provided in principal amounts between approximately EUR 3 and EUR 3,400 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, in selected markets, pay a fee to extend the loan term 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.

The Group offers short-term loans via its internet platform. In addition, in certain countries, such as 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 Latvia, Denmark, Poland and Philippines. It is a revolving line of credit of up to EUR 5,000. 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**

The Group provides a flexible instalment loan product in Sweden, Kazakhstan, and Latvia. It is a long-term product, offering customers to borrow loans from 3 to 60 months, provided in principal amounts with an

average ticket size of EUR 650. 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. As a result, the Group is confident in delivering continuous innovative credit risk underwriting solutions, supporting expansion capabilities, and ensuring compliance with regulatory changes and AML/CFT and sanctions regulatory requirements through data-driven business insight generation.

The Group's in-house built Risk IT systems have proven to be reliable and scalable. The Head of Risk Technology assures continuous work on ever evolving risk solutions implementation in close collaboration with the Engineering department. The Risk IT systems are capable to simultaneously run hundreds of sophisticated predictive scoring models and allow the Group to perform advanced identity checks, ensure sound credit risk underwriting, effective data cost management and a 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 an effective business decision-making process not only for the Risk and Data department and enable 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 combination of traditional and alternative data sources during its credit risk underwriting process to guarantee precise screening against Sanction and PEP lists, do fraud check, make effective credit risk decision making and limit / (pricing) assignment process. Purposeful use of data helps the Group to maintain high approval rates, offer reasonable limits, and ensure high recovery rates and retention of the most profitable customers.

The Group's Risk and Data department gathers the best industry experts in the field. Moreover, it has a healthy mix of experienced experts and recent university graduates. As a result, the approach and methodology are continuously challenged, and the knowledge base is strengthened by attending world-class tech and data science conferences, seminars and workshops in Europe and the United States.

The Group has a fully automated credit risk underwriting process, requiring only minor manual inputs.

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

### **11.6.1. Customer registration and loan application**

The Group's customers can register for its short-term loans, line of credit and instalment loans using respective web pages or mobile application. After a successful registration, a personalized website

account is created for each customer. The Group's customer registration processes are set so that only the customers with national personal ID, active local phone number and a local bank account number 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, mobile App or at the physical point of sale must have successful identification in order to proceed. Repeated customers can apply for a new loan or an additional amount through the website account or a mobile App by phone. In case of subsequent loan (repeated customers), the customer is checked for previous delinquencies and credit history. Furthermore, internal credit information between multiple products is examined for each new and repeated customer in countries where the Group has more than one product.

In addition, the Group has established a process where the customers can withdraw a loan within an assigned limit within few moments. Most 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 four primary 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 and a liveliness check.

The Group cross-checks information from the application form with information received through identification channels using automated data matching algorithms to identify and verify the profile of prospective customer.

#### 11.6.3. AML/CFT and sanctions compliance

The Group's customers are automatically screened against Sanctions lists and PEP (Politically Exposed Persons) lists using the AML/CFT screening systems. If there is a hit against any of those lists, the Group stops the loan issuance process, and the assigned responsible person and the AML/CFT and sanctions officer manually check and approve or reject the application. The main sanctions lists include those of the European Union (EU), the United Nations (UN), and the Office of Foreign Assets Control (OFAC). In addition, depending on each country's regulations, AML officers may decide to conduct checks against national sanction lists.

The Group employs professional AML compliance specialists, lawyers and an AML/CFT and sanctions compliance officer, a Certified Anti-Money Laundering Specialist (CAMS), a Certified Global Sanctions Specialist (CGSS) and a member of the Association of Certified Anti-Money Laundering Specialists. ACAMS is the most prominent international membership organization dedicated to enhancing the knowledge, skills, and expertise of AML/CFT and financial crime detection and prevention.

The Group is continuously strengthening its AML/CFT team, AML/CFT tools, policies, and procedures to comply with the tightening AML/CFT and sanctions rules globally. The Group has created its AML/CFT and sanctions compliance policy for all the Group entities, including entities not subject to AML/CFT laws in their own countries. Each entity is responsible to implement the Group's policy into their procedures. In addition, local staff receives regular AML/CFT, and sanctions training provided by the Group.

