SUN FINANCE TREASURY LIMITED
TERMS OF THE NOTES ISSUE

Type of security:	Notes
Nominal Value:	EUR 1,000.00 (one thousand euro)
Nominal value of the issue:	EUR 15,000,000.00 (fifteen million euro)
Annual Coupon Rate:	11%
Maturity:	30 September 2022
Issuer Agent:	Signet Bank AS

These Terms of the Notes Issue are not a prospectus for the purposes of the Prospectus Regulation. These Terms of the Notes 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.

These Terms of the Notes Issue do not constitute a public offer for the purposes of the Prospectus Regulation and no competent authority of any Member State has examined or approved the contents thereof.

MiFID II product governance - solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that (i) the target market for the Notes is eligible counterparties, professional clients, and retail clients, each as defined in Directive 2014/65/EU; and (ii) all channels for distribution of the Notes to eligible counterparties, professional clients and respective retail clients are appropriate. Any person subsequently offering, selling or recommending the Notes should take into consideration the manufacturer's target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer's target market assessment) and determining appropriate distribution channels. Before deciding to purchase the Notes, investors should carefully review and consider risk factors described herein. Should one or more of the risks materialize, this may have a material adverse effect on the cash flows, results of operations, and financial condition of the Issuer or the Guarantors. Moreover, if any of these risks materialize, the market value of the Notes and the likelihood that the Issuer will be in a position to fulfil its payment obligations under the Notes may decrease, in which case the Noteholders could lose all or part of their investments.

TERMS AND ABBREVIATIONS USED

Adjusted Equity	Direct and indirect shareholders equity plus Subordinated Debt less loans to Affiliates.
Affiliate	All direct or indirect shareholders and subsidiaries of the Issuer and any person (natural person or legal entity) who is directly or indirectly Controlled by the Issuer or any of its direct or indirect shareholders or subsidiaries; or in whom 25 (twenty five) percent (or more) of the voting shares is directly or indirectly beneficially owned or held by the Issuer or any of its direct or indirect shareholders or subsidiaries; or who is directly or indirectly Controlled by a person who is an Affiliate of the Issuer or any of its direct or indirect shareholders or subsidiaries; or who is a member of the management board of an Affiliate of the Issuer or its direct or indirect shareholders or subsidiaries; or who is the spouse, parent, sibling or child of the Affiliates of the Issuer or any of its direct or indirect shareholders.
Business Day	Business Day is the day when the Nasdaq CSD system is open.
Control or Controlled	In relation to any entity it shall be treated as controlled by another person if that other person (whether directly or indirectly and whether by ownership of share capital, possession of voting power, contract or otherwise) appoints (or is able to appoint) and/or removes (or is able to remove) the majority of the members of the managing body of that entity or otherwise controls or has the power to control the affairs and policies of that entity.
Coupon	Interest on Notes calculated in accordance with the Section 5"Information on Notes".
Coupon Payment Date	Coupon payments are made once a quarter on the last Business Day of the last month of a quarter.
Custodian	Nasdaq CSD participant directly or licenced credit institution or investment brokerage company that has a financial securities' custody account with Nasdaq CSD participant.
EBITDA	The consolidated net profit of the Group from ordinary activities: (a) before deducting any amount of tax on profits, gains or income paid or payable by any Group company; (b) before deducting any Net Finance Charges; (c) before taking into account any exceptional items which are not in line with the ordinary course of business; (e) not including any accrued interest owing to any Group company; (f) before taking into account any unrealized gains or losses on any derivative instrument (other than any derivative instruments which are accounted for on a hedge account basis); (g) before taking into account any gains or losses on any foreign exchange gains or losses; (h) after adding back or deducting, as the case may be, the amount of any loss or gain against book value arising on a disposal of any asset (other than in the ordinary course of trading) and any loss or gain arising from an upward or downward revaluation of any asset; (i) after deducting the amount of any profit (or adding back the amount of any loss) of any Group company which is attributable to minority interests; (j) after adding back or deducting, as the case may be, the Group's share of the profits or losses of entities which are not part of the Group; and

	(k) after adding back any amount attributable to the amortization, depreciation or depletion of assets of Group companies.
EUR	Euro (single currency of the member states of the European Monetary System).
FCMC	Autonomous public institution of the Republic of Latvia, which carries out the supervision of Latvian banks, credit unions, insurance companies and insurance brokerage companies, participants of financial instruments market, as well as private pension funds, payment institutions and electronic money institutions.
First North	Multilateral Trading Facility (MTF) First North operated by Nasdaq Riga.
First Settlement Date (Issue Date)	The date when interest on the Notes starts to accrue: 16 October 2020.
Guarantor	An entity providing the guarantee of fulfilment of Issuer's obligations under the Notes. As at the moment of issue of the Notes, the Guarantors are the following Group companies: Aps Capitolia (Denmark), Sp.z.o.o Primastar (Poland), Sp.z.o.o Ducatos (Poland), TOO Capvia (Kazakhstan), TOO Fincap (Kazakhstan), SIA Extra Credit (Latvia), S. de R.L. de C.V. Proximus Finance (Mexico), AS Sun Finance Scandinavia (Latvia), AS Sun Finance Central Asia (Latvia), AS Sun Finance Europe (Latvia), AS Sun Finance Latin America (Latvia), AS Sun Finance Group (Latvia), Sofi Capital PTE LTD (Singapore), AS Sun Finance Asia (Latvia), Luma Finans AB (Sweden), LLP "MFO" "Sofi Finance" (Kazakhstan), LLP "MFO" "Creditum" (Kazakhstan).
Group	Group of the legal entities comprising AS Sun Finance Group, registration number 40203205428, legal address at Skanstes iela 52, Riga, LV-1013, and its direct or indirect subsidiaries.
Interest calculation period	The period of time between the First Settlement Date and the date of the first payment or between two Coupon Payment Dates.
Issuer	Sun Finance Treasury Limited, registration number: C 79771, registered office at Suite 20, The Penthouse, 4th Floor, Ewropa Business Centre, Dun Karm Street, Birkirkara, BKR9034, Malta.
Issuer Agent	Signet Bank AS, registration number 40003076407, legal address: Antonijas iela 3, Riga, LV-1010.
Legal Acts	All legal acts, including regulations of FCMC, Nasdaq Riga and Nasdaq CSD, which are in force from time to time in Latvia, Malta and each other country in which any Group company is domiciled.
Loan Marketplace	A platform which offers the ability for the Group to list its loans to third party investors on a platform at varying interest rates and maturities (tied to each individual loan), thus offering an additional source of funding for the Group.
Maturity Date	30 September 2022.
Minimum Settlement Unit	The minimum amount which can be held and traded, which is equal to Nominal Value.
Nasdaq CSD	Nasdaq CSD SE (registration number: 40003242879, legal address Vaļņu iela 1, Riga, LV-1050, Latvia).
Nasdaq Riga	AS "Nasdaq Riga" (registration number: 40003167049, legal address: Vaļņu iela 1, Riga, LV-1050, Latvia).
Net Finance Charges	All recurring debt related charges for the Group, including cash interest expense on Subordinated Debt and loans from Affiliates, after deducting any interest income relating to Cash and Cash equivalents and excluding any payment-in-kind interest capitalized on loans from Affiliates, gains arising from foreign currency revaluations of intercompany balances.

Nominal Value	Face value of a Note.
Note	Debt security that is issued by the Issuer according to the Terms of the Issue.
Noteholder	Private person or legal entity that is an owner of one or more Notes and has a claim against the Issuer as stipulated by the Legal Acts of the Republic of Latvia.
Potential Investor	Private person or legal entity that has, according to the terms stated in the Terms of the Issue, expressed interest or is planning to purchase for its own account one or more Notes.
Prospectus Regulation	Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC.
Settlement Unit Multiple	Multiple that defines that the settlement quantity or nominal must be a multiple of the Minimum Settlement Unit.
Subordinated Debt	Debt of the Group in form of subordinated notes or any other form that is subordinated (i.e., repayable only after settlement of all obligations under the Notes) to the Notes.
Terms of the Issue	This document, which entitles the Issuer to execute the Issue and the initial offering of the Notes.
Unencumbered Receivables	Gross loan receivables of the Group that are not pledged, charged, assigned or encumbered in any other manner to any party.

1. Summary

Part A. Introduction and Warnings		
Element and Request for the Provision of Information		**Information**
A.1	Warning to investors	• This summary should be read as introduction to the Terms of the Issue; • Any decision to invest in the securities should be based on consideration of the Terms of the Issue as a whole by the Potential Investor; • Where a claim relating to the information contained in the Terms of the Issue is brought before a court, the plaintiff Potential Investor might, under the national legislation of the Member States, have to bear the costs of translating the Terms of the Issue before the legal proceedings are initiated; • Civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Terms of the Issue, key information in order to aid Potential Investors when considering whether to invest in such securities.

Part B. Issuer and Guarantors		
B.1	Legal name and commercial name of the Issuer	Sun Finance Treasury Limited
B.2	The domicile and legal form of the Issuer, the law under which the Issuer operates and its country of incorporation	Domicile: Republic of Malta Legal form: limited liability company Date of registration: 28 February, 2017 Registration number: C 79771 LEI code: 984500D1C496094F3921 Registered address: Suite 20, The Penthouse, 4th Floor, Ewropa Business Centre, Dun Karm Street, Birkirkara, BKR9034, Malta
B.3	A description of, and key factors relating to, the nature of the Issuer's current operations and its principal activities	The main business of the Group is consumer lending.
B.4a	A description of the most significant recent trends affecting the Issuer and the industries in which it operates	Consumer lending, along with rest of the global economy, faced strong headwinds during H1 2020 caused by the global outbreak of the novel COVID-19 virus. For further information, refer to Section 2 "Risk factors relating to the Issuer, the Group and its business".
B.4b	A description of any known trends affecting the Issuer and the	At the moment of signing the Terms of the Issue the Issuer has no information at its disposal regarding any identified trends that have negatively affected the Group or the consumer lending industry apart from the aforementioned impact of COVID-19 pandemic.

	industries in which it operates	Over the last few years, the industry has been facing evolving regulatory requirements and increasing regulatory scrutiny and is subject to political risks. The Group is addressing the situation, by carefully selecting the markets where it operates and by diversifying its geographical presence and product offering. None of the Group companies is involved in any government interventions, lawsuits or arbitrage processes, which may significantly affect or have significantly affected the financial situation or profitability of the Issuer. The Issuer is unaware of any factors, claims, obligations, or events which would negatively affect the financial situation or performance of the Group companies in future. For further refer to Section 2 "Risk factors relating to the Issuer, the Group and its business". The Issuer has no knowledge of any important agreements that could have been concluded between the Issuer and any Affiliate or third party and that could affect the Issuer's capability to fulfil its liabilities under the Notes.
B.5	A description of the Group and the Issuer's position within the group	Refer to Section 10.9 "Group structure".
B.6	Main shareholders of the Issuer	Shares in the Issuer belong to AS Sun Finance Scandinavia (50%) and to AS Sun Finance Europe (50%).
B.7	Selected historical key financial information	Selected pro-forma consolidated financial figures derived from the Group's audited Special Purpose consolidated report for 2019. Interest income: EUR 101.5m EBITDA: EUR 24.5m Profit before tax: EUR 15.7m Profit for the period: EUR 6.8m Net portfolio: EUR 56.5m The Group's financial auditor of the last audited annual report is Baker Tilly Baltics AS (registration number: 40003444833, legal address: Rīga, Kronvalda bulvāris 10-32 LV-1010). The Group's financial information for 2018, 2019 and 1H 2020 is provided in Section 11 "Selected Financial Information".
B.8	Selected pro forma financial information	The Group's pro forma financial information is provided in Section 11 "Selected Financial Information".
B.9	Profit forecast or evaluation	The profit/loss forecast has not been carried out.
B.10	Objections in the financial information of the audit report	No objections in audited annual consolidated statement for the financial year 2019.
B.11	Issuer's equity	The last audited adjusted equity of the Group as of 31 December 2019 was EUR 18.1 million (including subordinated debt). The total unaudited adjusted equity of the Group as of 30 June 2020 is EUR 25.6 million (including subordinated debt).
B.12	Forecasts regarding the Issuer	N/A
B.13	A description of any recent events particular to the Issuer	No events related to the Issuer, which are crucial for evaluation of the Issuer's solvency, have been established.

	which are to a material extent relevant to the evaluation of the Issuer's solvency	
B.14	Issuer's dependency	The Issuer is a Treasury company within the Group owned by AS Sun Finance Scandinavia (50%) and AS Sun Finance Europe (50%) who are fully owned subsidiaries of AS Sun Finance Group. The Issuer's ability to pay principal, interest and premium, if any, on the Notes is therefore dependent on financing and cash transferred to it from the operating companies of the Group.
B.15	Description of the Issuer's principal activities	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 companies on basis of loan agreements between the Issuer and the Group companies.
B.16	Control over the Issuer	Shares in the Issuer belong to AS Sun Finance Scandinavia (50%) and to AS Sun Finance Europe (50%). AS Sun Finance Scandinavia and AS Sun Finance Europe are fully owned subsidiaries of AS Sun Finance Group. Ultimate beneficial owner of the Issuer is Mr Aigars Kesenfelds, citizen of the Republic of Latvia.
B.17	Credit ratings assigned to the Issuer or its debt securities	There is no credit rating assigned to the Issuer or to the Notes issue.
B.18 – B.50		N/A

Part C. Securities		
C.1	Type and category of securities, ISIN	The Notes are senior unsecured debt securities. ISIN (International Security Identification Number) will be allocated by Nasdaq CSD.
C.2	Currency of the issue of securities	Currency of the Notes issue is euro (EUR).
C.3 – C.4		N/A
C.5	Restrictions on free transferability of securities	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 Legal Acts of the Republic of Latvia.
C.6 – C.7		N/A
C.8, C.9	Rights arising from the Notes	Noteholders have a right to receive Coupon and Nominal Value payments and exercise other rights as stipulated in the Terms of the Issue. The Coupon rate is 11% (eleven per cent) per annum. The Coupon starts to accrue on the First Settlement Date – 16 October 2020. Interest payments start from 30 December 2020 and are made on the last Business Day of each quarter. The maturity date of the Notes is 30 September 2022. Outstanding principal payments shall be made at maturity. The Issuer can carry out early redemption (call option), either in full or in part, on any Coupon Payment Date, starting from 30 September 2021, by paying 101% (one hundred and one per cent) of the Nominal Value of the Notes. If the Issuer takes decision on the early redemption of the Notes, either in full or in part, the Issuer shall notify the Noteholders at least 10 (ten) Business Days prior to the redemption date of the Notes, with intermediation of Nasdaq CSD.

