



**4FINANCE SPAIN FINANCIAL SERVICES, S.AU.**

**Annual Accounts and Director's Report for the year ended  
December 31, 2021, together with the Auditors' Report issued  
by an independent auditor**

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## **Independent Auditor's Report on the Annual Accounts**

*(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails)*

To the Sole Shareholder 4Finance Spain Financial Services, S.A.U.:

### **Opinión**

We have audited the annual accounts of 4Finance Spain Financial Services, S.A.U. (the Company), which comprise the balance sheet as at December 31, 2021, the income statement, the statement of changes in equity, the statement of cash flows and the notes thereto for the year then ended.

In our opinion, the accompanying annual accounts give a true and fair view, in all material respects, of the equity and financial position of the Company as at December 31, 2021, and of its results and cash flows for the year then ended in accordance with the applicable regulatory financial reporting framework (identified in Note 2.a to the annual accounts) and, in particular, with the accounting principles and policies contained therein.

### **Basis for opinion**

We conducted our audit in accordance with the audit regulations in force in Spain. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the annual accounts* sector of our report.

We are independent of the Company in accordance with the ethical requirements, including those related to Independence, that are relevant to our audit of the annual accounts in Spain as required by the audit regulations in force. In this regard, we have not provided services other than those relating to the audit of accounts, and situations or circumstances have not arisen that, in accordance with the provisions of the aforementioned audit regulations, have affected our necessary independence such that it has been compromised.

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

### **Most relevant audit issues**

Most relevant audit issues are those matters that, in our professional judgment, were the most significant assessed risks of material misstatement in our audit of the annual accounts of the current period. These risks were addressed in the context of our audit of the annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these risk.

### **Impairment of loans and receivables portfolio**

#### *Description*

The Company follows the criterion of recording the appropriate valuation adjustments for impairment of loans and receivables when there has been a reduction or delay in the estimated future cash flows due to the debtor's insolvency. In view of the importance of the and the uncertainty related to their estimation, we consider this to be a significant audit risk.

*(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails)*

#### *Our response*

We have performed, among others, the following procedures in response to this risk area:

- We have obtained an understanding of the policies and processes implemented by the Company for the control, recognition and calculation of impairment of the loan portfolio.
- We have validated the impairment calculation of the loan portfolio, performing a review of the dates of default and the age of the same, which determines the valuation adjustments to be made.
- We verified the integrity of the balances used as the basis for the estimate of impairment losses by analysing a sample of contracts.
- Review of the disclosures included in the notes to the financial statements in relation to this matter in accordance with the applicable financial reporting regulatory framework.

#### **Other information: Director`s report**

The other information comprises exclusively the Director`s report for 2021, the preparation of which is responsibility of the Company`s Sole Administrator and which does not form part of the annual accounts.

Our audit opinion on the annual accounts does not cover the Director`s report. Our responsibility relating to the Director`s report, in accordance with the requirements of the audit regulations in force, consists of evaluating and reporting on whether the Director`s report is consistent with the annual accounts and excluding any information other than that obtained as evidence during the audit. Also, our responsibility consists of evaluating and reporting on whether the content and presentation of the Director`s report are in conformity with the applicable regulations. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report that fact.

Based on the work performed, as described in the preceding paragraph, the information contained in the Director`s report is consistent with that disclosed in the annual accounts for 2021 and its content and presentation are in conformity with the applicable regulations.

#### **Responsibilities of the Sole Administrator for the annual accounts**

The Sole Administrator is responsible for the preparation of the accompanying annual accounts in such a way the give a true and fair view of the equity, financial position and results of the Company in Spain, and for such internal control as they determine is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts, the Sole Administrator is responsible for assessing the Company`s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Sole Administrator either intends to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

*(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails)*

### **Auditor`s responsibilities for the audit of the annual accounts**

Our objectives are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor`s report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the audit regulations in force in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts.

A further description of our responsibilities for the audit for the annual accounts is included in Appendix 1 of this auditor`s report. This description, which is located in page 4, forms part of our auditor`s report.

PKF ATTEST Servicios Empresariales, S.L.  
Registered in ROAC (Spanish Official  
Register of Auditors) under No. S1520

*(Signed on the original in Spanish)*

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Alfredo Ciriaco Fernández  
Registered in ROAC (Spanish Official  
Register of Auditors) under No. 17.938

May 20, 2022

*(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails)*

## **Appendix 1 to our auditor's report**

Further to the information contained in our auditor's report, in this Appendix we include our responsibilities in relation to the audit of the annual accounts.

### **Auditor's responsibilities for the audit of the annual accounts**

As part of an audit in accordance with prevailing audit regulation in Spain, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts, whether due to fraud and error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Sole Administrator.
- Conclude on the appropriateness of the Sole Director's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

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

From the significant risks communicated with the Sole Administrator of the entity, we determine those risks that were of most the significance in the audit of the annual accounts of the current period and are therefore the most significant assessed risks.

We describe these risks in our auditor's report unless law or regulation precludes public disclosure about the matter.

# 4Finance Spain Financial Services, S.A.U.

Annual Accounts and Director`s Report 2021  
Includes Auditor`s Report on the Annual Accounts

*Translation of notes to financial statements originally issued in Spanish and prepared in accordance with generally accepted accounting principles in Spain (see Notes 2 and 4). In the event of a discrepancy, the Spanish- language version prevails.*

4FINANCE SPAIN FINANCIAL SERVICES, S.A.U.

Balance Sheet

31 December 2021 and 2020

(Expressed in thousands of euros)

Assets	Note	31.12.21	31.12.20 Restated (*)	Equity and Liabilities	Note	31.12.21	31.12.20 Restated (*)
Intangible assets				Shareholders' equity	14		
Computer software	5	87	502	Capital		730	730
Computer software in progress		949	-	Share premium		150	150
Property, plant and equipment	6			Reserves		146	1,882
Technical installations and other property, plant and equipment		246	423	Negative results of previous years	14, 2h)	(1,376)	(529)
Long-term financial investments				Profit for the year		5,867	(2,584)
Other financial assets	9	128	236	Total shareholders' equity		5,517	(351)
Deferred tax assets	15	4,169	5,235	Long-term provisions	16		-
Total non-current assets		5,579	6,396	Long-term payables to group and associated companies	18	32,515	27,815
Trade and other receivables	8			Total non-current liabilities		32,515	27,815
Trade receivables for sales and services		26,694	23,745	Short-term provisions	16	601	2,286
Clients, group and associated companies	18	7	183	Short-term debt			
Sundry accounts receivable		-	41	Other financial liabilities		1,042	930
Personnel		140	125	Short-term payables to group and associated companies	18	385	5,089
Current tax assets	15	1,209	-	Trade and other payables	11		
Other receivables from public authorities	15	139	1,167	Suppliers		7,780	3,726
		28,189	25,261	Suppliers, group and associated companies	18	825	3,316
Short-term financial investments				Personnel (remunerations pending payment)		757	290
Other financial assets	9	1,856	1,132	Other payables to public authorities	15	315	326
Short-term accruals and deferrals		376	19	Short-term accruals and deferrals	10	1,173	2,177
Cash and cash equivalents				Total current liabilities		12,878	18,140
Cash and cash equivalents	12	14,910	12,796	Total equity and liabilities		50,910	45,604
Total current assets		45,331	39,208				
Total assets		50,910	45,604				

(\*)Restated data, see note 2e) comparison of information and note 2h) correction of errors.