#### 11.6.4. Fraud check

The Group's fraud check process is based on high level expertise and industry know-how methods. Besides the list of internally blocked accounts (blocklist), the Group extensively uses global fraud screening systems and 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, make immediate fraud strategy changes where necessary. The Group addresses any new fraud pattern behaviour by challenging and, where needed, changing existing fraud rules to ensure that fraud attacks are prevented and that existent fraud rules are false-positive low. Analytical capabilities using cutting-edge analytical platforms allow the Group to follow up on fraud check rule real-time fluctuations.

Group is investing in liveliness checks for online acquisitions and following the latest trends to prevent augmented synthetic profiles, spoofing and the use of deep-fake images and videos to ensure person authentication at high standards.

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

#### 11.6.5. Credit history check and evaluation

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 processes and analyses close to 1 million loan applications every month. 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 evaluation of traditional credit bureau data, open banking transaction and income information. The collected information from credit bureaus includes positive and negative information such as current loan amounts borrowed by the customer from other lenders, unpaid debt information, previous requests for loans, declared and actual addresses, and real estate owned by the customer. Furthermore, the Group may collect alternative data about the customer and loan application, such as cash flow, banking data, employment information, email reputation from global networks, information available from public governmental institutions, utility, and telecom data, etc.

The Group ensures that the manner how 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 rule strategy (so called *knock-out* rules) to evaluate each loan application through an automated credit risk underwriting process and eliminate potentially delinquent accounts. 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 finance 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 to set optimal linear rule set-up. The Group applies a different credit risk underwriting strategy for different customer segments and products. For example, credit risk underwriting strategy differs for new and repeated customers, short-term loans, instalment loans and line of credit products. The Group's centralized portfolio team structure (each region has its own HUB Portfolio

Credit Risk manager, dedicated Data Scientist and Fraud Analyst) allows focusing on a specific geographical segment to assure that market specifics are deeply understood and addressed in the credit risk underwriting strategy. Nevertheless, extensive knowledge and best practice are being shared, making teams work effectively.

#### 11.6.6. Credit scoring and Data science models

A centralized Data science team develops the Group's credit risk underwriting models. 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. In addition, 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 months after launching the new or after the first 1,000 issued and matured loans. 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 and 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 by cascading data requests and decision making after each step.

Data scientists develop predictive models to support various business objectives, from effective data management pipelines to sound credit underwriting and effective debt collection strategies. In addition, they work jointly with domain experts to develop valuable data products. Data scientists together 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 scientific and industry conference attendance, 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 comprises 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 loan application approval message is communicated to a customer, the customer is directed to the Group's website to execute a legally binding, automatically generated online or offline loan agreement. The terms of the Group's loan agreements are the same across all the jurisdictions, subject to any 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 other terms. In addition, local regulations may have an impact on the availability to customers of electronic/digital signatures with which to enter into the legally binding loan agreement with the Group entities.

The Group disburses loans to the customers by bank transfer and 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 analyses 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 is 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 start 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 due 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 reporting to CB, e-court, external collection, debt sale and other actions that may cause their expenses to grow.

The Group has commenced implementing a new call centre 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. Moreover, 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:

- I. good reputation;
- II. best price;
- III. required support actions;
- IV. 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 majority 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 (IT) /Engineering**

Sun Finance has a group-level IT/Engineering 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 80+ highly skilled professionals within IT/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 Information 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 (QA) engineers,
- Automation QA engineers,
- Site reliability engineers (SRE) and Infrastructure engineers,
- Data engineering experts,
- Security engineers
- Technical writers
- 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, unsecured notes, financing from Loan Marketplace, and unsecured loans from minority shareholders, management, and other investors.