		Notes are unsecured, but each of the Guarantors has guaranteed the fulfilment of the Issuer's obligations under the Notes including the obligation to make Coupon payments related thereto. The Issuer has not and will not arrange for any organization or person that would represent the Noteholders' interests. However, the terms of the Notes do not restrict the Noteholders' right to create and/or authorize an organization or person to represent the legal interests of all or some of the Noteholders if the Noteholders so decide.
C.10	Interest payment of securities based on derived financial instruments	Not applicable.
C.11	Inclusion of Notes in the regulated market	The Issuer plans to include the Notes on the alternative market First North operated by Nasdaq Riga.
C.12	Minimum denomination of the issue	The Nominal Value of one Note is EUR 1,000 (one thousand euro).

Part D. Risks		
D.1, D.2	Key information on the key risks that are specific to the Issuer or its industry	When making an investment in the Notes, the Noteholder will incur certain risks. The main risk factors that influence the Issuer are: macroeconomic and political risk, regulatory and licensing risk, competition risk, credit risk, dependency on Group's information technology systems risk, growth and expansion risk, new product and services risk, privacy and data protection breach risk, anti-money laundering breach risk, reputation risk, cybersecurity risk, marketing risk, counterparty risk, liquidity risk, loan marketplace risk, interest rate risk, employees risk, foreign exchange risk, litigation risk, natural disaster and other business disruption risk, and taxation risk. For further refer to Section 2 "Risk factors relating to the Issuer, the Group and its business".
D.3	Key information on the key risks that are specific to the securities	When investing funds in Notes, investors undertake the following risks related to debt securities: Notes repayment risk, guarantee enforceability risk, delisting risk, liquidity risk, price risk, foreign exchange risk, repurchase or redemption risk, tax risk, resolution of Noteholders risk. For further information refer to Section 2 "Risk factors relating to the Issuer, the Group and its business".

Part E. Offer		
E.1 – E.2a		N/A
E.2b	Reasons for the offer and use of proceeds when different from making profit and/or hedging certain risks	Funds that are raised as a result of the Notes issue will be used to further diversify the Group's funding structure, through refinancing the Group's existing liabilities on Loan Marketplace.
E.3	A description of the terms and conditions of the offer	N/A
E.4	Conflicting interests	The Issuer Agent is organizing the Notes issue and may have other business transactions with the Issuer.
E.5 – E.6		N/A
E.7	Estimated expenses charged to the investor	All the expenses related to the acquisition and custody of the Notes shall be borne by an investor in compliance with the price-list 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 investor. The investor may have tax liabilities relating to the Notes depending on the investor's country of residence.

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

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

2.1. 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.

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

2.3. The Group has a limited operating history in an evolving industry, which makes it difficult to evaluate the future prospects of the business and may increase the risk that the Group may not be successful.

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

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

2.6. Macroeconomic and political risk

2.6.1. Overall Economic and Political Environment

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

The Group's business is dependent on consumer spending trends in the countries the Group operates. Therefore, any period of economic slowdown or recession in these countries could make it more difficult for the Group to retain or expand its customer base. High levels of unemployment in the markets in which the Group operates will likely reduce Group's potential customer base, in turn reducing Group's revenues. Additionally, during periods of economic slowdown or recession, the ability of Group's customers to repay their loans could decline, leading to higher credit losses. Thus, adverse changes in economic conditions in countries where the Group operates could materially adversely affect Group's business prospects, financial condition, and results of operations.

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

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

Country	**Economic Overview**[1]
Denmark	Denmark is a wealthy, high value-added economy, supported by strong institutions and a track record of sound macroeconomic and fiscal policy. Denmark's credit ratings assigned by major ratings agencies are the following: Aaa by Moody's, AAA by Standard & Poor's, and AAA by Fitch, all with a stable outlook. In 2019 the country's GDP growth was 2.4%, and the economy is expected to shrink by 6.5% in 2020, with a subsequently following recovery of 6.0% in 2021.
Poland	Poland has a diversified economy and strong macroeconomic fundamentals, supported by a sound economic policy framework, and strong banking sector. Poland has the following credit ratings assigned by major international rating agencies: A2 by Moody's Investors Service, A- by Standard & Poor's Financial Services, and A- by Fitch, all with a stable outlook. In 2019 Poland's GDP growth reached 4.1%, and the economy is expected to shrink by 4.5% in 2020, with a subsequently following recovery of 4.2% in 2021.
Kazakhstan	Kazakhstan has strong public and external balance sheets, underpinned by large (although reducing at the current oil price) government savings and a substantial sovereign net foreign asset position. However, the country has a high commodity dependency, weak banking sector, weak World Bank governance indicators and volatile macroeconomic performance. Kazakhstan has the following credit ratings assigned by major ratings agencies: Baa3 by Moody's with a positive outlook, BBB- by Standard & Poor's, and BBB by Fitch, both with a stable outlook. In 2019 the country's GDP growth was 4.5%, and the economy is forecast to shrink by 2.5% in 2020, with a subsequently following recovery of 4.1% in 2021.
Latvia	Latvia's credit ratings have been gradually increased by major credit ratings agencies since 2011. Latvia's credit ratings are supported by solid public finances,

[1] Source of information on GDP: IMF World Economic Outlook, July 2020

	institutional strength, and a credible policy framework that come with EU and Eurozone membership. The country also has a relatively low level of government debt or budget deficit. Latvia has the following credit ratings assigned by major international rating agencies: A3 by Moody's Investors Service, A+ by Standard & Poor's Financial Services, both with a stable outlook and A- by Fitch with a negative outlook. In 2019 Latvia's GDP growth reached 2.2%, and the economy is expected to shrink by 8.6% in 2020, with a subsequently following recovery of 8.3% in 2021.
Mexico	Mexico's economic growth, although resilient to external shocks, has been relatively weak over the past 10 years. A relatively narrow revenue base, moderately high (albeit reduced) dependence of public sector revenue on oil income and limited (albeit increased) fiscal buffers are the public finances' main structural weaknesses. Organized crime and corruption issues highlight Mexico's institutional weaknesses. Mexico has the following ratings assigned by major international rating agencies: Baa1 by Moody's Investors Service (negative outlook), BBB+ by Standard & Poor's Financial Services (negative outlook), and BBB- by Fitch (stable outlook). In 2019 Mexico's GDP stalled, shrinking by 0.1%, and the economy is expected to shrink by further 6.6% in 2020, with a subsequently following recovery of 3.0% in 2021.
Sweden	Sweden is a strong knowledge-based economy, well integrated in global value chains, which ensures high standards of living, well-being, income and gender equality, as well as high environmental quality to its inhabitants. Growth has been broad-based over the past five years, with consumption, investment and exports all contributing significantly. Meanwhile, strong domestic demand has pushed up imports. Sweden has the following ratings assigned by major international rating agencies: Aaa by Moody's Investors Service (stable outlook), AAA by Standard & Poor's Financial Services (stable outlook) and AAA by Fitch (stable outlook). In 2019 Sweden's GDP grew by 1.2%, and the economy is expected to shrink by 6.8% in 2020, with a subsequently following recovery of 5.2% in 2021.
Vietnam	Over the recent decades Vietnam has shifted from a centrally planned to a market economy, transforming the country from one of the poorest in the world into a lower middle-income country. Vietnam has become one of the most dynamic emerging countries in the South East Asia region. Vietnam has the following ratings assigned by major international rating agencies: Ba3 by Moody's Investors Service (negative outlook), BB by Standard & Poor's Financial Services (stable outlook) and BB by Fitch (stable outlook). In 2019 Vietnam's GDP grew by 7.0% and the economy is expected to further grow by 2.7% and 7.0% in 2020 and 2021, respectively.

2.6.2. COVID-19

The global economy and most industries, including consumer lending, have seen strong headwinds since Q1 2020, driven by the outbreak of the novel coronavirus COVID-19. The full impact on economy is still uncertain as new cases continue increasing globally, but it is clear that most nations will see their economies shrink in 2020 while some recovery is expected in the following year.

All markets in which Sun Finance operate have been impacted to some extent and have had a wide range of government restrictions implemented and subsequently removed or loosened. Consumer lending in these and, more generally, most of other countries, saw a contraction, given increased unemployment rates and overall worsening payment discipline / liquidity of customers.

While the Group has seen recovery and bounce back in terms of demand and payment quality across most markets in June and July 2020, it is not unlikely that a second wave of infections returns to some or all countries, thus once again forcing the respective governing bodies to tighten restrictions, which could leave an impact on the wider consumer lending segment.

Sun Finance continues to closely monitor situation across all markets, continuously adjusting its underwriting policies and issuance volumes to reflect the current situation. However, there is a risk that financial performance in some or all markets might be impacted in the short term, in case the number of infection cases increases and/or government restrictions are once again implemented.

2.7. Regulatory and licensing risk

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

Country	**Regulatory Framework**
Denmark	A new Act on Consumer Loan Businesses came into force on 1st July 2019. According to the Act the companies must submit an application for the licence by January 1, 2020. <u>The main laws and legislations:</u> • The Act on Consumer Loan Businesses (in Danish: Lov om forbrugslånsvirksomheder). • The Danish Marketing Act (in Danish: Lov om markedsføring), • The Danish Credit Agreements Act (in Danish: Lov om kreditaftaler). • The Danish Act on Measures to Prevent Money Laundering and Financing of Terrorism (in Danish: hvidvaskloven). <u>The Supervisory Authorities:</u> • The Danish Consumer Ombudsman (Forbrugerombudsmanden), supervises compliance with marketing law. • The Danish Financial Supervisory Authority (FSA), supervises compliance with AML/CTF and consumer lending companies' laws.

Poland	In Poland the consumer lending market is a regulated market, but no license is required for providing consumer lending services. The main legal act regulating the market is the Act on Consumer Credit, which regulates the most important aspects of consumer credit agreements. The regulatory institution is KNF (Polish Financial Supervision Authority) that has registers of lending companies and financial intermediaries. There are no special requirements to be registered with KNF, other than to send motion and pay a registration fee. Consumer lending companies are also supervised by the Office of Competition and Consumer Protection and Rzecznik Finasowy (Financial Ombudsman). Other regulatory acts, regulating Issuer's activities, are: • Polish Civil Code – stating the main conditions in civil law, also concerning consumer protection; • Act on Preventing Money Laundering and Terrorism Financing – the purpose of this law is to prevent money laundering and terrorist financing; • The Act on Consumer Rights – stating detailed and additional provisions in relation to duties of an entrepreneur, principles and procedures of concluding distance and off-premises contracts, the right to withdrawal from a distance or off-premises contract, as well as other additional provisions not mentioned in Polish Civil Code; • The Act on Competition and Consumer Protection - stating that any practice harmful to the collective interests of consumers is prohibited and may result in the imposition of a fine by the President of the Office of Competition and Consumer Protection; • Code of good practice in lending companies advertisement – stating the main pre-conditions for advertising.
Kazakhstan	The provision of online consumer credits is regulated by the Law of the Republic of Kazakhstan of November 26, 2012 No. 56-V "On Microfinance Activities" (with amendments and additions as of May 13, 2020), as well as by other regulatory legal acts of the authorized body of the National Bank of the Republic of Kazakhstan. From 01.07.2020, all companies that issue online loans must obtain permission from the National Bank to carry out consumer lending activities and issue loans. Other regulatory acts, indirectly regulating the Group's activities, are: • Law on Personal Data and Their Protection - the purpose of this law is to ensure the protection of the rights and freedoms of a person and citizen when collecting and processing his personal data. • Law on Collection Activity – the purpose of this law is to regulate social relations associated with the implementation of collection activities, regulate establishment and activities of collection agencies, and also determine the features of state regulations and control over of collection agencies.
Latvia	In Latvia, the consumer lending market is regulated. The main legal act regulating the market is the Consumer Rights Protection Law. The purpose of this law is to ensure that consumers are able