Notes 1 to 21 of the accompanying notes to the financial statements are an integral part of the balance sheet for the year 2021.

**4FINANCE SPAIN FINANCIAL SERVICES, S.A.U.**  
**Profit and Loss Statement**  
**for the years ended**  
**31 December 2021 and 2020**  
**(Expressed in thousands of euros)**

	Note	2021	31.12.20 Restated (*)
<b>CONTINUING OPERATIONS</b>			
Net sales	17 a)		
Provision of services		66,551	57,643
Personnel expenses	17 b)		
Wages, salaries and similar		(4,780)	(5,271)
Employee welfare expenses		(1,365)	(1,546)
Other operating expenses	17 c)		
External services	17 d)	(18,703)	(23,046)
Taxes		182	(57)
Losses, impairment and changes in provisions for commercial operations	17 e)	(26,873)	(25,303)
Depreciation and amortization of fixed assets	5.6	(300)	(258)
Impairment losses and gains and losses on disposal of fixed assets			
Impairment and losses	5.6	(1)	(19)
Other income (loss)	17 c)	(2,119)	(1,380)
Operating income (loss)		<u>12,592</u>	<u>763</u>
Financial income			
From marketable securities and other financial instruments			
From group and associated companies		-	248
From third parties		4	9
Financial expenses			
On debts with group and associated companies	18	(4,583)	(4,195)
From third parties			
Exchange differences (net)		(88)	(186)
Financial income (loss)		<u>(4,667)</u>	<u>(4,124)</u>
Income before taxes		<u>7,925</u>	<u>(3,361)</u>
Income taxes	15	(2,058)	777
Profit for the year from continuing operations		<u>5,867</u>	<u>(2,584)</u>
Profit for the year	3	<u><u>5,867</u></u>	<u><u>(2,584)</u></u>

(\*)Restated data, see note 2e) comparison of information and note 2h) correction of errors.  
The accompanying Notes 1 to 21 are an integral part of the income statement for the year 2021.



**4FINANCE SPAIN FINANCIAL SERVICES, S.A.U.**

**Statements of Changes in Stockholders' Equity for the years ended  
31 December 2021 and 2020.**

**A) Statements of Recognized Income and Expenses for the years ended  
31 December 2021 and 2020.**

**(Expressed in thousands of euros)**

	<u>2021</u>	<u>2020</u>
Profit and loss account result	5,867	(2,584)
Income and expenses recognized directly in equity	-	-
Total recognized income and expense	5,867	(2,584)

**4FINANCE SPAIN FINANCIAL SERVICES, S.A.U.**  
**Statements of Changes in Stockholders' Equity for the years ended 31 December 2021 and 2020**

**B) Total Statements of Changes in Shareholders' Equity for the years ended 31 December 2021 and 2020**  
**(Expressed in thousands of euros)**

	Capital	Share premium	Reserves	Prior years' results	Income (loss) for the year	Total
Balance as of 31 December 2019	730	150	281	-	4.600	5.761
(*)Adjustment for error correction	-	-	-	(805)	-	(805)
Opening balance 1 January 2020	730	150	281	(805)	4.600	4.957
Recognized income and expenses (Note 3)	-	-	-	-	(2.584)	(2.584)
Distribution of income for the year	-	-	4.600	-	(4.600)	-
Dividend distribution	-	-	(3.000)	-	-	(3.000)
Other movements	-	-	-	276	-	276
Balance at 31 December 2020	730	150	1.882	(529)	(2.584)	(351)
(*)Adjustment for error correction	-	-	-	-	-	-
Opening balance 1 January 2021	730	150	1.882	(529)	(2.584)	(351)
Recognized income and expenses (Note 3)	-	-	-	-	5.867	5.867
Distribution of income for the year	-	-	-	(2.584)	2.584	-
Dividend distribution	-	-	-	-	-	-
Other movements	-	-	(1.736)	1.737	-	1
Balance at 31 December 2021	730	150	146	(1.376)	5.867	5.517

(\*)Restated data, see note 2e) comparison of information and note 2h) correction of errors.

The accompanying Notes 1 to 21 are an integral part of the statement of changes in shareholders' equity for the year 2021.

**4FINANCE SPAIN FINANCIAL SERVICES, S.A.U.**  
**Statements of Cash Flows for the years ended**  
**31 December 2021 and 2020**

(Expressed in thousands of euros)

	2021	31.12.20 Restated (*)
<b>Cash flows from operating activities</b>	<b>2.775</b>	<b>16.520</b>
Income for the year before taxes	7.925	(3.361)
Adjustments to income		
Depreciation and amortization (+)	300	258
Valuation adjustments for impairment (-/+)	26.873	25.303
Change in provisions (-/+)	(1.685)	831
Financial expenses	4.583	4.195
Financial income	(4)	(248)
Exchange differences	88	186
Other income and expenses	2.898	1.491
	<u>33.053</u>	<u>32.016</u>
Changes in working capital		
Accounts receivable and other receivables (+/-)	(29.559)	(8.717)
Other current assets (+/-)	(1.081)	564
Accounts payable and other payables (+/-)	2.019	(241)
Other current liabilities (+/-)	1.116	1.237
Other non-current assets and liabilities (+/-)	108	437
	<u>(27.397)</u>	<u>(6.720)</u>
Other cash flows from operating activities		
Interest payments (-)	(4.583)	(4.195)
Interest receipts (+)	4	248
Income tax receipts (payments)	(6.227)	(1.468)
	<u>(10.806)</u>	<u>(5.415)</u>
<b>Cash flows from investing activities</b>	<b>(657)</b>	<b>(620)</b>
Payments for investments		
Intangible assets	(625)	(188)
Property, plant and equipment	(32)	(432)
	<u>(657)</u>	<u>(620)</u>
<b>Cash flows from financing activities</b>	<b>(4)</b>	<b>(11.947)</b>
Receipts and payments for financial liability instruments		
Payables to group and associated companies	(4)	(8.947)
Dividends paid and remuneration for other equity instruments		<u>(3.000)</u>
<b>Net increase/decrease in cash or equivalents</b>	<b>2.114</b>	<b>3.953</b>
Cash and cash equivalents at the beginning of the period	12.796	8.843
Cash or cash equivalents at the end of the year	14.910	12.796

(\*) Restated data, see note 2e) comparative information and note 2h) correction of errors.