Type	Audited 12M Period ended 31 Dec 2022	Unaudited 12M Period ended 31 Dec 2023	Description
Equity	66.0	96.0	The Group's paid-in capital, undistributed profits, and reserves
Unsecured notes	50.0	81.8	Unsecured notes maturing in Jun 2024, Sep 2025, and Nov 2026
Loan marketplace	21.1	21.9	Borrowings from Loan Marketplace Mintos

Subordinated Debt	30.5	0.0	Subordinated Notes (redeemed at the maturity on 28 February 2023) and subordinated loans from third parties
Other unsecured loans	20.8	22.7	Unsecured loans received from minority shareholders, management, and other investors with maturities ranging from 2024 to 2027
<b>Total Financial Indebtedness</b>	<b>122.4</b>	<b>126.4</b>	
<b>TOTAL FUNDING</b>	<b>188.4</b>	<b>222.4</b>	

#### 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 declined, 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. 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:

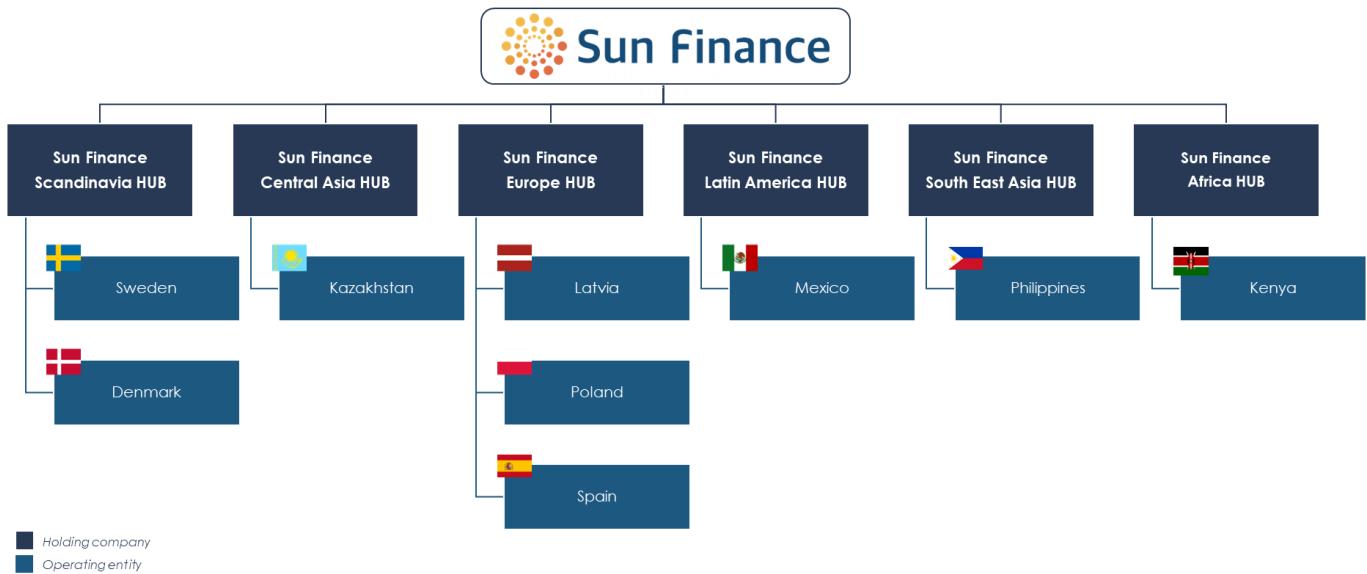
- I. retain from all received funds any applicable taxes;

- II. 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;
- III. 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;
- IV. 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);
- V. 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. The Group structure

### 11.10.1. Legal and operational structure

The Group is structured in a HUB setup. 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.

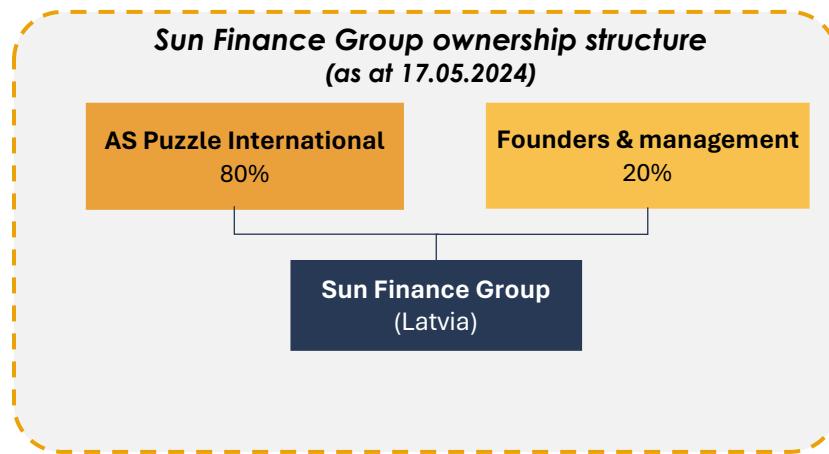
#### 11.10.2. List of Material Subsidiaries