	to exercise and protect their lawful rights when entering into contracts with manufacturers, traders or service providers. 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 71,140.00 (starting 1 January 2020 EUR 250,000.00), as well as annual prolongation of license operation, the fee of which is EUR 14,225.00 (starting 1 January 2020 EUR 55,000.00); by Cabinet Regulation No. 691 of 25 October 2016, "Regulations On Consumer Credit", Law On Out-Of-Court Consumer Dispute Resolution Bodies, Personal Data Protection Law; Unfair Commercial Practice Prohibition Law; Law On Extrajudicial Recovery of Debt, and Consumer Rights Protection Law. A permission (license) for providing consumer crediting services is required to issue small consumer payday loans. The key terms for issue / revocation of the license include the following: • For the license to be issued an application should be submitted to the CRPC with a proof of developed internal regulations of the applicant for customer assessment, complaints handling, etc. The applicant also has to satisfy all requirements applicable to it under the legislation regarding its board members. • The licensee has to comply with the laws applicable to it and report to CRPC its performance indicators on a semi-annual basis, as well as on CRPC's request. • If a licensee breaches the requirements of the license, CRPC can revoke or suspend the license. As of now there have been no precedents of revocation of this type of a license in the Latvian market, only precedents of its suspension.
Mexico	In Mexico the consumer lending market is a partially regulated market, but no license is required for providing consumer lending services. The main legal act regulating the market is the General Law of Commercial Companies that states the basic rules and pre-conditions for limited liability companies, e.g., all agreements must be included in the general stockholders' book; each year an obligatory annual meeting must be held within the first three months; and other requirements. There is no regulatory institution regulating the consumer lending market. Issuance of loans is considered a vulnerable activity according to Federal Law for the Prevention and Identification of Operations with Resources of Illegal Proceedings. This law provides regular reporting obligations to the consumer lending companies. Other regulatory acts, indirectly regulating Issuer's activities, are: • Federal Law for the Protection of Personal Data Held by Private Parties - this law regulates the legitimate collection, processing and disclosure of personal data held by the private sector. Its purpose is to ensure that the privacy and the right to

	informational self-determination of Mexican individuals are guaranteed. • The Federal Law for Protection of the Consumer – this law protects consumers and allows the Procuracy Office to apply a fine in certain cases, for example, if the information related to any service (loan) misleads or confuses a consumer.
Sweden	In Sweden, the consumer lending market is regulated. Swedish Financial Supervisory Authority (FSA) took over regulatory responsibility for consumer lenders in 2014. Issuing loans to consumers requires authorisation from Swedish FSA in accordance with the Certain Consumer Credit-related Operations Act (2014:275). 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. The fee for assessing an authorisation application and approval of the articles of association/by-laws is SEK 60,000.00. Swedish FSA also charges an annual supervision fee of SEK 50,000.00. Swedish FSA also has the rights to continuously check if the companies follow their articles of association. The main laws and legislations: • The Banking and Financing Business Act (2004:297) (in Swedish: *Lag (2004:297) om bank- och finansieringsrörelse*); • The Consumer Credit Activities Act (2014:275) (in Swedish: *Lag (2014:275) om viss verksamhet med konsumentkrediter*); • The Consumer Credit Act (2010:1846) (in Swedish: *Konsumentkreditlagen (2010:1846)*); • Marketing Act (2008: 486) (in Swedish: *Marknadsföringslag (2008:486)*) The Supervisory Authorities: • The Swedish Financial Supervisory Authority (in Swedish: *Finansinspektionen*);The Swedish Consumer Agency (in Swedish: *Konsumentverket*) – exercises supervision regarding the conditions for granting a loan, whether The Consumer Credit Act has been complied.
Vietnam	In Vietnam, the consumer lending market is a regulated market and a Certificate of Satisfaction of Conditions on Security and Order (SC Certificate) from local Vietnamese Police office is required. To receive a SC Certificate, certain conditions need to be met. The official responsible for security and order must satisfy a list of mandatory requirements, such as having at least five years certified permanent residence in the commune, ward or township where the business location is registered, not being accused of a crime or not to be sentenced to a term of imprisonment of at least

	three years, and has not been fined by an administrative agency for specific offences in the consecutive five year period before registration of such business. SC Certificate license term is unlimited, but becomes invalid once the business for which the SC was awarded to ceases its operations. Main laws regulating the market are as follows: Civil Code 2015 (Civil Code No. 91/2015/QH13), The Law on Enterprise ("*LE 2014*"), Decree 96/2016/ND-CP, Circular No. 13/1999/TT-BTM , Decree 50/2016/ND-CP, Decree 167/2013/ND-CP, Circular 42/2017/TT-BCA, Circular 43/2017/TT-BCA, Circular 218/2016/TT-BTC, Decision No. 01/2007/QD-BTM ("Decision 01/2007/QD-BTM").

Regulation in the consumer credit industry is not homogeneous, but rather country-specific. Among the countries where the Group's entities are currently operating, there are countries which require licencing or other type of permit for provision of consumer lending activities, and countries where the licencing is not required. For example, in Latvia where Consumer Rights Protection Centre (CRPC) carries out supervisory functions for consumer finance and debt collection companies. CRPC is entitled to withdraw licenses in case there are breaches of regulations set forth by legal acts of the Republic of Latvia. Group believes that the risk is managed by following regulations and recommendations. Nevertheless, the risk that the regulator may interpret or enforce existing requirements in new ways that could restrict the Group's ability to continue its current way of operation or impose significant additional compliance costs on the Group cannot be ruled out.

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

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

2.8. Competition risk

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

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

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

2.9. **Credit risk**

The Group is exposed to the risk of loss through defaults on the loans granted. The default is contingent on the inability or unwillingness of the customer to make payments. This includes scenarios where the customer makes payments late, only partially, or not at all. The Group's customers generally have higher frequency of delinquencies, higher risk of non-payment and, thus, higher credit losses than customers who are served by traditional providers of consumer credit.

The Group's lending decisions are based partly on information provided to the Group by loan applicants and/or delivered by third parties (credit bureaus, agencies, and other partners). Prospective customers may fraudulently provide the Group with inaccurate information or third parties might provide the Group with incomplete information which, if not alerted, may harm Group's credit scoring and respective risk decisions.

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

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

The Group utilizes a variety of credit scoring criteria, monitors the performance of the Group's loan portfolio and provides impairment for estimated losses on loan portfolio at a level estimated to be adequate to absorb expected credit losses. Although Group's impairment methodology is very prudent and the Group's non-performing loan portfolio coverage as at end of June 2020 is more than 170%, actual loan losses may materially exceed the level of the Group's allowance for impairment losses, which may have a material adverse effect on Group's business, financial condition, results of operations, prospects and cash flows. In addition, factors beyond the Group's control, such as the impact of macroeconomic trends, political events or adverse events affecting Group's key jurisdictions, or natural disasters, may result in an increase in non-performing loans.

Group's impairment for doubtful debts may not be adequate to cover an increase in the amount of non-performing loans or any future deterioration in the overall credit quality of the Group's total loan portfolio. If the quality of the Group's total loan portfolio deteriorates, the Group may be required to increase its impairment for loan portfolio, which may have a material adverse effect on the Group's business, financial condition, results of operations, prospects and cash flows.

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

The Group's operations are significantly dependent on highly complex information technology ("IT") systems. The loan underwriting process is mainly performed automatically by the IT systems developed internally by the Group and used at various stages of the underwriting process, including customer registration, application, identification and credit scoring. In addition, bank transfers are completed online and reminder emails and invoicing are automatically processed and sent to customers. If any IT system at any stage of the loan underwriting process were to fail, any or all stages of the underwriting process could be affected and customer access to the Group's websites and products could be disrupted. Any disruption in the Group's IT systems would prevent customers from applying for loans or hinder the debt collection by the Group, which would impede the Group's ability to conduct its business and have a material adverse effect on its business, financial condition, results of operations, prospects and cash flows.

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

2.11. Growth and Expansion risk

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

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

Mistakes in planning or controlling the Group's growth and expansion in different regions may be costly and may strain its managerial and operational resources; any difficulties encountered in managing the Group's growth may have a material adverse effect on its business, financial condition, results of operations, prospects and cash flows.

2.12. Risks associated with new products and services

As part of the Group's business strategy, Sun Finance plans to introduce instalment loans to its existing customer base 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.

2.13. Privacy and data protection breach risk

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

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

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

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

Although the Group has adopted and continues to adopt appropriate technical and organizational measures (for instance, adopting internal documents (policies, procedures, risk assessments, etc.) regulating privacy matters, conducting trainings od 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.

2.14. Anti-money laundering breach risk

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

2.15. 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 the 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.

2.16. **Cyber security risk**

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

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

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

Sun Finance relies on encryption and authentication technology licensed from third parties to provide the security and authentication to effectively secure transmission of confidential information, including customer bank account and other personal information. Advances in computer capabilities, new discoveries in the field of cryptography or other developments may result in the breach or compromise of the technology used by the Group to protect transaction data. Data breaches can also occur as a result of non-technical issues.

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

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

2.17. Marketing risk

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

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

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

2.18. **Counterparty risk**

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

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

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

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

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

2.19. **Liquidity risk**

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

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

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

2.20. **Loan Marketplace risk**

The backbone of the growth of the Group is to have access to diversified and efficient funding sources. Diversification in the capital structure is the key for further growth in the future including the issue of senior unsecured bonds. Such funding source provides the benefits of having a very stable investor base as well as achieving immediate cost optimization by refinancing more flexible but expensive debt like loan marketplace and peer to peer loans.

Group companies previously have and may also in the future finance their operations through marketplace platforms. As at the date of issue Sun Finance cooperates with one of the largest European marketplace platforms – Mintos. The Mintos marketplace is operated by Mintos OÜ (Estonia) (registration No. 12807141) and SIA Mintos Finance (registration No 40203022549) (Latvia) acting as loan originators and AS Mintos Marketplace (registration No. 40103903643) maintaining and managing the Mintos platform and servicing the claims of the investors.

Marketplace platforms (including Mintos platform) typically work as follows: (i) borrowers (i.e., the Group's customers) apply for a loan with the loan originator, (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 marketplace, where investors can select loans to invest in, thereafter 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.

The legal arrangements with Mintos provide that in the unlikely case of event of default by the loan originators under the cooperation agreements with Mintos, Mintos as fiduciary shall be entitled at its sole discretion to inform any and all borrowers (i.e., the Group's customers) on the assignment of claims on behalf of the loan originators as the assignors and the respective assignees (i.e. investors on the Mintos marketplace platform). The loan originators in such cases shall automatically authorise Mintos or, in case of transfer of the management of the claims by Mintos to a third party, such third party to submit notifications to the borrowers on the assignment of the claims and continue to manage all claims of the loan originators arising from the respective loan agreements together with the claims of assignment. As from the moment the borrower has received such notification the borrower will be obliged to make all those payments arising from the loan agreements that derive from all claims assigned through the Mintos portal, as well as, all claims of the loan originators arising from said loan agreement that are not further assigned through Mintos portal to the bank account or electronic money institution's account of Mintos or, in case of transfer of the management of the claims by Mintos to a third party, such third party as the fiduciary agent of the loan originator and the assignees indicated in the notification on the assignment.

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

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

Due to specifics of national legislation, in some of the countries Sun Finance operates, loans of the borrowers are not directly listed on the Mintos platform. For instance, in case of the Group's operations in Latvia, SIA Mintos Finance as a loan originator grants a loan, or a series of small loans, to SIA Extra Credit (Latvian operating company) then repays these loans from the proceeds of the loans to its customers serving as the source of repayment. 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 interest received by Mintos from SIA Mintos Finance.

The loans from SIA Mintos Finance are secured by commercial pledge agreement entered into between SIA Mintos Finance and SIA Extra Credit, whereby SIA Extra Credit has pledged all of its assets (including its receivables) to SIA Mintos Finance to maximum amount of EUR 8,000,000.00 as a security for SIA Mintos Finance potential claim rights against SIA Extra Credit.

The loans from SIA Mintos Finance are secured by commercial pledge agreement entered into between SIA Mintos Finance and LLP "MFO" Sofi Finance", whereby LLP "MFO" Sofi Finance", has pledged all of its assets (including its receivables) to SIA Mintos Finance to maximum amount of EUR 15,000,000.00 as a security for SIA Mintos Finance potential claim rights against LLP "MFO" Sofi Finance".

The loans from SIA Mintos Finance are secured by commercial pledge agreement entered into between SIA Mintos Finance and LLP "MFO" Creditum", whereby LLP "MFO" Creditum", has pledged all of its assets (including its receivables) to SIA Mintos Finance to maximum amount of

EUR 15,000,000.00 as a security for SIA Mintos Finance potential claim rights against LLP "MFO" Creditum".

Such pledge, as part of a broader cooperation agreement, is part of our day-to-day operations and this structure might, at any point, be implemented in other operating countries, based on the cooperation structure offered and available in the existing regulatory environment in that specific market.

Any event of default by the Group or the Guarantors in combination with material contracts with marketplaces and Mintos specifically, may have a material adverse effect on Group's business, financial condition, results of operations, prospects or cash flows.

2.21. **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.