The accompanying Notes 1 to 21 are an integral part of the statement of cash flows for the year 2021.

# **4FINANCE SPAIN FINANCIAL SERVICES, S.A.U.**

## **Notes to the financial statements for the year ended 31 December 2021**

### **1) Business Activity**

4Finance Spain Financial Services, S.A.U. (hereinafter the Company), was incorporated as a limited liability company in Spain on 19 June 2012, under the name Vivus Finance, S.L.U., for an indefinite period of time, having changed its corporate name on different occasions until the current one, modified on 15 December 2020. Its registered office is located at Calle Albasanz 14, first floor, 28037 Madrid.

In compliance with the provisions of the Eighth Transitional Provision, in relation to Articles 125 and following Law 2/1995, of 23 March 1995 and the Second Additional Provision of the aforementioned Law, the Company was incorporated in the Mercantile Registry as a Sole Shareholder Company, its sole shareholder being the trading company "AS 4FINANCE", domiciled in Riga (Latvia).

The Company was registered in the Mercantile Registry of Madrid, volume 30,268, folio 46, section 8, page M-54749, with its registered office in Madrid, calle Príncipe de Vergara nº 37, and its tax identification code, CIF, B-86521309.

The Company was transformed into a Public Limited Company by virtue of a resolution of the Sole Shareholder dated 21 July 2014, and was notarized on 21 July 2014, before the notary public of Madrid, Mr. José María de Prada Guaita.

Its corporate purpose, described in Article 2 of its bylaws, consists of granting non-mortgage loans or credits to any person, excluding in any case, the activities reserved to Credit Institutions in accordance with the applicable regulations.

The fiscal year runs from 1 January to 31 December.

The Company is part of the group of companies headed by AS 4FINANCE (4Finance Group), with a registered office in Riga (Latvia). The consolidated annual accounts of the said Group for the financial year 2021 will be prepared in due time and form and deposited, together with the corresponding auditors' report, in the Latvian Commercial Register within the legally established deadlines.

The consolidated financial statements of the 4Finance Group for the financial year 2019 were approved by the General Shareholders Meeting of AS 4FINANCE held on 22 October 2020 and deposited in the Commercial Register of Riga (Latvia).

### **2) Basis of presentation of the annual accounts**

#### **a) True and fair view**

The annual accounts, consisting of the balance sheet, the profit and loss statement, the statement of changes in equity, the cash flow statement and the notes to the financial statements, comprising notes 1 to 21, have been prepared on the basis of the accounting records, having applied the legal provisions in force on accounting matters, specifically, the General Accounting Plan approved by Royal Decree 1514/2007, of 16 November 2007, and its amendments approved by Royal Decree 1159/2010, of 17 September and by Royal Decree 602/2016, of 2 December 2016, and, by Royal Decree 1/2021, of January 12, in order to show a true and fair view of the net worth, financial position, results of operations, changes in net worth and cash flows for the year.

Unless otherwise indicated, all figures presented in these notes to the financial statements are expressed in (thousands of) euros.

The annual accounts and the management report for the 2021 financial year will be prepared in due time and form and filed, together with the corresponding auditors' report, with the Mercantile Registry within the legally established deadlines.

## **4FINANCE SPAIN FINANCIAL SERVICES, S.A.U.**

### **Notes to the financial statements for the year ended 31 December 2021**

#### **b) Accounting principles**

The financial statements have been prepared in accordance with mandatory accounting principles. There is no accounting principle whose effect is significant and which has not been applied.

#### **c) Critical aspects of valuation and estimation of uncertainty**

In preparing the accompanying financial statements, estimates were made by the Company's directors in order to value certain assets, liabilities, income, expenses and commitments reported herein. Principally these estimates refer to:

- The useful life of property, plant and equipment and intangible assets (notes 4b and 4a).
- The assessment of possible impairment losses on financial assets (notes 4.e.1.4), 8 and 13).
- Estimates for the calculation of income tax and forecasts of future taxable profits that make the application of deferred tax assets probable (notes 4f and 15).

These estimates have been made on the basis of the best information available at the date of preparation of these financial statements, and there are no events that could cause these estimates to change. Any future event not known at the date of preparation of these estimates could lead to changes (upward or downward), which would be made prospectively, if necessary.

#### **d) Comparison of information**

In accordance with mercantile legislation, for comparative purposes, in addition to the figures for the year 2020, the figures for the previous year are presented with each of the items of the balance sheet, the profit and loss account, the statement of changes in equity and the cash flow statement, in addition to the figures for the year 2021. Quantitative information for the previous year is also included in the notes to the financial statements, except when an accounting standard specifically states that this is not necessary.

The comparison between fiscal years 2021 and 2020 should be made considering the circumstance described in note 2.h "Error correction".

#### **e) Classification of current and non-current items**

Assets and liabilities are presented in the balance sheet classified as current and non-current. For these purposes, assets and liabilities are classified as current when they are related to the Company's normal operating cycle and are expected to be sold, consumed, realized or liquidated in the course of the same, are different from the above and their maturity, disposal or realization is expected to occur within a maximum period of one year; they are held for trading purposes or are cash and cash equivalents whose use is not restricted for a period of more than one year. Otherwise, they are classified as non-current assets and liabilities.

#### **f) Changes in accounting criteria**

During the 2021 fiscal year, there have been no significant changes in accounting criteria with respect to the criteria applied in the previous fiscal year.

#### **g) Correction of errors**

During the fiscal year 2021 the company has received resolution for the Value Added Tax self-assessment corrections for the fiscal years 2018, 2019 and 2020. The amount of this correction in

**4FINANCE SPAIN FINANCIAL SERVICES, S.A.U.****Notes to the financial statements for the****year ended 31 December 2021**

equity is 359 thousand euros in 2021 and 232 thousand euros in 2020 (see more information in Note 15).

Additionally, during the year 2021, the Company has been sued as a result of the unilateral termination of the lease contract of the offices in Orense Street. Based on the lawsuit received and the advice of its lawyers, the Company's management has made a provision of 182 thousand euros in addition to the provisions made in 2020 (see Note 16).

The corresponding financial statements for 2020 have been restated to reflect the effects of these corrections in order to be able to compare the information on a like-for-like basis.