As of 31 December 2023, the Group had the following list of Material Subsidiaries:

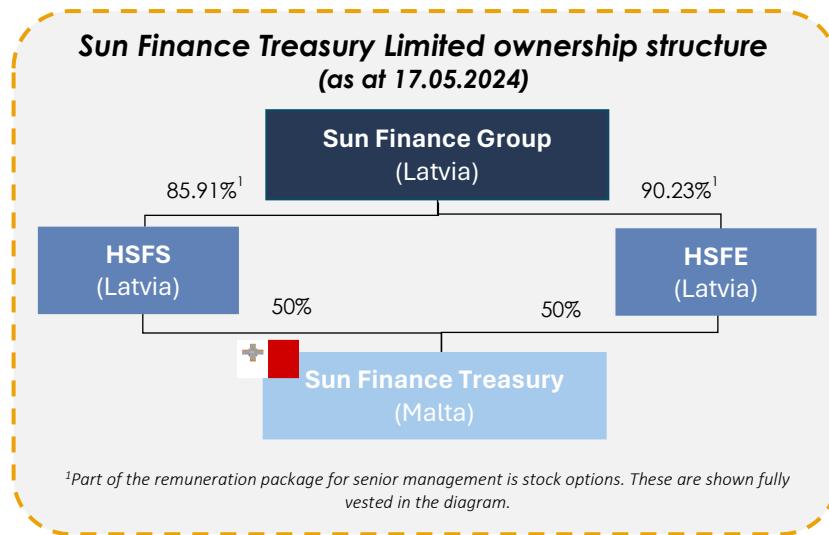
- Binly Finans AB (Sweden)
- Ducatos Sp.z.o.o (Poland)
- ALC Eldik Capital (Kyrgyzstan)
- Extra Credit SIA (Latvia)
- Finanza SIA (Latvia)
- HSFA AS (Latvia)
- HSFE AS (Latvia)
- HSFS AS (Latvia)
- LLC NCI SF Azerbaijan (Azerbaijan)
- Luma Finans AB (Sweden)
- MFO Creditum LLP (Kazakhstan)
- MFO Hava Finance LLP (Kazakhstan)
- MFO POS Credit LLP (Kazakhstan)
- MFO Salem Credit TOO (Kazakhstan)
- MFO SF Offline LLP (Kazakhstan)
- MFO Sofi Finance LLP (Kazakhstan)
- Primastar Sp.z.o.o (Poland)
- Proximus Finance S. de R.L. de C.V. (Mexico)
- SFDM S.A. DE C.V. (Mexico)
- Sofi Lending Inc. (Philippines)
- Sun Finance Treasury Limited (Malta)
- Talaros Sp.z.o.o (Poland)
- Zenka Digital Limited (Kenya)