2.22. **Key employee risk**

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

2.23. **Foreign exchange risk**

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

Group's business, financial condition, and results of operations. Additionally, Sun Finance may be exposed to new currencies as a consequence of further geographic expansion.

2.24. **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.

2.25. **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.

2.26. **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.

3. **Risk factors related to the Notes**

3.1. **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.

The Notes and the related guarantees will not be secured. The Notes will rank *pari passu* with other senior unsecured liabilities of the Issuer. In case of insolvency, the Investors have equal rights for satisfaction of their claims with other creditors ranking in the same claims' group.

Additionally, 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.

Issuer has outstanding senior unsecured notes (LV0000802395) in amount of EUR 10,000,000.00 (ten million euro), which will mature on 20 August 2021. Notes were issued in 2019 and have 11% annual coupon rate, which is paid quarterly. These notes will rank *pari passu* with Notes, which the Issuer plans to issue according to these Terms of Notes Issue. Maturity date of LV0000802395 notes is before Maturity Date of the Notes, thus inability to repay or refinance these obligations might result in an event of default of the Notes.

3.2. Guarantee enforceability risks

Each Guarantee provides the holders of the Notes with a direct claim against the relevant Guarantor. However, each Guarantee will be limited to the maximum amount that can be guaranteed by the relevant Guarantor without rendering the relevant Guarantee voidable or otherwise ineffective under applicable law, and enforcement of each Guarantee would be subject to certain generally available defences. Enforcement of any of the Guarantees against any Guarantor will be subject to certain defences available to Guarantors in the relevant jurisdiction. Although laws differ among these jurisdictions, these laws and defences generally include those that relate to corporate purpose or benefit, fraudulent conveyance or transfer, voidable preference, insolvency or bankruptcy challenges, financial assistance, preservation of share capital, thin capitalization, capital maintenance or similar laws, regulations or defences affecting the rights of creditors generally. If one or more of these laws and defences are applicable, a Guarantor may have no liability or decreased liability under its Guarantee depending on the amounts of its other obligations and applicable law.

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

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

3.3. **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.

3.4. **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.

3.5. **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.

3.6. **Foreign exchange risk**

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

3.7. **Repurchase or redemption risk**

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

3.8. Tax risk

Tax rates and tax payment procedure applicable at the moment of purchase of the Notes to the tax residents, non-residents of Malta, and residents of other countries may change. The Issuer will not compensate the Noteholders for any increases in taxes. Therefore, the Noteholders may receive smaller payments related to the Notes. At the time of signing these Terms of the Issue Maltese laws do not impose on the Issuer any tax withholding obligation in relation to payments to Noteholders related to the Notes.

3.9. Resolutions of Noteholders risk

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

4. Party responsible for the Terms of the Issue

4.1. Party responsible for the Terms of the Issue:
Sun Finance Treasury Limited
Registration number: C 79771
LEI code: 984500D1C496094F3921
Registered office: Suite 20, The Penthouse, 4th Floor, Ewropa Business Centre, Dun Karm Street, Birkirkara, BKR9034, Malta

4.2. Representations and Warranties of the Issuer

4.2.1. 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 gives the following warranties to the Investors:

4.2.1.1. All the Issuer's obligations assumed under this issue of the Notes are valid and legally binding to the Issuer and performance of these obligations is not contrary to the Issuer's Articles of Association, laws or any agreement concluded by the Issuer;

4.2.1.2. The Issuer has all the rights and sufficient authorizations to issue the Notes and fulfil obligations arising from issuing the Notes;

4.2.1.3. The Issuer has performed all the formalities required for issuing the Notes and fulfilling the obligations arising here from;

4.2.1.4. All information that is provided by the Issuer to the Investors is true, accurate, complete and correct as at the date of presenting the respective information and is not misleading in any respect.

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

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

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

SUN FINANCE TREASURY LIMITED Malta Registration No. C79771

Demetris Apousianas
Director of Sun Finance Treasury Limited

5. Information on Notes

5.1. Funds that will be raised as a result of the Notes issue will be used to further diversify the Group's funding structure, through refinancing the Group's existing liabilities on Loan Marketplace. The Funds will be distributed to the Group companies on basis of loan agreements between the Issuer and the Group companies.

5.2. 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 15,000,000.00 (fifteen million euro).

5.3. Notes issue ISIN (International Security Identification Number) will be allocated by Nasdaq CSD.

5.4. The Notes issue is a private placement arranged in compliance with the Financial Instrument Market Law and other Legal Acts of the Republic of Latvia that are in force including the FCMC, the Nasdaq CSD and the Nasdaq Riga regulations. The Notes will be offered to fewer than 150 of Potential Investors.

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

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

5.7. Currency of the Notes is EUR (euro).

5.8. 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. Issuer has an outstanding senior unsecured notes (LV0000802395) in amount of EUR 10,000,000.00 (ten million euro), which will mature on 20 August 2021. These notes will rank *pari passu* with Notes, which the Issuer plans to issue according to these Terms of Notes Issue. There are no contracts or other transaction documents that would subordinate the claims of the Noteholders to other unsecured liabilities of the Issuer.

5.9. All existing and future liabilities of the Issuer under the loans received from Affiliates shall be subordinated to liabilities of the Issuer under the Notes.

5.10. Any Noteholder has the right to receive Coupon and Nominal Value payments in accordance with the Terms of the Issue as well as exercise other rights fixed in the Terms of the Issue and Legal Acts of the Republic of Latvia.

5.11. 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 rights 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.

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

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

5.14. Coupon payments are made once a quarter on the last Business Day of the last month of a quarter. The first Coupon payment will be made on 30 December 2020, the last Coupon payment will be made on 30 September 2022.

5.15. Coupon payments are made on each Coupon Payment Date:

Quarterly Coupon payments on 30 December 2020 are determined according to the following formula:

CPN1 = F * C/360 * 74 or CPN1% = C/360 * 74, where:

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

F – Nominal Value of one Note;

C – annual Coupon rate (%).

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

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

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

F – Nominal Value of one Note 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 (%).

5.16. The first Coupon starts to accrue on 16 October 2020, which is the First Settlement Date of the Notes issue.

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

AI = F * C / 360 * D, where

AI – accrued interest of one Note;

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

C – annual Coupon rate (%);

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

5.18. 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.

5.19. 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.

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

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

5.22. 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.

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

5.24. If the Issuer, in accordance with the Terms of the Issue, uses the right of early redemption or repurchase of Nominal Value of the Notes, the Nominal Value of the Notes shall be reduced by the Nominal Value so redeemed or repaid in relation to each Note. Notes are repaid on the day when the Issuer has repaid the Nominal Value in full, the accrued Coupon, and a penalty, if such has been calculated.

5.25. 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 same Business Day as the Coupon payment for the relevant period. The list of the Noteholders eligible to receive the Nominal Value will be fixed at the end of the previous Business Day before Nominal Value repayment date.

5.26. If the repayment 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 repayment date of the Nominal Value of Notes.

5.27. 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 payment day of the Nominal Value.

5.28. The Issuer shall be entitled to early redemption (call option), either in full or in part, starting from 30 September 2021 on each Coupon Payment Date. When repaying the Nominal Value of the Notes, the Issuer has to pay 101% (one hundred and one per cent) of the Nominal Value of Notes to be redeemed. The minimum redemption size of a Note is 1% (one per cent) of the initial Nominal Value of that Note at the time of its issue and any larger redemption amount of a Note shall be a multiple of 1% (one per cent) of the Initial Value of that Note at the time of its issue. If the Notes are redeemed partially, the Notes shall be redeemed as proportionally as possible.

5.29. If the Issuer takes a decision on early redemption of the Notes, either in full or in part, the Issuer shall notify the Noteholders at least 10 (ten) Business Days prior to the redemption date of the Notes with intermediation of Nasdaq CSD, directly and/or via announcement using Nasdaq Riga information system, if Notes are included in First North.

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

5.31. In case of a partial early redemption, the Nominal Value of the issued Notes (held by Noteholders) and registered Notes (held in the Issuer Agent's initial placement account) would be decreased accordingly.

5.32. The Noteholders will not have a right to demand an early redemption of the Notes, except in case of occurrence of events of default in accordance with the Terms of the Issue.

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

5.34. On 25 September 2020, the Issuer's directors passed the decision to issue debt securities (Notes) in the amount of up to EUR 15,000,000.00 (fifteen million euro).

5.35. The First Settlement Date (Issue Date) of the Notes issue is 16 October 2020, on which the Coupon starts to accrue.

5.36. 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 to do so.

5.37. Each of the current Group companies - Aps Capitolia (Denmark), Sp.z.o.o Primastar (Poland), Sp.z.o.o Ducatos (Poland), TOO Capvia (Kazakhstan), TOO Fincap (Kazakhstan), SIA Extra Credit (Latvia), S. de R.L. de C.V. Proximus Finance (Mexico), AS Sun Finance Scandinavia (Latvia), AS Sun Finance Central Asia (Latvia), AS Sun Finance Europe (Latvia), AS Sun Finance Latin America (Latvia), AS Sun Finance Group (Latvia), Sofi Capital PTE LTD (Singapore), AS Sun Finance Asia (Latvia), Luma Finans AB (Sweden), LLP "MFO" "Sofi Finance" (Kazakhstan), LLP "MFO" "Creditum" (Kazakhstan) guarantees the fulfilment of Issuer's obligations under the Notes and future Group companies whose outstanding debt liabilities against the Issuer exceeds 500,000.00 EUR within 60 (sixty) days after that threshold is reached guarantees the fulfilment of Issuer's obligations under the Notes.

5.38. Each of the entities outside the Group, which receives the funding from the Issuer in any form whatsoever, shall be obliged to guarantee fulfilment of Issuers liabilities under the Notes. Therefore, the Issuer shall include the issue of a respective guarantee as a condition precedent to providing funding to such entity.

6. Special Conditions

6.1. Events of Default

The Issuer is in default if at least one of the following occurs and as long as it has not been remedied:

6.1.1. The Issuer or any of the Group companies has breached the conditions of the Section 6.6 "Covenants" of these Terms of the Issue and has failed to remedy such breach within 60 (sixty) Business Days after such breach has occurred;

6.1.2. The Issuer has failed to make a Coupon payment in full for more than 10 (ten) Business Days following its due date;

6.1.3. The Issuer has failed to make a Nominal Value payment in full for more than 10 (ten) Business Days following its due date;

6.1.4. 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 according to the latest financial report and/or the Issuer is unable or admits its inability to pay its debts as they fall due or is declared to be unable to pay its debts under applicable law or suspends making payments on its debts generally or, by reason of actual or anticipated financial difficulties, commences negotiations with its creditors (other than under these Terms of the Issue) with a view to rescheduling its financial indebtedness other than the Notes.

6.1.5. Insolvency proceedings, any corporate action, legal proceedings or other procedures are taken against 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 according to the latest financial report and/or the Issuer (other than (i) proceedings or petitions which are being disputed in good faith and are discharged, stayed or dismissed within ninety (90) calendar days of commencement or, if earlier, the date on which it is advertised and (ii), in relation to the Issuer or any of the Guarantors, solvent liquidations) in relation to:
(i) the suspension of payments, winding-up, dissolution, administration or reorganisation (by way of voluntary agreement, scheme of arrangement or otherwise) of any Guarantor or the Issuer;
(ii) the appointment of a liquidator, receiver, administrator, administrative receiver, compulsory manager or other similar officer in respect of any Guarantor or the Issuer or any of its assets; or
(iii) any analogous procedure or step is taken in any jurisdiction in respect of any Guarantor or the Issuer.

6.1.6. Any creditors process, any expropriation, sequestration, distress or execution or any analogous process in any jurisdiction that affects any asset or assets of any Guarantor or the Issuer having an aggregate value equal to or exceeding EUR 250,000.00 (two hundred fifty thousand euro) or its equivalent in any other currency and where such process (i) is not discharged within ninety (90) calendar days or (ii) is being made in bad faith by the claimant, as evidenced by the Issuer (such evidence to be accepted or dismissed by the Issuer's Agent in its sole discretion).

6.2. The Issuer's Agent or any of the Noteholders can submit a written notification to the Issuer stating that the Notes owned by the relevant Noteholder have become due and payable at any time after an event of default has occurred (and as long as the event of default is continuing). The Issuer shall pay the Nominal Value of the Notes along with the accrued Coupon and contractual penalty, in accordance with the Terms of the Issue within 5 (five) Business Days after the receipt of such notification.

6.3. In the case of a payment default in relation to the Notes, the Issuer Agent or any of Noteholders shall be entitled to require and the Issuer shall be obliged to a pay contractual penalty 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.

6.4. 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.

6.5. 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.

6.6. **Covenants**

6.6.1. From the date of issue of the Notes to the date of repayment thereof, the Issuer and each Group company shall be bound by obligation to comply with the following ratios that shall be applied to the Group as a whole.

6.6.1.1. EBITDA to Net Finance Charges must be at least 1.75x.

6.6.1.2. Capitalization ratio (Adjusted Equity to net receivables) must be at least 20%.

6.6.1.3. Unencumbered Receivables to total amount of senior unsecured obligations of the Group must be at least 1.2x.

6.6.2. Financial covenants stated in clauses 6.6.1.1and 6.6.1.2 shall be tested on a quarterly basis (on trailing twelve months' basis for income statement items; end of quarter basis for balance sheet items).