BALANCE SHEET	31.12.2020	31.12.2020 Restated	Variation
Non-current assets			
Deferred tax assets	(4,823)	(5,237)	(414)
Current assets			
Trade and other receivables	(0)	(651)	(651)
Total assets	<u>(44,542)</u>	<u>(44,197)</u>	<u>345</u>
Shareholders' equity			
Negative results from previous years	1,923	2,448	525
Income for the year	(3,066)	(2,584)	482
Total shareholders' equity	<u>(1,357)</u>	<u>(1,759)</u>	<u>(401)</u>
Current liabilities			
Short-term provisions	2,104	2,288	183
Trade and other payables			
Sundry accounts payable	3,874	3,726	(148)
Personnel (remuneration payable)	269	290	22
	<u>4,142</u>	<u>4,016</u>	<u>(126)</u>
Total current liabilities	18,085	18,141	56
Total shareholders' equity and liabilities	<u>44,542</u>	<u>44,197</u>	<u>(345)</u>

**4FINANCE SPAIN FINANCIAL SERVICES, S.A.U.**  
**Notes to the financial statements for the**  
**year ended 31 December 2021**

	31.12.2020	31.12.2020 Restated	Variation
PROFIT AND LOSS ACCOUNT			
Personnel expenses	(6,795)	(6,817)	(22)
Other operating expenses	(48,553)	(48,411)	142
Other operating income	(1,315)	(1,380)	(65)
OPERATING INCOME	702	763	61
Financial income	248	257	9
FINANCIAL INCOME	(4,133)	(4,123)	9
Income taxes	365	777	413
INCOME FOR THE YEAR FROM CONTINUING OPERATIONS	(3,066)	(2,584)	482

- h) First application of the amendments to the General Chart of Accounts introduced by Royal Decree 1/2021, dated 12 January 2021.

On 30 January 2021, Royal Decree 1/2021, dated 12 January was published, amending the General Accounting Plan (PGC) approved by Royal Decree 1514/2007, dated 16 November 2007; the General Accounting Plan for Small and Medium-Sized Companies approved by Royal Decree 1515/2007, dated 16 November 2007; the Rules for the Preparation of Consolidated Financial Statements approved by Royal Decree 1159/2010, of 17 September; and the rules for the adaptation of the General Accounting Plan to non-profit entities approved by Royal Decree 1491/2011, of 24 October. The mentioned Royal Decree came into force the day after its publication in the Official State Gazette, and is applicable for fiscal years beginning on or after 1 January 2021.

The aforementioned Royal Decree has introduced amendments to the Spanish National Chart of Accounts, mainly in relation to the classification and valuation of financial instruments, the recognition of revenues from sales and services rendered and hedge accounting, with the first date of application of these amendments being 1 January 2021.

In accordance with the provisions of the First Transitional Provision of the Royal Decree, the Company has opted not to restate the comparative information included in the 2021 financial statements in order to adapt it to the new criteria.

The reconciliation at the date of first application between each class of financial assets and liabilities, with the information on the initial valuation category and the carrying amount determined in accordance with the previous regulations, and the new valuation category and the carrying amount determined in accordance with the new criteria, is presented below:

*First application of the changes introduced in relation to the classification and valuation of financial instruments, in the recording and valuation standard 9 «Financial Instruments» of the Spanish National Chart of Accounts.*

The Company has opted to apply the first-time application criteria established in section 6 of the Second Transitional Provision of the Royal Decree, and has therefore followed the following rules:

#### **4FINANCE SPAIN FINANCIAL SERVICES, S.A.U.**

##### **Notes to the financial statements for the year ended 31 December 2021**

- i. The judgment on the Company's management for the purpose of classifying financial assets has been made at the date of first application on the basis of the facts and circumstances existing at that date. The resulting classification has been applied prospectively.
- ii. The carrying value at the end of the previous year of the financial assets and liabilities that must follow the amortized cost criterion has been considered their amortized cost at the beginning of 2021. Similarly, the carrying amount at the end of the previous year of financial assets and liabilities that must follow the cost or cost plus method has been considered their cost or cost plus at the beginning of 2021.
- iii. The comparative information has not been adapted to the new criteria, without prejudice to the reclassification of items that may be necessary to show the balances of the previous year adjusted to the new presentation criteria.

As indicated above, the Company's management judgment for the purpose of classifying financial assets was made at the date of first application on the basis of the facts and circumstances existing at that date. In general, the application of the new classification criteria did not involve a high level of judgment since most of the Company's financial assets continue to be valued at amortized cost,

since the Company holds them with the objective of receiving the contractual cash flows, and these correspond only to principal and interest payments.

The first application of the changes introduced in the recording and valuation standard 9 «Financial instruments» of the Spanish National Chart of Accounts has not had any impact on the Company's equity.

Similarly, almost all of the financial liabilities that the Company had on its balance sheet at 31 December 2020, corresponded to the category of payables and payables. In application of the first additional provision of Royal Decree 1/2021, of 12 January these liabilities are mainly included in the category of financial liabilities at amortized cost.

*First application of the changes introduced in relation to the recognition of revenue from sales and services rendered in accounting and valuation standard 14 of the Spanish National Chart of Accounts.*

In accordance with the provisions of section 4 of the Fifth Transitional Provision of the Royal Decree, the Company has opted to continue applying the recognition criteria in force until 31 December 2020 for contracts that were not completed as of 1 January 2021, so that the first application of the new criteria has not had any impact on the Company's financial statements.

The Company has reviewed the internal revenue recognition policies for the different types of contracts with customers, identifying the performance obligations, the determination of the schedule for the satisfaction of these obligations, the transaction price and its allocation, with the objective of identifying possible differences with the revenue recognition model of the new standard, without finding significant differences between the two or compliance obligations that would result in the recognition of liabilities for contracts with customers.



## **4FINANCE SPAIN FINANCIAL SERVICES, S.A.U.**

### **Notes to the financial statements for the year ended 31 December 2021**

#### **3) Distribution of income**

The proposal for the distribution of results for 2021 formulated by the Sole Administrator, and pending approval by the Sole Shareholder, is to transfer the results for the year to voluntary reserves.

On 29 September 2021, the Sole Shareholder approved the distribution of the result for 2020, consisting of the transfer to negative results of previous years of the negative result for 2020, which amounted to 3,066 thousand euros.

The result for the year approved by the Sole Shareholder does not correspond to that shown in these financial statements due to the restatement of the 2020 financial statements (note 2g).

#### **4) Recording and valuation standards**

The main recording and valuation standards used for the formulation of the annual accounts are as follows:

##### **a) Intangible fixed assets**

As a general rule, intangible fixed assets are recorded provided that they meet the identifiability criteria and are initially valued at their acquisition price or production cost, subsequently reduced by the corresponding accumulated amortization and, if applicable, by any impairment losses. In particular, the following criteria are applied:

##### **a.1) Computer Software**

This item includes amounts paid for access to ownership or for the right to use computer software.

Computer software that meets the recognition criteria is capitalized at acquisition or development cost. They are amortized on a straight-line basis over a period of 4 years from the entry into operation of each application.

Computer software maintenance costs are charged to income for the year in which they are incurred.