### 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).

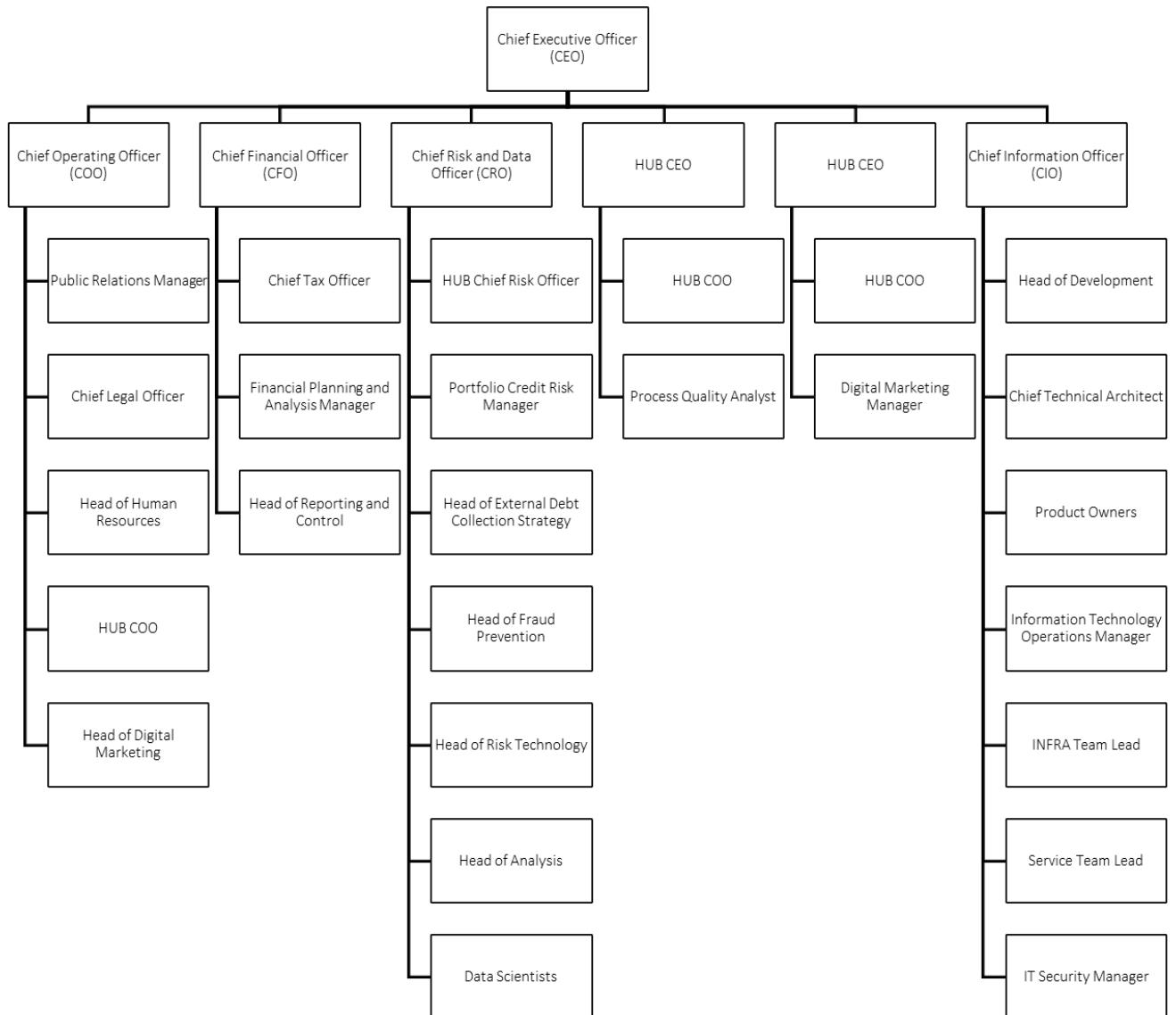


The Issuer, a limited liability company incorporated in Malta, is a subsidiary of the Group.



#### 11.10.4.Organizational structure

The Group is managed by management team consisting of Chief Executive Officer (CEO), Chief Operating Officer (COO), Chief Financial Officer (CFO), Chief Risk and Data Officer (CRO), Chief Information Officer (CIO) and HUB CEOs. Management team is located in the Group's headquarters in Latvia.



## 11.10.5. Short biographies of key Management of the Group

### ***The Group Management***

- Toms Jurjevs (Founder and CEO)
  - Founder of Sun Finance;
  - Previously Regional Director at 4finance;
  - Founded and Chaired 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 from SSE Riga.
- Emils Latkovskis (Co-founder and COO)
  - Operational responsibility of the whole Group;
  - Part of Sun Finance from day 1;
  - Board member of the Latvian Football Federation;
  - Previously ran marketing agency, specifically focusing on finance industry.
- Roman Kornienko (CIO)
  - Oversees the 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.
- Agris Vaselans (CRO)
  - Oversees Group's Risk and Data Science teams;
  - Previously held Group Head of Data Science position at Sun Finance for more than 5 years;
  - More than 10 years' experience in Risk and Data science positions;
  - MSc in Financial and Actuarial Mathematics (Cum Laude), University of Tartu.
- Elina Zerne (CFO)
  - Oversight of the Group's Finance and Accounting teams;
  - Previously the leading group auditor for largest short-term lender in Europe;
  - Previously Senior Auditor at KPMG;
  - Master's degree in tax administration at Riga Technical University.