6.6.3. Current beneficial owners of the Issuer and the Group shall hold at least 51% of the shares in the Issuer and the Group.

6.6.4. To include Notes on First North operated by Nasdaq Riga within one year after the Issue Date.

6.6.5. From the date of issue of the Notes to the date of their repayment, the Issuer shall not pay dividends or make any other payment or other distribution in form of a loan, investment or any other distribution to its shareholders and/or affiliates, except permitted distribution:

- Up to 50% of current annual net profits if after distribution capitalization ratio remains 20% or greater and provided that Group equity is positive;
- Up to 75% of current annual net profits if after distribution capitalization ratio remains 25% or greater and provided that Group equity is positive;
- Up to 100% of current annual net profits if after distribution capitalization ratio remains 30% or greater and provided that Group equity is positive.

6.6.6. From the date of issue of the Notes to the date of repayment thereof, the Issuer and each Group company shall undertake the following:

6.6.6.1. 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 six months or it is permitted under clause 6.6.5;

6.6.6.2. Not to sell, present, change, rent, license, invest, or otherwise transfer into utilization the right to use the trademarks of the Issuer and/or Group companies, except if trademarks are sold, presented, changed, rented, licensed, invested, or otherwise transferred into utilization of an Affiliate;

6.6.6.3. Not to commence any new type of economic activity, provided that this shall not restrict any Group company from introducing any new product or services or changing the terms of or the manner in which any existing product or service is provided or entering into any new geographic market or ceasing operations in any geographic market;

6.6.6.4. Not to initiate or allow initiation of the Issuer's liquidation or similar proceedings and not to reduce the share capital of the Issuer;

6.6.6.5. Not to encumber assets in value above EUR 500,000.00 (five hundred thousand euro) of the Issuer or any Guarantor, with the exception of attracting financing through Loan Marketplace;

6.6.6.6. 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 a Group company within six months after receiving such loan and/or permitted under clause 6.6.5.

6.6.7. The Issuer shall be obliged to provide the Issuer Agent and the Noteholders with the following information on a regular basis:

6.6.7.1. Quarterly consolidated management reports of the Group with management commentary, key loan portfolio statistics on Group and individual market basis, and calculated Covenant ratios as according to sections 6.6.1.1 to 6.6.1.3 should be provided by the end of the first month following the end of each respective quarter.

6.6.7.2. Audited annual consolidated (Group) report – by the end of the second quarter following the end of each financial year.

6.6.8. The Issuer shall provide the Issuer Agent with information on planned changes in its shareholders' structure before introduction of such changes and on all existing or pending legal claims against the Issuer or any of Group companies, the value of which in aggregate exceeds EUR 100,000.00 (one hundred thousand).

6.7. Procedure for applying for Noteholders' consent

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

6.7.2. 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.

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

6.7.3.1. a description of the requested amendment;

6.7.3.2. a justification of the necessity of such amendment;

6.7.3.3. the date when the list of the Noteholders eligible to grant the waiver (vote) will be fixed;

6.7.3.4. the term within which a Noteholder can support or reject the offered waiver;

6.7.3.5. instructions concerning notification about the support or rejection of the waiver and the procedure for filling in the voting questionnaire;

6.7.3.6. notification that a Noteholder willing to grant the waiver offered by the Issuer shall notify the Issuer and Issuer's Agent within the term specified in the application, which is certified by a postal seal, signature on receipt or notification (letter or email) Noteholder's Custodian. If the Noteholder does not notify the Issuer or Issuer's Agent about the approval to grant the waiver within the term specified in the application, a Noteholder shall be deemed as not having granted the waiver;

6.7.3.7. 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);

6.7.3.8. 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.

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

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

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

6.7.7. 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.

6.7.8. 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.

7. Taxes

7.1. 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.

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

7.3. At the time of signing these Terms of the Issue Maltese laws do not impose on the Issuer any tax withholding obligation in relation to payments to Noteholders related to the Notes.

8. Terms of the Private Offering

8.1. The initial offering shall commence on 9 October 2020 and shall end on 30 September 2022 at 17:00.

8.2. Subscription orders to the Notes can be submitted to the Issuer Agent every Business Day during Issuer Agent's business hours. More detailed information on the submission of the subscription orders is available by phone +371 67 081 069.

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

8.4. The total Nominal Value of the Notes applied for should be stated in the subscription order. Potential Investors have the right to submit several orders during the offering. Subscription orders to the Notes are irrevocable. The Issuer Agent will register all submitted subscription orders of its clients according to legal requirements and internal procedures.

8.5. The minimal initial subscription size is EUR 10,000.00 (ten thousand euro). Subscription size should be equal to a multiple of the Settlement Unit Multiple.

8.6. The Notes purchase price 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.

8.7. 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.

8.8. The First Settlement Date of Notes is 16 October 2020. All subscription orders that were aggregated during the subscription period with the First Settlement Date as of 16 October 2020 will be delivered without accrued interest.

8.9. In case of partial early redemption, as per these Terms of the Issue, the Nominal Value of the Note can be decreased and can be less than EUR 1,000.00 (one thousand euro).

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

8.11. The Notes are allocated to investors in the amount not larger than the amount specified in the subscription form and not less than the minimum size as described in the Terms of the Issue.

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

8.13. 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 the 20th (twentieth) Business day after subscription order is duly submitted to the Issuer Agent.

8.14. Settlement of the Notes will be executed through the Nasdaq CSD as DVP (delivery versus payment) transactions according to the applicable Nasdaq CSD rules, but settlement for the Notes can be executed according to any other procedure that is agreed between the Issuer Agent and a Potential Investor, including FOP (free of payment). The Custodians execute payments for the Notes based on the results of the subscription provided by the Issuer Agent. The Notes will be transferred to Potential Investors' financial instrument accounts on the settlement date.

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

8.16. 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.

9. Additional Information

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

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

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

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

9.5. The Terms of Notes Issue does not contain any expert statements or reports

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

10. Description of the Group's Business

10.1. 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 in a relatively short period of time. Sun Finance uses the latest technologies to ensure instant customer credit scoring and to provide convenient, simple and transparent financing to its customers. The Group currently offers short term loans with a short-term of up to 30 days and an open-end line of credit via websites and selected offline channels.

The Group's customer base consists of ever-growing number of consumers who prefer to use alternative financial services because of their convenience or because of the customer's limited access to more traditional consumer credit from banks, credit card companies and other lenders.

Sun Finance believes that its key strengths include its simple, available and transparent product offerings that are convenient for customers; its focus on high customer satisfaction; deep understanding of and compliance with the regulatory environment; the Group's proven business model realized around economies of scale; an innovative, data-driven approach; established and efficient debt collection procedures; strong financial position, and an experienced management team.

The Group uses diversified marketing channels to acquire customers, including traditional mass media (including television and radio) as well as digital channels (paid searches, Search Engine Optimization (SEO) techniques, affiliates and programmatic).

As of 30 June 2020, the Group's unique application database contains information from more than 8 million loan applications, including both traditional and alternative data points. Ever growing database allows Sun Finance to implement and execute an innovative and advanced underwriting and scoring process which is one of the key aspects in the Group's business to become an industry leader. The Group's cutting edge statistical and data analysis capabilities used in credit risk underwriting enable informed decision-making process. Sun Finance is confident to continuously deliver innovative credit risk underwriting solutions, support expansion capabilities and ensure compliance with regulatory changes and Anti Money Laundering (AML)/Combating the Financing of Terrorism (CFT) and Politically Exposed Persons (PEP) regulatory requirements through data-driven business insight generation.

Once the Group has evaluated a customer using internally developed scoring models and the loan has been issued to the customer, loan cycle is initiated by delivering high-quality customer service by up to 250 customer care specialists within the Group and around 15 employees in local customer care management teams across all the markets Sun Finance operates in. In each of our operating markets there is a local customer care department to provide the highest quality services to customers, which provides an opportunity to exchange information internally faster, be flexible and maintain service quality level according to the Group's standards and expectations. Services are provided in local languages and market specialists can fluently respond to customer queries in their respective languages.

In order to maximize recovery and ensure effective non-performing loan (NPL) management Sun Finance has established a strong debt collection process. Despite that in all the markets the Group has established, automated and standardized processes, it still monitors and analyses the results with a purpose to find and implement new solutions to increase efficiency. The Group is working closely with each business unit, risk department, IT specialists, local lawyers and market specialists to increase the recoveries from delayed loans and to adjust processes to the market situation in most beneficial way.

The Group has currently established operating entities in 7 countries, *i.e.*, Denmark, Poland, Kazakhstan, Latvia, Mexico, Sweden and Vietnam. Sun Finance offers short term loans in all of these countries, with the exception of Denmark and Sweden, where line of credit is offered. Currently, the Group's largest markets by volume of loans originated are Poland, Kazakhstan and Denmark, which together account for 65% of the Group's net loan portfolio as of 30 June 2020.

As of 30 June 2020, the Group's net loan portfolio (gross loan portfolio net of impairments), was EUR 54.3 million compared to EUR 38.0 million and 56.5 million as of 31 December 2018 and 31 December 2019, respectively.

The Group generated positive EBITDA of EUR 2.9 million in the financial year ended 31 December 2018, EUR 24.5 million in the financial year ended 31 December 2019 (audited) and reached EUR 19.6 million in the half-year period ending 30 June 2020 (unaudited).

The Group's capitalization ratio was 23.6% and 32.1% for the financial years 2018 and 2019, respectively, while recording 47.2% for the half year period ending in 30 June 2020.

10.2. Key Strengths

10.2.1. *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 and line of credit with open-ended term. Full information on pricing and applicable components is disclosed in a clear and simple way.

10.2.2. *High-quality customer service and satisfaction*

The Group's customer care (CC) department consists of c. 250 specialists and around 15 employees in local CC management teams (as of 30 June 2020) across all the markets the Group operates in. Since Sun Finance believes that customer service, user experience and the attention given to the customers are some of its key advantages. All of the Group's operations are fully in-house built in order to keep this area to the highest possible standard. Customer care specialist responsibilities are to respond to customers' inquiries, inform and update customers about products, terms, legal rules and help to solve any problems that have appeared during application, repayment, log-in and other processes with the aim to increase customer satisfaction and number of returning customers. To be even more customer and data-oriented, the Group has rolled out a new contact center solution / auto dialer which will improve customer contact handling, speed, efficiency as well as increase the number of databases to be covered during outbound calls. All information on reason of contacts and inquiries is stored in the Group's internal database that can be an outstanding tool for analysis in Customer care and Data science units and a contribution to the Group's mindset to provide the best customer experience.

10.2.3. *Innovative, data-driven approach*

The Group's data-driven approach has allowed it to build a strong customer base and well performing portfolio, to support expansion capabilities and to ensure compliance with regulatory changes and AML/CFT and PEP regulatory requirements. Sun Finance has a dedicated Risk team, consisting of 15 specialists with significant experience in the industry. The Group's in-house built Risk IT systems have proven to be reliable and scalable. The Risk IT systems are capable to run sophisticated predictive scoring models and allow it to perform advanced identity check, ensure sound credit risk underwriting, effective data cost management and strong debt collection strategy that supports the entire loan management life cycle – from customer on-boarding to collection.

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

10.2.4. *Strong and efficient debt collection procedures*

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

Sun Finance has also implemented strong NPL management driven by automatic forward sales of overdue loans in most of the markets. The Group's key elements of success are high quality loan portfolio, best practices sharing across countries, implementation of continuous improvements in its debt collection approach and team of qualified and motivated specialists.

10.2.5. *Experienced management*

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

10.2.6. *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.

10.3. **Strategy**

10.3.1. *Sustainable growth*

The Group aims to achieve continued growth by offering its already proven products in existing and new markets with already proven strategies and introducing new products in existing and new markets, as well as improving its business processes and refining sales strategies. Sun Finance is confident that one of the main aspects of successful and sustainable growth is the balance between adaption to changes and innovation while sustaining controlled growth.

10.3.2. *Strengthening the foundation*

Sun Finance believes that there is substantial growth opportunity in the 7 countries it operates. In order to strengthen the Group's established market positions, it plans further development of IT systems, investments in marketing, data science and customer service.

10.3.3. *Leveraging on technology*

The Group plans to continue to invest in technology to improve the functionality of current products as well as to develop new technologies to provide best possible products to the Group's customers. Sun Finance will continue to integrate the latest technologies into its business, including the areas of digital marketing, anti-fraud, anti-money laundering, risk tools and payment systems in order to continuously improve the Group's digital marketing technology, credit scoring, risk management, client experience and debt collection processes.

10.3.4. *Product roll-out*

Sun Finance plans to continue to develop new product offerings in both existing and new markets. The Group's innovative and ever-improving technology and underwriting is a key success in providing new innovative, convenient and transparent online services which result in competitive lending products to customers not served by traditional lenders. Sun Finance plans to continue to utilize its database to introduce instalment loans in existing markets and develop new products in new markets.

10.3.5. *Geographical expansion and diversification*

The Group's business has grown substantially since its establishment in early 2017 and the Group continues to monitor business development opportunities in new countries, as well as existing markets. Each new potential market entry is considered with in-depth market research. In the future, Sun Finance is considering expanding into new markets including, but not limited to, Scandinavia and Asia. Both regions are particularly attractive due to favourable demographics, fast growth, openness to new technologies to address consumer needs and relatively favourable regulatory environments.