##### **b) Property, plant and equipment**

Property, plant and equipment are stated at acquisition or production cost increased, where appropriate, by the revaluations made pursuant to the various legal provisions, the most recent of which corresponds to Royal Decree-Law 7/1996, of 7 June 1996, less the related accumulated depreciation and any impairment losses incurred.

Additionally, financial expenses accrued during the construction period that are directly attributable to the acquisition or manufacture of the asset are included, provided that a period of time of more than one year is required until they are ready for use.

Indirect taxes on property, plant and equipment are only included in the acquisition price or production cost when they are not directly recoverable from the tax authorities.

The initial estimate of the present value of the obligations assumed as a result of dismantling or retirement and other obligations associated with the asset, such as the costs of rehabilitating the

## 4FINANCE SPAIN FINANCIAL SERVICES, S.A.U.

### Notes to the financial statements for the year ended 31 December 2021

site on which it is located, provided that these obligations give rise to the recording of provisions, is included as an increase in the value of property, plant and equipment.

The costs of expansion, modernization or improvements that represent an increase in productivity, capacity or efficiency, or a lengthening of the useful lives of the assets, are recorded as an increase in the cost of the assets. Upkeep and maintenance expenses are charged to the profit and loss statement for the year in which they are incurred.

Work carried out by the Company for its own fixed assets is reflected on the basis of the cost price of raw materials and other consumables, the costs directly attributable to such assets, as well as a reasonable proportion of indirect costs.

The estimated years of useful life and depreciation methods applied are as follows:

Element	Years of useful life	Method
Technical installations	3	Linear
Furniture	10	Linear
Information processing equipment	5	Linear
Other tangible fixed assets	8	Linear

#### c) Impairment of non-financial assets

At the end of each year, whenever there are indications of impairment, the Company performs an “impairment test” to estimate the possible existence of impairment losses that reduce the recoverable amount of such assets to an amount lower than their book value.

The recoverable amount is determined as the higher of fair value less costs to sell and value in use.

Recoverable amounts are calculated for each cash-generating unit, although in the case of property, plant and equipment, whenever possible, impairment calculations are made on an item-by-item basis.

#### d) Leases and other transactions of a similar nature

The Company records as finance leases those transactions whereby the lessor substantially transfers to the lessee the risks and rewards incidental to ownership of the leased asset, and records the remainder as operating leases.

##### d.1) Operating leases

Expenses arising from operating lease agreements are recognized in the income statement in the year in which they accrue.

Any collection or payment made upon entering into an operating lease is treated as a prepayment or collection, which is charged to income over the lease term, as the benefits of the leased asset are transferred or received.

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#### **d.2) Guarantees given and received**

The difference between the fair value of the deposits delivered and received and the amount disbursed or collected is considered as an advance payment or collection for the operating lease or provision of the service, which is charged to the income statement over the period of the lease or over the period in which the service is provided.

In the case of short-term guarantees, cash flows are not discounted since their effect is not significant.

#### **e) Financial instruments**

A financial instrument is a contract that gives rise to a financial asset in one company and, simultaneously, to a financial liability or equity instrument in another company.

The Company classifies financial instruments on initial recognition as a financial asset, a financial liability or an equity instrument, in accordance with the economic substance of the contractual arrangement and the definitions of a financial asset, financial liability or equity instrument.

The Company recognizes a financial instrument in its balance sheet when it becomes an obligated party to the contract or legal transaction in accordance with the provisions thereof, either as the issuer or as the holder or acquirer thereof.

For valuation purposes, the Company classifies financial instruments into the following categories: financial assets and liabilities at fair value through profit or loss, separating those initially designated from those held for trading and those mandatorily measured at fair value through profit or loss; financial assets and liabilities measured at amortized cost; financial assets measured at fair value through equity, separating equity instruments designated as such from other financial assets; and financial assets measured at cost. The Company classifies financial assets at amortized cost and at fair value through equity, except for designated equity instruments, in accordance with the business model and the characteristics of the contractual cash flows. The Company classifies financial liabilities as measured at amortized cost, except those designated at fair value through profit or loss and those held for trading.

#### **e.1) Financial assets**

##### **e.1.1) Classification and valuation**

For valuation purposes, the financial assets held by the Company are classified in the following categories:

##### **e.1.2) Financial assets at amortized cost**

A financial asset is included in this category, even when it is admitted to trading on an organized market, if it is held within the framework of a business model whose objective is to hold the investment in order to receive the cash flows derived from the execution of the contract and the contractual conditions of the financial asset give rise, on specified dates, to cash flows that are solely collections of principal and interest on the principal amount outstanding.

Contractual cash flows that are solely collections of principal and interest on the principal amount outstanding are inherent to an agreement that is in the nature of an

#### **4FINANCE SPAIN FINANCIAL SERVICES, S.A.U.**

### **Notes to the financial statements for the year ended 31 December 2021**

ordinary or common loan, notwithstanding that the transaction is agreed at a zero or below-market interest rate.

The management of a group of financial assets to obtain their contractual flows does not imply that the Company must hold all the instruments to maturity; financial assets may be considered to be managed for this purpose even if sales have occurred or are expected to occur in the future. For this purpose, the Company considers the frequency, amount and timing of sales in prior years, the reasons for those sales and expectations regarding future sales activity. The Company's management of these investments is a matter of fact and does not depend on its intentions for an individual instrument.

In general, trade receivables and non-trade receivables are included in this category.

The Company considers that trade debtors and accounts receivable that will be assigned to third parties and that will not be derecognized are maintained in this business model.

Financial assets classified in this category are initially measured at fair value, which, unless there is evidence to the contrary, is the transaction price, which is equivalent to the fair value of the consideration given, plus directly attributable transaction costs. These financial assets are subsequently measured at amortized cost. Accrued interest is recorded in the profit and loss account using the effective interest rate method.

However, trade receivables maturing within one year and which do not have an explicit contractual interest rate, as well as receivables from personnel, dividends receivable and disbursements required on equity instruments, the amount of which is expected to be received in the short term, are valued at their nominal value when the effect of not discounting the cash flows is not significant.

When the contractual cash flows of a financial asset are modified due to the issuer's financial difficulties, the Company analyses whether an impairment loss should be recorded.

#### **e.1.3) Write-off**

The Company derecognizes a financial asset, or part of it, when the contractual rights to the cash flows from the financial asset expire or have been transferred, and substantially all the risks and rewards of ownership have been transferred, in circumstances that are assessed by comparing the Company's exposure, before and after the transfer, to changes in the amounts and timing of the net cash flows of the transferred asset. It is understood that the risks and rewards of ownership of the financial asset have been substantially transferred when its exposure to such variation ceases to be significant in relation to the total variation in the present value of the future net cash flows associated with the financial asset.