***HUB management (CEOs)***

- Vitaliy Nizhegorodtsev (Central Asia)
  - Overseeing Central Asia regional Hubs;
  - Chairman of the Board of Directors of the Kazakhstan Fintech Association;
  - Previous experience in successfully launching and managing microfinance businesses;
  - Manager of the Year 2020 award from the Union of National Business Ratings (Kazakhstan).
- Gatis Treimanis (Europe and Africa)
  - Overseeing Europe and Africa regional HUBs;
  - Part of Sun Finance since 2018;
  - Previously worked as a managing director, establishing a fintech start-up in Indonesia;
  - Previously Group Head of Finance & Control at one of the largest short-term lenders in Europe;
  - Previously 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;
  - Previously held positions of CEO & Chairman at 4spar AB; CEO at Segus AB and Wealth Manager at EELD Asset management.
- Ašots Torosjans (Latin America and Southeast Asia)
  - Overseeing Latin America and Southeast Asia regional HUBs;
  - 16+ years of experience in financial and banking sector
  - Previously held position of Group CEO of Lending at Twino, General manager of Twino Russia and Global Head of Debt Collection at 4Finance
  - Previously worked for Raiffeisen Bank and GE Money Bank
  - Master's degree in international business management from University of Latvia

## **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 Soon Finance (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 acquired lending company from WDFC UK Limited (wonga.pl), IPF Group (hapiopozyczki.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 consumer 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), ID Finance (moneyman.com.mx) and Tala (Tala mobile).

#### 11.11.6.Sweden

The Swedish 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.The Philippines

The consumer lending market in the Philippines is in the development stage with high growth prospects. The industry is regulated by The Securities and Exchange Commission of the Government of the

Philippines. The Group believes its main competitors are Tonic (tonikbank.com), Tala (tala.ph), SB Finance (sbfinance.com.ph), Balikbayad (balikbayad.ph), Global Dominion Financing Incorporated (gdfi.com.ph) and 24 PERA (24pera.com).

#### 11.11.8.Kenya

The consumer lending market in Kenya is in its developing stages, undergoing significant changes driven by digital platforms and changing consumer preferences. As Kenya continues to embrace digital financial solutions, opportunities abound for borrowers and lenders alike. The Group believes that its main competitors are Tala (tala.co.ke), Finclusion Group (ke.fin.africa), Branch International (branch.co.ke) and Carbon (ke.getcarbon.co)

#### 11.11.9.Spain

Spain's consumer lending market is dynamic, with various growth opportunities. The industry encompasses a range of financial products, including credit cards, debit cards, and pre-paid cards. The Group believes its main competitors are ID Finance (moneymen.es, plazo.es), 4Finance (vivus.es, zaplo.es), Robocash (prestamer.es) and AvaFin (creditosi.es).

## 12. Selected Financial Information of the Group

The unaudited shareholder's equity of the Group for the year 2023 is EUR 96.0 million and profit for the 2023 is EUR 71.5 million.

The profit / loss forecast has not been carried out.

The Group's financial reports will be available on its website [www.sunfinance.group](http://www.sunfinance.group) after the Issue Date.