10.3.6. *Financing*

The Group's objective is to have access to diversified and efficient funding sources. Diversification in the capital structure is one of the key aspects for further growth, including issuance of bonds. The latter will support the Group's efficiency and flexibility by broadening the range of alternative funding sources and helping to achieve immediate cost optimization by refinancing more flexible but expensive borrowings, such as marketplace and peer-to-peer loans.

10.4. **Products**

10.4.1. *Short Term Loans*

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

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

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

10.4.2. *Line of Credit*

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

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

10.5. **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 Denmark, and 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. Sun Finance uses a wide range of offline marketing channels, such as radio, billboard public transport and sponsorship.

10.5.1. *Digital marketing*

The Group's digital marketing approach is built around performance activities. Most of the channels and activities are foremost evaluated from performance capacity point of view. There are three principles that guide the Group's performance-centered approach – in-house pay per click (PPC) specialists, close relationships with partners and collaboration with involved departments.

The Group's in-house dedicated PPC (online marketing model in which advertisers pay a fee per each time the ad is clicked) specialists acquire extended industry specific PPC marketing knowledge and accumulate experience that are transferred to existing and new Group products. PPC campaigns are based on understanding of the specifics about the product and customer experience. In 2019 the Group's PPC specialist using PPC marketing model acquired more than 20% of all new customers. Main PPC channels are advertising in search engines – such as Google, Yandex, Bing, and social media platforms – Facebook, Instagram, Vkontakte. While for advertising on search engines, the Group has adapted a group-wide search engine marketing best practice approach. Sun Finance organizes campaigns in granular approach to maximize performance from highly converting customer segments and reduce costs for low converting segments. Advertising on social platforms requires a different approach with mandatory adaptation to local culture, mentality and consumer habits. In this case, the Group's PPC specialists closely collaborate with local marketing managers and graphic designers.

Affiliate marketing (advertising model where a company pays to third-party publishers to generate traffic or leads to the company's products and services) is the most important customer acquisition channel for the industry (around 45-50% of the Group's new customers are acquired via affiliate marketing). Thus, Sun Finance focuses on strategically expanding its network of partners, both by collaborating with local and global affiliate networks, as well as individual webmasters, and keeping close relationships with them. The Group uses the most cutting-edge affiliate management system to administrate, support technically and content-wise, and analyze the performance of more than 20 affiliate networks and more than 25 direct affiliate partners. The Group's offers are displayed on over 200 comparison sites. Consistent message throughout different partners and channels is ensured by providing multiple content types – ad videos, graphical banners, e-mail templates etc.

As the last principle, Sun Finance ensures close collaboration between its marketing teams and other departments, i.e., close collaboration with Customer Care department allows faster on-boarding and increased conversion rate and Risk and Data department insights allow to reduce acquisition costs by narrowing targeted segments and focusing on segments that have higher approval rate.

These three principles ensure that the Group is able to acquire new customers for existing products cost-effectively and in volumes and enter in the new markets rapidly to meet any arising demand.

10.5.2. *Customer retention*

Customer retention is one of the key areas on focus, because of ever growing customer base and multiple touchpoints when the Group can directly communicate with customers and up-sell at the same time. Since the first loan is offered for free in most of the markets, retention and up-sell activities are the key to earning revenues from existing customers.

In H1 2020 over 500 campaigns have been executed across the Group's entities. Sun Finance is continuously working to find new channels and tools on how to reach its existing customers, thus increasing the issued loan volumes. Currently, around 70% of sales volume comes from the segment of repeat customers.

The Group's areas of focus are unfinished loan applications, additional amount up-sell, retention or inactive customer communication. In each segment, Sun Finance identifies the most crucial challenges and potential, which leads to the monthly campaign plan and its execution on a regular basis.

The Group's primary channels of customer retention are – emails, SMS, calls (with the help of Customer Care), Facebook, web push-notifications. Campaigns usually are planned in a cost-effective way – starting from the cheapest retention channels (such as email), moving on to more expensive ones. During the campaign process, the Group always tends to do A/B tests to assure that target group converts better than the control group.

The Group's special offers may differ, depending on circumstances – Sun Finance tends to be creative in content as well as in the offered product specifics. The Group sends newsletters with useful information for the customers on a regular basis and applies discount campaigns to some specific customer segments after detailed research of the database. The Group's visuals are made by experienced designers which make the communication look professional and aligned to the Group's brand.

The marketing process is executed and closely monitored by local marketing managers. Coordination and supervision are done by the Group's Retention project manager, who is overseeing all direct marketing activities across the Group. On a monthly basis, after campaigns are finalized, local managers are summarizing results and sharing with Headquarters (HQ), with ideas and lessons learned what could be improved next month. By having an expert in HQ in this field, the Group assures that key performance indicators (KPIs) are monitored and benchmarked, as well as experiences and recommendations are shared within markets.

10.6. Credit risk, Underwriting and Scoring

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

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

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

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

The Group's Risk and Data department gathers the best industry experts of the field, it has a healthy mix of experienced experts and recent university graduates. This mix fortifies the Group's credit risk underwriting strategies in the challenging times of the 21st century's data and technology revolution. The approach and methodology are continuously challenged and the knowledge base is strengthened by the attendance of world-class tech and data science conferences, seminars and workshops in Europe and the United States.

10.6.1. *Credit risk underwriting*

The loan issuance processes in all the Group's products includes the following steps: (i) customer registration and loan application, (ii) customer identification, (iii) AML/CFT and PEP screening, (iv) fraud check, (v) credit check, (vi) credit scoring and data science models and (vii) loan agreements. Sun Finance has fully automated credit risk underwriting process using the Group's Risk IT systems which are connected with external traditional and alternative data sources and paired with world-class lending analytics platforms.

First, for new customers, the Group checks customer eligibility to apply for a loan. Second, the Group proceeds to the customer identification phase for the new customers who are eligible to register. The Group's world-class AML/ CFT and PEP screening system is run after customer identification and verification. If there is a hit against any AML/CFT or PEP lists, loan issuance process is halted and the assigned responsible person together with an AML officer perform manual checks and make the decision to approve or reject application. The Group's next phase of credit risk underwriting strategy is fully automatized fraud check using internally developed solutions in synergy with cutting edge global fraud checking systems. Further, credit bureau and alternative data source checks are performed for those customers who have passed the first phases. After data collection, the Group's advanced Risk IT scoring systems run state-of-the-art technology-based customer scoring models as last phase of credit risk underwriting process. The Group's Risk IT system approves the loan if credit score is at an acceptable level. After loan approval the system generates loan agreement and disburses the money to the customer.

The Group's lending processes require minor manual inputs only in cases when loan application is being flagged as suspicious by AML/CFT and PEP screening system, when customer is considered to be high-risk profile customer or when loan application is processed at physical points of sale locations.

The Group's credit risk underwriting process is divided into seven phases and the Group has separate credit risk underwriting strategies for new and repeated customers.

The repeat customer loan issuance process is very similar to the new customer loan issuance process. Instead of identification step customer is checked for previous delinquencies and credit history within the product. Internal credit information between multiple products is checked for each new and repeated customer in countries where the Group has more than one product.

10.6.2. *Customer registration and loan application*

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

10.6.3. *Customer identification*

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

10.6.4. *AML/CFT compliance*

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

The Group's customers are automatically screened against AML/CFT and PEP lists in real time using the world-class AML/CFT screening system and, if there is a hit against any AML/CFT or PEP lists, the Group stops the loan issuance process, the assigned responsible person together with the AML officer manually checks and makes the decision to approve or reject application. The main sanction lists include EU, UN, OFAC, but additional national sanction lists may be included depending on each country's regulations. The Group employs professional AML compliance specialists, AML compliance officer, who is member of Association of Association of Certified Anti-Money Laundering Specialists (ACAMS - the largest international membership organization dedicated to enhancing the knowledge, skills and expertise of AML/CTF and financial crime detection and prevention professionals) and lawyer, who is Certified Anti-Money Laundering Specialist (CAMS) and member of ACAMS.

10.6.5. *Fraud check*

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

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

10.6.6. *Credit check*

Sun Finance performs an automated credit check for those customers who have successfully passed the first four phases of credit risk underwriting process. The Group has processed and analysed over 8 million loan applications since February 2017. Its Risk and Data team has significant experience in adding an optimal mix of alternative and traditional data sources and the knowledge of how to use collected data for high-quality credit risk underwriting. The Group's credit check includes a collection of traditional credit bureau data and income information. The collected information from credit bureaus includes positive and negative information like open loan amounts borrowed by the customer from other lenders, unpaid debt information, previous requests for loans, declared and actual addresses, real estate owned by the customer. The Group collects alternative data about the customer and loan application such as user activity on the web pages, email reputation from global networks, activities in social networks and social network presence, available information from public governmental institutions, legal proceedings, criminal records, emigration notes and asset seizure information. Sun Finance ensures that the manner in which it collects, stores and processes personal data for credit risk underwriting purposes complies with the regulatory requirements of each market.

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

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

10.6.7. *Credit scoring and data science models*

The Group's credit risk underwriting models are developed by a centralized Data science team. Sun Finance develops its credit risk underwriting models based on the information collected throughout customer registration, loan application, customer identification, fraud check and credit check phases. It is enriched by the customer behavioural data collected at every step of the customer lifecycle within the Group. The model development methodology allows the Group to already develop an initial risk evaluation model once it has issued around 1,000 loans (typically within 3 to 5 months after the new product has been launched). In later stages, risk underwriting process is continuously supported by appropriate risk evaluation models at every step of portfolio maturity and customer lifetime within the Group.

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

Data scientists develop several types of predictive models to support various business objectives: from effective data management pipelines up to a sound credit underwriting and effective debt collection strategies. Data scientists work jointly with domain experts to develop valuable data products. Sun Finance believes that productive collaboration between departments is the key to a successful outcome. Data scientists altogether with analysts have also implemented an automated online model monitoring solution to assure stable performance of developed models.

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

The data science team is formed of a well-balanced set of experienced data scientists with deep knowledge of industry, experts of academia and recent university graduates. The combination assures sound business value attribution, internal development and business continuity of the unit. Majority of the team holds a postgraduate degree, equivalent to a Master's degree or higher.

10.6.8. *Loan agreements*

Sun Finance approves a loan application if the above described checks are successful. After a message of a loan application approval is communicated to a customer, the customer is directed to the Group's website to execute a legally binding online loan agreement. The terms of the Group's loan agreements are the same across all the jurisdictions, subject to any requisite modifications required to comply with local laws and regulatory guidance. Such modifications may cover interest rates, commission fees, penalty fees, personal information disclosure, customer withdrawal rights, direct debit rights, loan rollover (extension) terms and some other terms. Local regulations may have an impact on the availability to customers of an electronic/digital signatures with which to enter into the legally binding loan agreement with the Group entities.

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

10.7. Process

10.7.1. *Customer service*

The Group's Customer care (CC) department consists of 250 specialists and around 15 employees in local CC management teams (as of 30 June 2020) across all the markets the Group operates in. Since the Group believes that customer service, user experience and the attention the Group gives to its customers are one of its key business advantages, all of the Group's operations are fully in-house built in order to keep this area to the highest possible standard. It gives an opportunity to exchange information internally faster, be flexible towards any changes, as well as keep quality level according to the Group's standards and expectations.

Services are provided in local languages, and market specialists are able to fluently respond in the respective languages.

Specialists are usually working in blended teams – they are skilled to do different activities and are able to work on several tasks simultaneously. It leads to higher flexibility, increased efficiency and productivity which comes together with customer satisfaction as the call center is more available. Due to the fact that teams do different tasks, this is especially appreciated by agents who want to train new skills and develop personally.

The Group's primary basic communication channels are – calls, webchat and e-mails. In some of the recently launched markets also Facebook and WhatsApp appear to be "must have" channels to respond to customer inquiries. Sun Finance always researches local specifics in terms of preferable channels used that are the most convenient in any given market. Thus, while the in each market the Group uses at least its basic channels of communication (calls, chats, emails), it may expand the communication channels if it is needed to increase customer satisfaction in any one market.

The main responsibilities of the CC specialists are to respond to customers' inquiries, inform and update customers about products, terms, legal rules and help to solve any problems which have appeared during application, repayment, login etc. processes. Furthermore, agents are up-selling additional services whenever it is possible (informing about available limits, opportunities etc.). In each of the markets there have been established outbound actions such as proactively contacting customers who have abandoned application process, whose due date is approaching etc. This increases not only customer satisfaction and awareness of the Group's products, but also assures that a customer is more likely to fulfil his liabilities on time. Besides serving inbound and outbound customer inquiries, in the majority of the Group's markets CC teams are also processing payments (both outgoing and incoming).

During the year 2019, the Group's CC team has received over 2.6 million contacts via phone, chat and emails. Due to a fast expansion and business growth, in H1 2020 Sun Finance already has received over 1.4 million contacts.

To be even more customer and data-oriented, the Group has rolled out a new contact center solution / auto dialler which will improve customer contact handling, speed, efficiency as well as increase the number of databases to be covered during outbound calls. All reasons for contacts and inquiry information will be stored in the Group's internal database, which will be a tool for analysis in the Customer care and Data science units.