When the financial asset is derecognized, the difference between the consideration received, net of attributable transaction costs, and the carrying amount of the financial asset determines the gain or loss arising on derecognition, which forms part of the profit or loss for the year in which the gain or loss arises. Likewise, any gain or loss accumulated directly in equity is reclassified to the income statement.

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### **Notes to the financial statements for the year ended 31 December 2021**

On the other hand, the Company does not derecognize financial assets, and recognizes a financial liability for an amount equal to the consideration received, in transfers of financial assets in which substantially all the risks and rewards of ownership are retained, such as in the case of bill discounting, factoring with recourse, sales of financial assets with repurchase agreements at a fixed price or at the sale price plus interest, and securitizations of financial assets in which the transferor retains subordinated financing or other types of guarantees that absorb substantially all the expected losses.

#### **e.1.4) Impairment of financial assets**

A financial asset or group of financial assets is impaired, and an impairment loss has been incurred if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset and that loss event or events have an impact on the estimated future cash flows of the asset or group of financial assets that can be reliably estimated.

The Company follows the expected loss model whereby an impairment is recognized from the initial recognition of the asset. This impairment is valued at an amount equivalent to the expected loss for the asset, being adjusted in the event of increased risk.

- Impairment of financial assets carried at amortized cost.

In the case of financial assets carried at amortized cost, the amount of the impairment loss is the expected loss, being the possibility of the asset becoming a bad debt.

The impairment loss is recognized in profit or loss and is reversible in subsequent periods, if the decrease can be objectively related to an event occurring after its recognition. However, the reversal of the impairment loss is limited to the amount provided for at the amount recorded together with the initial value of the asset.

- Recognition of financial income related to impaired financial assets.

Financial income from financial assets for which an impairment loss has been recognized is recognized based on the discount rate used to discount the estimated cash flows.

#### **e.2) Financial liabilities**

Financial instruments issued, incurred or assumed are classified as financial liabilities, in whole or in part, provided that according to their economic reality they involve a direct or indirect contractual obligation for the Company to deliver cash or another financial asset, or to exchange financial assets or liabilities with third parties under potentially unfavourable conditions, such as a financial instrument which provides for its mandatory repurchase by the issuer, or which gives the holder the right to require the issuer to redeem it on a specific or determinable date and for a specific or determinable amount, or to receive a predetermined remuneration provided that there are distributable profits, such as certain redeemable shares and non-voting shares or units.

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#### **e.2.1) Classification and valuation.**

For valuation purposes, the financial liabilities held by the Company are classified into the following categories:

#### **e.2.2) Financial liabilities at amortized cost**

The Company classifies all financial liabilities in this category except when they must be valued at fair value with changes in the Profit and Loss Account.

In general, trade payables and non-trade payables are included in this category.

Participating loans that have the characteristics of an ordinary or common loan are also included in this category, regardless of whether the transaction is agreed at a zero or below-market interest rate.

Financial liabilities included in this category are initially measured at fair value, which, unless there is evidence to the contrary, is the transaction price, which is equivalent to the fair value of the consideration received adjusted for directly attributable transaction costs. These financial liabilities are subsequently measured at amortized cost. Accrued interest is recognized in the income statement using the effective interest rate method.

However, trade payables maturing in less than one year and which do not have a contractual interest rate, as well as disbursements required by third parties on participations, the amount of which is expected to be paid in the short term, are valued at their nominal value, when the effect of not discounting the cash flows is not significant.

#### **e.2.3) Derecognition of financial liabilities**

The Company derecognizes a financial liability, or part thereof, when the obligation has been extinguished, i.e. when it has been satisfied, cancelled or has expired.

If there is an exchange of debt instruments between the Company and the counterparty, provided that they have substantially different terms, the original financial liability is derecognized and the new financial liability is recognized at fair value. In the same way, a substantial modification of the current conditions of a financial liability is recorded. The difference between the carrying amount of the financial liability or part thereof that has been derecognized and the consideration paid, including any costs or commissions incurred, which also includes any asset transferred other than cash or liability assumed, is recognized in the income statement for the year in which it occurs.

In the case of an exchange of debt instruments that do not have substantially different terms, the original financial liability is not derecognized, and any transaction costs or fees incurred adjust the carrying amount of the financial liability. From that date, the amortized cost of the financial liability is determined by applying the effective interest rate that matches the carrying amount of the financial liability with the cash flows payable under the new terms.

For these purposes, the Company considers that the conditions of the contracts are substantially different, among other cases, when the present value of the cash flows of the new contract, including any commission paid, net of any commission received,

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differs by at least ten percent from the present value of the remaining cash flows of the original contract, both amounts discounted at the effective interest rate of the latter.

#### **e.3) Guarantees given and received**

The difference between the fair value of the deposits delivered and received and the amount disbursed or collected is considered as an advance payment or collection for the operating lease or provision of the service, which is charged to the income statement during the period of the lease or during the period in which the service is provided.

In the case of short-term guarantees, cash flows are not discounted since their effect is not significant.

#### **f) Income tax**

Income tax expense or income is calculated by adding the current tax expense or income plus the portion corresponding to the deferred tax expense or income.

The current tax is the amount resulting from the application of the tax rate to the taxable income for the year. Deductions and other tax benefits on the tax liability, excluding withholdings and payments on account, as well as tax loss carry forwards from previous years and effectively applied in the year, will give rise to a lower amount of current tax.

The deferred tax expense or income relates to the recognition and cancellation of deferred tax assets for deductible temporary differences, for the right to offset tax losses in subsequent years and for unused tax credits and other unused tax benefits pending application, and deferred tax liabilities for taxable temporary differences.

Deferred tax assets and liabilities are measured at the tax rates expected at the time of reversal.

Deferred tax liabilities are recognized for all taxable temporary differences, except those arising from the initial recognition of goodwill or other assets and liabilities in a transaction that affects neither taxable profit nor accounting profit and is not a business combination.

In accordance with the principle of prudence, deferred tax assets are only recognized to the extent that it is considered probable that future profits will be obtained that allow their application. Notwithstanding the foregoing, deferred tax assets corresponding to deductible temporary differences arising from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and is not a business combination are not recognized.

Both current and deferred tax expense or income are recorded in the profit and loss statement. However, current and deferred tax assets and liabilities that relate to a transaction or event recognized directly in an equity item are recognized with a charge or credit to that item.

At the end of each reporting period, the deferred tax assets recorded are reviewed to verify that they are still in force, and the appropriate adjustments are made. Likewise, deferred tax assets recognized and those not previously recorded are assessed, and those recognized assets are derecognized if their recovery is no longer probable, or any previously unrecognized deferred tax assets are recorded to the extent that their recovery with future tax benefits becomes probable.