The tables below present key selected financial information for the Group and have been derived from the latest Group's audited consolidated financial data as at and for the financial years ended 31 December 2020, 31 December 2021, 31 December 2022, and 31 December 2023. The Group's financial statements have been prepared in accordance with IFRS. 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 2020	Audited 12M Period ended 31 Dec 2021	Audited 12M Period ended 31 Dec 2022	Unaudited 12M Period ended 31 Dec 2023
Interest income	121.3	193.1	273.9	306.8
Interest expense	(8.2)	(11.4)	(12.5)	(18.3)
<b>Net interest income</b>	<b>113.1</b>	<b>181.7</b>	<b>261.4</b>	<b>288.5</b>
Net provisions	(48.0)	(80.1)	(112.0)	(129.2)
Operating costs	(32.9)	(43.9)	(69.2)	(84.6)
Other operating income	5.4	14.5	22.1	34.0
Other operating expense	(1.0)	(5.2)	(9.3)	(10.1)
Net foreign exchange result	(6.3)	1.6	(2.3)	(1.3)
<b>Profit before tax</b>	<b>30.5</b>	<b>68.7</b>	<b>90.7</b>	<b>97.3</b>
Corporate income tax	(8.4)	(17.7)	(25.2)	(25.7)
<b>Profit for the period</b>	<b>22.0</b>	<b>51.0</b>	<b>65.5</b>	<b>71.5</b>

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

	Audited 12M Period ended 31 Dec 2020	Audited 12M Period ended 31 Dec 2021	Audited 12M Period ended 31 Dec 2022	Unaudited 12M Period ended 31 Dec 2023
Property and equipment	2.6	3.9	4.0	3.6
Intangible assets	19.2	16.8	8.4	14.2
<b>Tangible and intangible assets</b>	<b>21.8</b>	<b>20.7</b>	<b>12.4</b>	<b>17.8</b>
Other non-current financial assets	0.2	0.2	0.4	0.1
Deferred tax asset	1.0	1.8	1.6	3.0
<b>Non-current financial assets</b>	<b>1.2</b>	<b>2.0</b>	<b>2.0</b>	<b>3.1</b>
<b>Total non-current assets</b>	<b>23.1</b>	<b>22.7</b>	<b>14.4</b>	<b>20.9</b>
Loans and advances to customers	75.8	96.6	162.3	181.8
Other loans and receivables	2.7	0.2	1.4	0.0
Other receivables	11.6	18.9	24.3	29.5
Cash and cash equivalents	8.7	7.2	8.7	22.6
<b>Total current assets</b>	<b>98.8</b>	<b>122.9</b>	<b>196.8</b>	<b>234.0</b>
<b>TOTAL ASSETS</b>	<b>121.9</b>	<b>145.6</b>	<b>211.2</b>	<b>254.9</b>

<b>Shareholder's equity</b>				
Share capital	0.4	0.4	0.4	0.4
Reserve	1.2	1.3	1.5	1.5
Retained earnings	18.1	27.2	63.4	95.1
Currency translation reserve	(0.3)	0.2	0.7	(1.0)
<b>TOTAL EQUITY</b>	<b>19.4</b>	<b>29.1</b>	<b>66.0</b>	<b>96.0</b>
<b>Liabilities</b>				
Loans and borrowings	87.6	93.5	122.4	126.4
Prepayments	0.5	1.1	2.4	2.8
Trade and other payables	5.6	6.4	10.0	11.7
Taxes payable	7.5	12.3	7.4	14.3
Accrued liabilities	1.4	3.2	2.9	3.7
<b>Total liabilities</b>	<b>102.6</b>	<b>116.5</b>	<b>145.1</b>	<b>158.9</b>
<b>Total equity and liabilities</b>	<b>121.9</b>	<b>145.6</b>	<b>211.2</b>	<b>254.9</b>

### 12.3. Key financial ratios

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 2020	Audited 12M Period ended 31 Dec 2021	Audited 12M Period ended 31 Dec 2022	Unaudited 12M Period ended 31 Dec 2023
EBITDA	45.8	80.0	107.7	119.4
EBITDA margin <sup>(1)</sup>	37.7%	41.4%	39.3%	38.9%
Capitalization ratio	25.6%	30.2%	40.7%	52.8%
Net Loan Portfolio	75.8	96.6	162.3	181.8
Interest Coverage Ratio	5.6x	6.7x	8.4x	6.5x
Unencumbered Net Loan Portfolio / unsecured Financial Indebtedness <sup>(2)</sup>	2.8x	2.4x	2.7x	2.0x

(1) EBITDA margin is equal to EBITDA divided by total revenue for the Relevant Period

(2) Ratio of Unencumbered Net Loan Portfolio to total unsecured Financial Indebtedness at the end of the Relevant Period