All local teams have assigned key performance indicators (KPIs), which are aligned among the Group entities. The KPIs are usually tracked on a daily basis and, if some KPIs are not satisfied, team leads are creating action plans to quickly improve the situation. Additionally, all specialists have motivating reward systems which consist of a fixed part and a variable part (bonus part). Bonuses are based on both the team's and the individual's performance. Team members get regular updates from their direct managers on their performance and have individual open feedback/development sessions. On monthly and quarterly basis employee gets product and process knowledge tests. To assure the highest quality of the Group's service, local teams are evaluating incoming and outgoing calls, chats, emails by specific scorecard created across markets. It helps to rank people by scores and clearly identifies which areas need to be improved for each individual. Also, in the biggest markets, the Group has rolled out employee satisfaction surveys which are done each two weeks. These are anonymous, online, short and simple questions with the goal to evaluate employee's engagement, satisfaction, loyalty and culture within the department, the Group and towards the management. It is a great tool recently explored and now being actively used at all levels to assure that Sun Finance is the best working place for its employees.

In all of the Group's CC entities management has a strong background and experience in related areas (customer service, sales, debt collection, operations), in finance or payday loan industry. This is one of the key requirements during the hiring process, ensuring that the person is ready to work independently and implement the Group's best practice in, as well as has a lot of lessons learned. Specialists are supervised by team leads and CC managers who are consulting their employees and ensuring that each of the departments is aligned to the Group's overall goals and KPIs.

Sun Finance has a centralized CC & Sales department in HQ whose main task is to be one point of contact for already operating markets. Local CC manager has regular update meetings where the main KPIs are reviewed together with monthly action plans and priorities. Based on other country practices and benchmarks, HQ can help to share ideas and experience among the countries and effectively apply the lessons learned from one country's experience to solving similar problems in other countries if such emerge. Besides providing support to existing markets, HQ CC department is one of the key players during new country launch process (creating customer journey, setting up communication flows and content, on-boarding local management, sharing procedures and all "know-how" the from Group side). Within the Group there are two Heads of each region with 7+ year experience in a payday loan area.

"Sun Finance" name has been also announced globally in one of the major Customer service & UX conferences in Europe (*Customer Engagement Summit 2018/ London* and *Future of the Contact Centre 2019 February/ London*) where the Group's Head of Customer care and Sales was invited as one of the most valuable speakers to share her extensive knowledge on engaging and retaining customers representing the Group's Customer Care departments' best practices.

10.7.2. *Debt collection*

The Group has established efficient debt collection processes across all the Group's business units in different countries. The policy includes main principles and guidelines of debt collection to be followed up in each jurisdiction and they are adjusted to be in line with local legislation specifics and best debt collection practices.

Despite the fact that in all the markets Sun Finance has established, automated and standardized processes, the Group still monitors and analyzes the results with the aim to find and implement new solutions to increase its efficiency. The Group is working closely with each business unit, Risk and Data department, IT specialists and 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.

Sun Finance uses the following debt collection methods:

- In-house debt collection;
- Outsourced debt collection;
- Debt sale.

10.7.3. *In- house collection*

Debt collection practices depend on jurisdiction taking into account local legislation and cost efficiency considerations.

All debt collection methods of each operating market, procedures and instructions that Sun Finance uses, are adjusted to comply with local legislation and reflect, in the Group's view, best practices in the market.

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.

In the Group's opinion, substantial impact on collection processes comes already from customer invoicing and billing process. In the Group's case they are fully automated - customers make payments either through electronic-banking (in most cases), cash terminals or at the available offline point. In some countries, for the convenience of the customers, Sun Finance uses direct debit functionality or invite the customer to allow the payment during the call conversation. All invoices and other relevant information are available 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, a 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, Sun Finance has established extensive communication workflow in regard to communication with customers before and after loan repayment due date. All implemented approaches of reaching a customer are being used to deliver the highest possible customer reach ratio in order to decrease a risk of the defaults of the customer portfolio.

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 generally handles delayed payments in-house mainly up to 30-60 days after the maturity date, but this practice may differ due to the specifics of each market. For example, if the Group sees that external collection could bring higher return and is more cost efficient, it will opt for this solution. In certain markets, where the Group handles in-house debt collection activities after the 30th day of the delay in payment, it offers repayment schedule options to customers and/or other special and more beneficial repayment options.

The Group's debt collection practices are strictly in line with the legislation requirements. In each business unit Sun Finance 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.

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. Sun Finance encourages customers to meet their liabilities in all possible ways. In case such option is allowed in respective jurisdiction, the Group offers customers a service of extension.

At the same time, Sun Finance also calls its customers, as this is the most efficient way to establish a dialogue with the customer and find a solution for a payment default. Collection calls are made immediately after the loan falls due. The Group has established efficient call flows involving most competent collection agents, who are trained to collect in a professional manner by trying to find a compromise and keep the willingness of the customers to return. Sun Finance keeps the collection employees motivated by having implemented a bonus scheme based on their performance and work quality. The Group maintains the high quality of its employees' work through detailed scorecards, pre-designed conversation scripts and regularly updated knowledge tests.

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. Sun Finance believes that educating the customers at all stages is important. In the final steps of in-house debt collection, the Group warns customers of next steps, such as e-court, external collection, debt sale and other actions that may cause their expenses to grow.

At the moment, Sun Finance has commenced implementing a new call center platform for both customer service and debt collection teams that includes predictive dialling system. Additionally, the Group uses debt collection scoring to segment its customers and apply the most appropriate and effective approach to each target group. Sun Finance also sees a large opportunity for robotic calls and other potential improvements. The Group is constantly improving its processes by measuring the best times and days for reaching the customer, creating the most effective communication content, reviewing all related process steps, including motivation system for collection agents and team leads, data analysis and reporting.

In order to improve debt collection process on an ongoing basis, the Group constantly cooperate with its Risk and Data department for analyzing customer behavior and exchanging observations about customer behavior to consider all factors in the loan issuing process.

10.7.4. *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 (please see more on this below), the Group outsources debt collection activities to a wide range of debt collection agencies. Sun Finance cooperates with well-known debt collection companies and considers them high-quality international partners. The Group organizes training with partners and activity assessments on a regular basis to ensure the customers are informed correctly about the product, serviced professionally and appropriately.

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

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

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

Sun Finance has regular cooperation meetings with its partners in order to control and follow up the performed process quality built up to follow their work performance and quality. The Group closely monitors the results and changes the partners in case of weak performance. Sun Finance believes that treating its partners as part of the Group maximizes the recovery from bad loans under their supervision.

10.7.5. *Debt sale*

In all of the markets of the Group's operations 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.

Sun Finance focuses on continuing debt sales (Forward Flow) deals, but also executes separate one-time debt sell activities where it is needed.

As mentioned, the Group seeks opportunities to establish a regular debt sale processes in each country of operation. Nevertheless, Sun Finance organizes tenders on debt sale also in those jurisdictions where the Group has established a regular debt sale process in place to be in line with actual offers in the market.

10.8. Information Technology/Engineering

Sun Finance has a Group-level IT department with in house continuous software and systems development, allowing the Group to meet and align with business goals, growth and strategies.

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

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

- Product Owners per team.

Sun Finance also has a team of delivery focused project and product management individuals, working with the teams and driving forward allowing the Group to deliver new products to the business with optimum efficiency. Recently the Group's teams launched three new products simultaneously at the same time supporting daily operations.
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.

10.8.1. *In house design*
The Group has in house UX/UI designers, working with business stakeholders to improve the user experience, look and feel of the Group's products. Delivering new designs quicker, improved communication and productivity, working directly with front end developers.
The Group's designers provide web designs compatible with a wide range of devices, tablets, mobile and Desktop that are implemented by the Group's Front End developers.

10.8.2. *New Front End*
Sun Finance uses the latest technologies for the Group's user interface such as vue.js. The Group tests with the latest technologies for unit testing - jest, and e2e testing. The Group uses cypress for end-to-end testing. This provides the Group with ease of deployment, configuration and use of any technology with its front end as well as Independent development of the front end without changes in the back end.

10.8.3. *New API*
Sun Finance has implemented a Full REST API, allowing integration with the new CMS and existing IT system, easier integration with 3rd party partners and better integration of any front-end solution (mobile app, desktop app, web app).

10.8.4. *Automatic deployment*
The Group uses Circle CI for CI/CD. Sun Finance has automated testing prior to any release. This allows the Group to deploy new solutions and software faster and more efficiently and the Group's Engineers spend their time developing software rather than losing time on manually deploying.

10.8.5. *Automatic Test validation*
Sun Finance has implemented Automation testing to drive for maximum engineering efficiency, and Faster Time-to-Market: Test Automation greatly helps reduce the time-to-market of an application by allowing constant execution of test cases.

10.8.6. *Infrastructure*
The Group's infrastructure is housed in Amazon AWS, using remote data centers across the globe providing the Group with:

- Cost savings: The Group achieves higher economies of scale
- Scalability: Resource + People + Business (increased Agility and speed to market for less) Automation allows for the horizontal scale up/scale down of infrastructure
- Availability: High availability across multiple availability zones with automated failovers, human error is minimized with automation
- Security: Infrastructure lifecycle management no longer has a physical component. Administrative activities are done with automation in mind; shared responsibility security model across the cloud environment

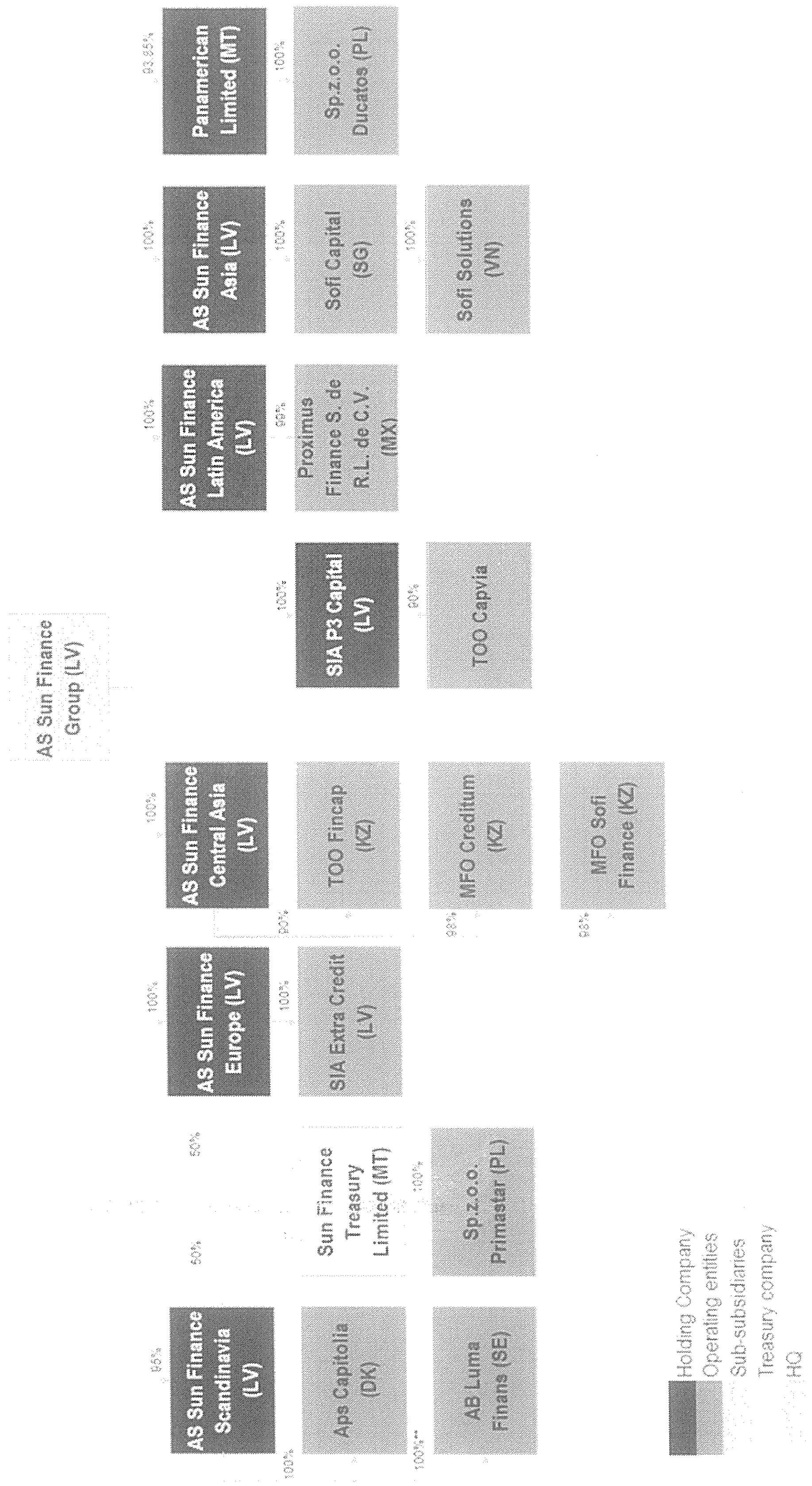
Sun Finance employs the latest technologies within the Group's platform and the best industry practices, to name a few:

- *Domain Driven Design and Infrastructure as Code:* Centralized Documentation and version control.
- *Multi account architecture:* separated resources allow centralized control access management, reduces human errors and each part can be easily attached or detached to infrastructure.
- *Centralized access management* allows fast access granting and revocation. Each employee or team gets access only to the required parts.
- *Kubernetes (k8s) and Docker containers:* self-healing, fast feature releases, fast rollbacks, scaling etc.
- *Centralized logging:* more productive developers, faster troubleshooting fixing bugs or identifying problems
- *System & Infra monitoring:* using Prometheus and Grafana
- *Development environments:* The Group automates the deployment of the development environment on a local machine. No development server needed.