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g) Provisions and contingencies

In preparing the financial statements, the Company's directors distinguish between:

- g.1) Provisions: Credit balances covering current obligations arising from past events, the cancellation of which is likely to give rise to an outflow of resources, but which are undetermined as to their amount and/or time of cancellation.
- g.2) Contingent liabilities: Possible obligations arising as a result of past events, the future materialization of which is conditional upon the occurrence or non-occurrence of one or more future events beyond the Company's control.

The financial statements include all provisions for which it is estimated that it is more likely than not that the obligation will have to be settled and are recorded at the present value of the best possible estimate of the amount required to settle or transfer the obligation to a third party. Contingent liabilities are not recognized in the financial statements but are disclosed in the notes to the financial statements.

Provisions are valued at year-end at the present value of the best possible estimate of the amount required to settle or transfer the obligation to a third party, and adjustments arising from the restatement of such provisions are recorded as a financial expense as they accrue. In the case of provisions maturing in one year or less, and the financial effect is not significant, no discounting is performed.

The compensation to be received from a third party at the time of settling the obligation is not deducted from the amount of the debt, but is recognized as an asset, if there are no doubts that such reimbursement will be received.

h) Related party transactions

Related party transactions, regardless of the degree of relationship, are accounted for in accordance with the general rules. Consequently, as a general rule, the items involved in a transaction are initially recorded at their fair value. If the price agreed in a transaction differs from its fair value, the difference is recorded on the basis of the economic reality of the transaction. Subsequent valuation is carried out in accordance with the relevant standards.

i) Revenues and expenses

Revenues and expenses are recognized on an accrual basis, i.e. when the actual flow of the related goods and services occurs, regardless of when the resulting monetary or financial flow arises.

Revenues are measured at the fair value of the consideration received, net of discounts and taxes.

Revenue from sales is recognized when the significant risks and rewards of ownership of the asset sold have been transferred to the buyer and the Company does not maintain current management of the asset, nor does it retain effective control over it.

Revenue from the rendering of services is recognized by reference to the stage of completion of the transaction at the balance sheet date, provided that the outcome of the transaction can be estimated reliably.



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**i.1) Interest income**

Income and expenses are recognized on an accrual basis rather than on the date of collection or payment, except for interest on loans and other receivables and other non-investment risks with borrowers considered impaired, which are credited to income upon collection.

Interest accruals on lending transactions are calculated using the effective interest rate method.

Following general financial practice. Transactions are recorded on the date on which they occur, which may differ from their corresponding value date, on the basis of which income is calculated.

Interest income is recognized using the effective interest rate method. When a receivable is impaired, the Company reduces the carrying amount to its recoverable amount by discounting the estimated future cash flows at the original effective interest rate of the instrument, and continues to carry the discount as less interest income. Interest income on impaired loans is recognized using the effective interest rate method.

**5) Intangible assets**

The balances and changes during the years in gross values, accumulated amortization and valuation adjustments, except for goodwill, are as follows:

	Thousands of euros							
	31.12.19	Additions	Withdrawals	31.12.20	Additions	Withdrawals	Transfers	31.12.21
Cost								
Computer software	485	188	-	673	-	-	(324)	349
Accumulated amortization	(89)	(82)	-	(171)	(91)	-	-	(262)
Impairment	-	-	-	-	-	-	-	-
Computer software in process	-	-	-	-	625	-	324	949
	396	106	-	502	534	-	-	1,036

The main additions in 2021 and 2020 relate to the acquisition from Group companies of computer applications and IT developments necessary for operations.

As of 31 December 2021 and 2020, there are no fully amortized intangible fixed assets in use.

**6) Property, plant and equipment**

The balances and changes during 2021 and 2020, of gross values, accumulated depreciation and valuation adjustment are:

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## Notes to the financial statements for the year ended 31 December 2021

	Thousands of euros						
	31.12.19	Additions	Withdrawals	31.12.20	Additions	Withdrawals	31.12.21
Cost							
Buldings	233	305	(19)	519	49	(75)	493
Furniture	131	-	-	131	-	(1)	130
IT Equipment	465	110	-	575	3	-	578
Other property,plant and equipment	207	17	-	224	-	(9)	215
	-	-	-	-			
	1,036	432	(19)	1,449	52	(85)	1,416
Accumulated amortization	(850)	(176)	-	(1,026)	(209)	65	(1,170)
Impairment	-	-	-	-			
	186	256	(19)	423	(157)	-	246

The additions in 2021 correspond to various actions in the offices leased by the Company. During the year, the Company derecognized the net book value of the buildings corresponding to the offices on Orense Street, as the termination of the contract was considered irrevocable.

The additions in 2020 corresponded to the renewal of computer equipment and the updating of the Company's offices.

In 2020 the Company impaired tangible fixed assets, obtaining a net loss of 19 thousand euros. In 2021 no additional impairments were necessary.

In 2021 and 2020, there were no disposals of property, plant and equipment.

As of 31 December 2021 and 2020, there are no fully depreciated items of property, plant and equipment in use.

As of 31 December 2021 and 2020, there are no items of property, plant and equipment subject to guarantees.

The Company's Sole Administrator considers that the net book value of property, plant and equipment is reasonably assured.

### 7) Leases and other transactions of a similar nature

#### a) Operating leases

In 2021 and 2020, the Company is the lessee of an office, several parking spaces and several stands.

The office lease contract has its first expiration on 1 June 2021, second expiration on 1 January 2023, with an extension of 18 months, unless the lessee expressly renounces the lease with 6 months' notice. At the date of preparation of these financial statements, the Company has extended the lease of the offices at Albasanz Street until 1 January 2023.

In addition, during the year 2020, the Company occupied other offices, although at the end of the year 2020 it was no longer a tenant of these offices, as it had decided to reorganize the spaces in which the Company carried out its activity. This reorganization led to the recording of a provision of 601 thousand euros to cover the unilateral termination of the lease contract (Note 16).

The lease contract for the parking spaces is renewable on a monthly basis, so there are no future minimum payments.

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Lease expenses of 258 thousand euros were recognized in 2021 (682 thousand euros in 2020).

The minimum operating lease payments contracted with the lessors, in accordance with the current contracts in force, are as follows:

	Pending Installments	
	2021	2020
Less than one year	199	170
Between one and five years	-	580
More than five years	-	-
	199	750

**8) Financial assets**

The breakdown of financial assets classified by category as of 31 December is as follows:

Category	31.12.21		31.12.20	
	Long-term financial instruments	Short-term financial instruments	Long-term financial instruments	Short-term financial instruments
	Loans, derivatives and other	Loans, derivatives and other	Loans, derivatives and other	Loans, derivatives and other
Financial assets at amortized cost	128	28,697	236	25,226
Total	128	28,697	236	25,226

The breakdown of loans and receivables as of 31 December is as follows:

Concept	31.12.21	31.12.20
Trade accounts receivable for sales and services rendered	26,694	23,745
Trade accounts receivable, group and associated companies (see note 18)	7	183
Sundry accounts receivable	-	41
Personnel	140	125
Total	26,841	24,094

The movement in the allowance accounts representing impairment losses arising from credit risk for each class of financial assets is summarised below:

Concept	Thousands of euros	
	31.12.21	31.12.20
Initial impairment loss	19,036	30,063
Provisions (note 17 e))	26,873	25,303
Utilization	(32,436)	(36,330)
Final impairment loss	13,474	19,036

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In 2021, the amount recorded in the income statement for losses on uncollectible trade receivables amounted to 7,629 thousand euros (12,607 thousand euros in 2020) (see note 17 e)).