10.9. **Group structure**

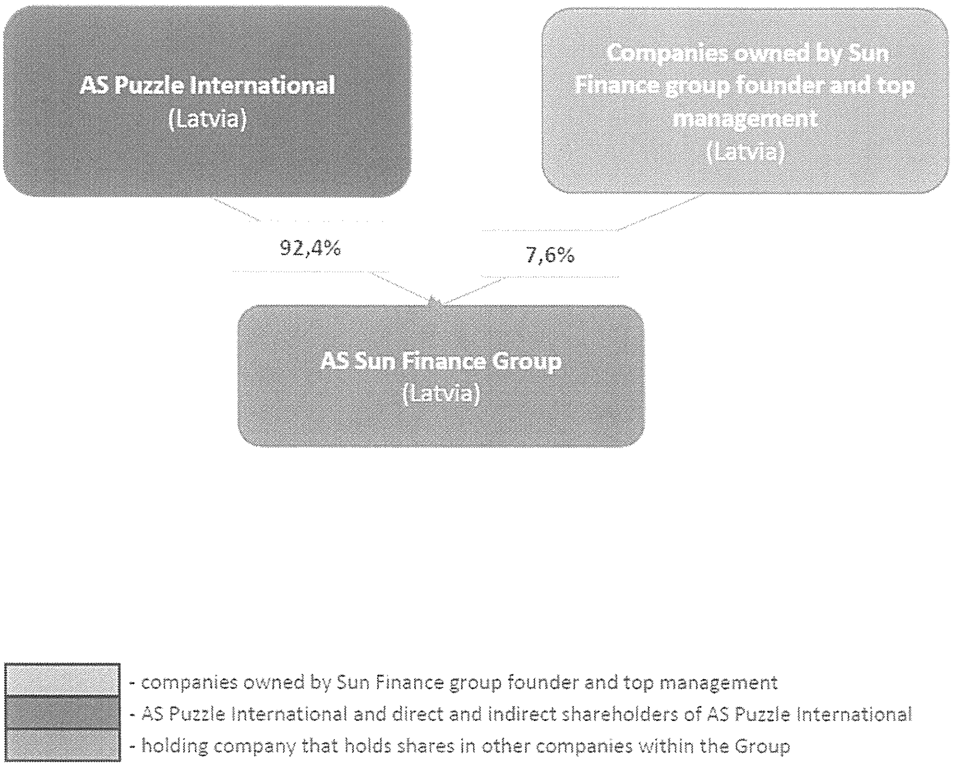
10.9.1. *Legal structure*

The following chart sets the legal structure of the Group as of the date of these Terms of the Issue.



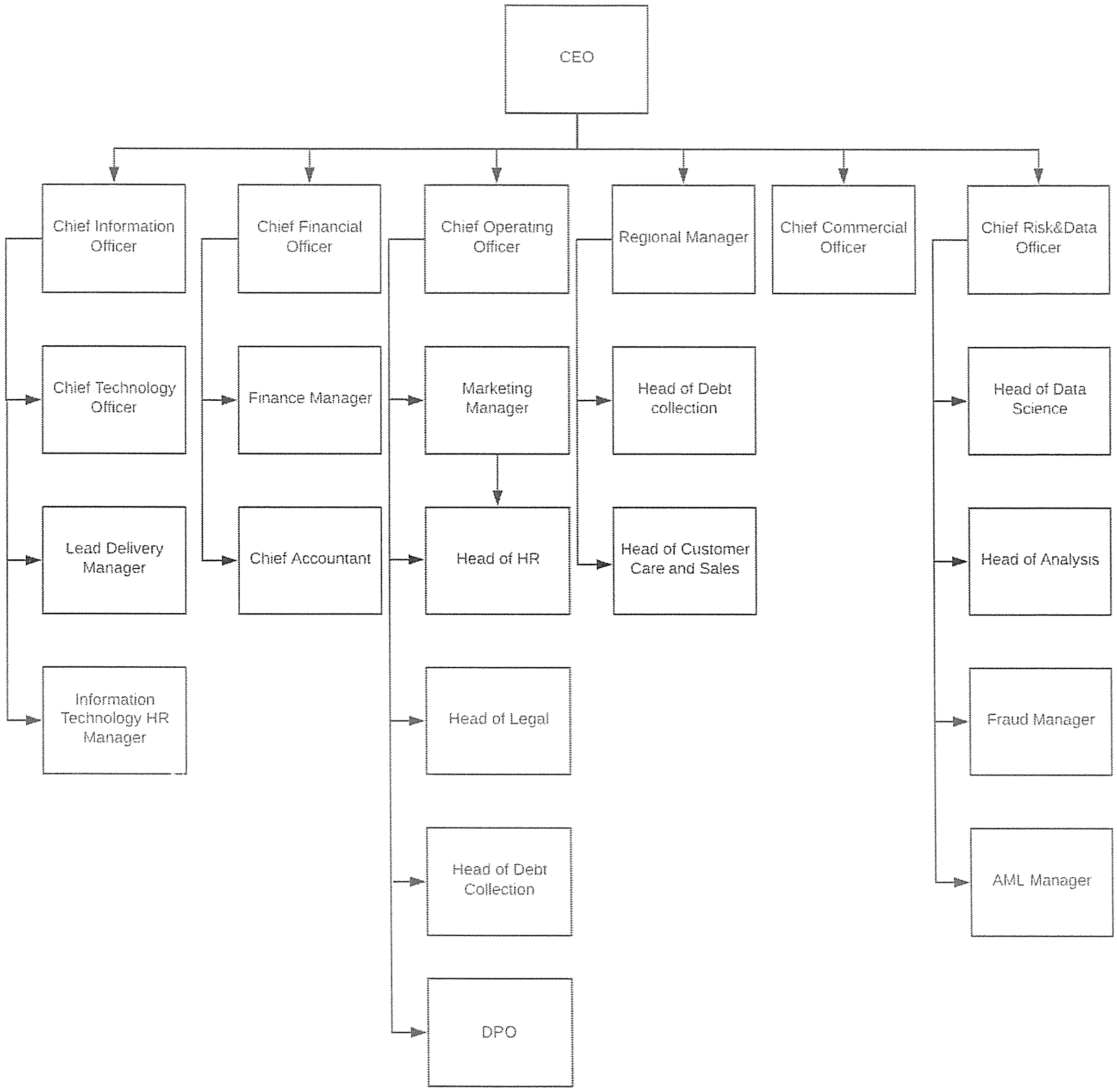
10.9.2. *Shareholder Structure*

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).



10.9.3. *Organizational structure*

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



10.10. **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 though 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 the Group's 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, Sun Finance has eliminated regulatory and compliance risk to a minimum.

Denmark
The Danish market for Line of Credit product is still developing and is likely to continue to grow. The Group believes that its main competitors are 4finance Group (*vivus.dk*) and Ferratum Group (*ferratum.dk, kvikautomaten.dk*) followed by Creamfinance (*lendon.dk*), Basisbank (*lanlet.dk*).

Poland
In Poland, the offline market of short-term Short term loans and Installment Loans is mature, while provision of the same loans to consumers online is still a relatively new, yet rapidly developing market. On the basis of publicly available information on companies that provide online lending services to individuals, the Group's major competitor is 4finance (*vivus.pl*) followed by WDFC UK Limited (*wonga.pl*), Kreditech Holding SSL GmBH (*kredito24.pl*), Ferratum Group (*ekspreskasa.pl/*) and Creamfinance (*lendon.pl*).

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*), Credit 24 (*kredit24.kz*), Twino (*zing.kz*) and Aventus (*kredit7.kz*).

Latvia
The Latvian Short term loans market is mature with several companies offering such services. The Group believes that the online lending model of 4finance (*smscredit.lv, vivus.lv, ondo.lv*) is the closest to theirs and consider this Group as their main competitor in Latvia, followed by International Personal Finance (*credit24.lv*), VIA SMS Group (*viasms.lv*) and Ferratum Group (*ferratum.lv*).

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

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

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

11. Selected Financial Information

The tables below present key selected pro forma special purpose consolidated financial information for the Group (i) with respect to the statement of income data, annual results for the financial year ended 31 December 2018 and financial year ended 31 December 2019 as well as first half of the financial year ending 31 December 2020 (i.e. data for 1 January 2020 until 30 June 2020). With respect to the statement of financial position data, same above reporting periods have been included.

This information has been derived from the Group's audited special purpose consolidated financial data as at and for the financial years ended 31 December 2018 and 31 December 2019. This is the first consolidated financial statements of the Group. Financial statements for the financial year ended 31 December 2019 have been audited, while financial statements for the financial year ended 31 December 2018 have been included as comparative information. Such accounts are presented as the Group's legal structure was developed and streamlined during 2019 and a pro-forma view of the Group presents a more complete view of the operations.

In addition, the Group's unaudited consolidated financial report as at and for the half-year period ended 30 June 2020, has also been provided.

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

Selected consolidated statement of income data (in millions of EUR)

	Unaudited Period ended 31 Dec 2018	Audited Period ended 31 Dec 2019	Unaudited Period ended 30 Jun 2020
Interest income	36.5	101.5	56.8
Interest expense	(4.0)	(8.7)	(4.4)
Net interest income	**32.5**	**92.8**	**52.4**
Net provisions	(16.3)	(49.4)	(21.5)
Operating costs	(17.7)	(31.4)	(15.8)
Other operating income	1.0	3.9	0.3
Other operating expense	(0.7)	(0.8)	(0.3)
Net foreign exchange result	(0.7)	0.5	(3.2)
Profit before tax	**(2.1)**	**15.7**	**11.8**
Corporate income tax	(2.1)	(8.9)	(4.1)
Profit for the period	**(4.2)**	**6.8**	**7.7**

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

	Unaudited Period ended 31 Dec 2018	Audited Period ended 31 Dec 2019	Unaudited Period ended 30 Jun 2020
Property and equipment	0.5	2.9	3.0
Intangible assets	0.7	1.3	1.6
Tangible and intangible assets	**1.1**	**4.2**	**4.6**
Other non-current financial assets	0.2	3.6	6.3
Deferred tax asset	0.4	0.4	0.5
Non-current financial assets	**0.6**	**4.0**	**6.8**
Total non-current assets	**1.7**	**8.3**	**11.4**
Loans and advances to customers	38.0	56.5	54.3
Other loans and receivables	2.7	9.1	6.0
Other receivables	8.5	13.8	8.6
Cash and cash equivalents	2.3	3.2	11.3
Total current assets	**51.5**	**82.6**	**80.2**
TOTAL ASSETS	**53.1**	**90.8**	**91.6**
Shareholder's equity			
Share capital	–	0.3	0.3
Subordinated debt	18.0	20.2	20.2
Reorganization reserve	–	0.3	–
Retained earnings	(4.5)	(9.4)	(2.6)
Current year profit	(4.2)	6.8	7.7
Currency translation reserve	(0.3)	(0.0)	–
TOTAL EQUITY	**9.0**	**18.1**	**25.6**
Liabilities			
Loans and borrowings	34.8	52.4	56.5
Prepayments	0.2	0.3	0.4
Trade and other payables	5.9	12.3	4.5
Taxes payable	2.9	7.0	3.7
Accrued liabilities	0.4	0.7	0.8
Total liabilities	**44.2**	**72.7**	**65.9**
Total equity and liabilities	**53.1**	**90.8**	**91.6**

Key financial ratios

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

	Unaudited Period ended 31 Dec 2018	Audited Period ended 31 Dec 2019	Unaudited Period ended 30 Jun 2019 (LTM[7])	Unaudited Period ended 30 Jun 2020 (LTM[7])
EBITDA [(1)]	2.9	24.5	12.5	34.8
EBITDA margin [(2)]	8.0%	24.2%	18.4%	30.3%
Capitalization ratio [(3)]	23.6%	32.1%	21.1%	47.2%
Net loan portfolio [(4)]	38.0	56.5	60.0	54.3
Interest coverage ratio (5)	0.7x	2.8x	1.9x	3.8x
Unencumbered receivables ratio (6)	N/A	5.8x	N/A	4.9x

(1) Earnings before interest, taxes, depreciation and amortization (EBITDA).
(2) EBITDA margin is equal to earnings before interest, tax, depreciation and amortization (EBITDA) divided by total revenue
(3) Capitalisation ratio calculated as Adjusted Equity (Equity plus Subordinated debt) to Net Loan portfolio.
(4) Net loan portfolio is gross loan portfolio less provisions for bad debts and debt acquisition costs.
(5) The ratio is calculated by dividing EBITDA by net financial charges during the preceding twelve-month period.
(6) Gross loan receivables of the Group that are not pledged, charged, assigned or encumbered in any other manner to any party to total amount of senior unsecured obligations of the Group
(7) Last Twelve Months