In the 2021 financial year, the Company has used impairment losses of 25,243 thousand euros on the sale of trade receivables, with a positive impact of 779 thousand euros, which is recorded under "other income" in the accompanying income statement. In 2020, the Company used impairment losses of 24,023 thousand euros on the sale of the customer portfolio, with a positive impact of 961 thousand euros, which is recorded under "other income" in the accompanying income statement.

At 31 December 2021 and 2020, the Company does not hold monetary financial assets in foreign currency.

The Company's impairment policy is explained in note 13.a).

**9) Long-term and short-term financial investments**

The composition of this balance sheet caption as of 31 December 2021 and 2020 is as follows:

Concept	Thousands of euros	
	31.12.21	31.12.20
Long-term financial investments		
Other financial assets	128	236
Short-term financial investments		
Other financial assets	1,856	1,132

**a) Long-term financial investments**

This caption includes long-term deposits and guarantees as of 31 December 2021 and 2020. These bonds and deposits mainly include bonds for an office.

**b) Short-term financial investments**

This caption mainly includes short-term deposits for stands and stores and time deposits with credit institutions.

**10) Short-term accruals and deferrals**

Accruals and deferrals correspond almost entirely to interest accruals associated with the Company's activity.

**11) Financial liabilities**

The book value of each of the categories of financial instruments established in the "Financial instruments" recording and valuation standard is as follows:

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## Notes to the financial statements for the year ended 31 December 2021

Category	31.12.21		31.12.20	
	Long-term financial instruments	Short-term financial instruments	Long-term financial instruments	Short-term financial instruments
	Derivatives and others	Derivatives and others	Derivatives and others	Derivatives and others
Financial liabilities at amortized cost or at cost	32,515	10,789	27,815	13,351
Total	32,515	10,789	27,815	13,351

The long-term balance corresponds entirely to debts with group companies. The breakdown of short-term financial liabilities at amortized cost is as follows:

Category	31.12.21	31.12.20
	Short-term financial instruments	Short-term financial instruments
	Derivatives and others	Derivatives and others
Payable to Group companies (Note 18)	385	5,089
Trade and other payables	9,362	7,332
Other financial liabilities	1,042	930
Total	10,789	13,351

### a) Trade and other payables

The breakdown of the caption "Trade and other payables" in the balance sheet, excluding balances with public administrations, is as follows:

Concept	31.12.21	31.12.20
Suppliers	7,780	3,726
Suppliers, group and associated companies (Note 18)	825	3,316
Personnel (remuneration pending payment)	757	290
Total	9,362	7,332

For the purposes of the provisions of the second additional provision of Law 31/2014, of 3 December, which amends the Capital Companies Law and in accordance with the Resolution of 29 February 2016 of the Spanish Accounting and Auditing Institute, a breakdown of the average payment period to suppliers, ratio of transactions paid, ratio of transactions pending payment, total payments made and total payments pending is included below:

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	2021	2020
	Days	Days
Average supplier payment period	28	54
Ratio of transactions paid	25	24
Ratio of transactions pending payment	3	40

	Thousands of Euros	
	2021	2020
	Amount	Amount
Total payments made	18,412	21,739

**12) Cash and cash equivalents**

	Thousands of euros	
	2021	2020
Cash and Cash	14,910	12,796
Equivalents	14,910	12,796

**13) Information on the nature and level of risk arising from financial instruments**

**a) Qualitative information**

- a.1) Credit risk: In general, cash and cash equivalents are held with financial institutions with high credit ratings.

Credit risk is defined as the risk of financial loss for the Company in the event that an entity or customer does not comply with its contractual obligations, mainly the risk derived from outstanding loans from customers.

The Company's credit policy establishes credit policies based on the business strategy and efficient risk management, in order to preserve the Company's equity, as well as to ensure compliance with applicable regulations. Credit risk is managed by the Company's Risk Department, which establishes the different credit policies and credit scoring models applicable to the different products.

The credit scoring models used by the Company take into account multiple factors, not only limited to the customer's credit history and income level. The analysis derived from these models is based on statistical evidence and not on value judgments. These models are reviewed periodically to adjust to market requirements and the behaviour of the customer portfolio. The risk profile of each client is analysed prior to the granting of the loan.

The Company's debt collection policy establishes a series of procedures to ensure the collection of debts. These debt collection policies are analysed on a regular basis by the Company's Debt Collection Department.

The Company considers that the procedures currently in place are sufficient to effectively control the credit risk arising from the customer portfolio.

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Also, the structure of the loan portfolio is based on many loans of small nominal value, so that the Company's exposure to risk per customer would not result in material losses.

Provisions for loan impairment are provided for generically and cover losses inherent in the loan portfolio with inherent to the loan portfolio with similar credit risk.

These provisions also cover credit losses arising from portfolios in default, i.e., 90 days or more past maturity. The calculation of this generic allowance takes into account the probability of default ("PD"), the probability of loss given default ("LGD"), the size of the portfolio, the incidence in the different debt tranches and economic factors.

Quantitative information on the Company's credit risk is disclosed in Note 8.

- a.2) Liquidity risk: In order to ensure liquidity and to be able to meet all payment commitments arising from the activity, the cash position shown in the balance sheet is available.

The Company's liquidity position is managed by the Finance Department. To cover its liquidity needs, the Company has an intra-group loan, for a maximum available amount of 32,515 million euros.

In May 2021 the participating loan was cancelled, and the amount became part of the existing loan.

The Company considers that the current processes and procedures are sufficient to effectively control and manage liquidity risk. effectively control and manage the Company's liquidity risk.

#### 14) Equity

##### a) Share capital

The share capital amounts to 730,000 euros, represented by 73,000 shares, each with a par value of 10 euros, all of the same class, fully subscribed and paid up, conferring the same rights to their holders.

As of 31 December 2021 and 2020, AS 4Finance is the Sole Shareholder of the Company.

##### b) Legal reserve

In accordance with the Consolidated Text of the Spanish Companies Act, an amount equal to 10% of the profit for the year must be transferred to the legal reserve until it reaches at least 20% of the share capital. The legal reserve may be used to increase capital to the extent of the remaining reserve balance in excess of 10% of the increased capital stock. Except for the aforementioned purpose, until the legal reserve exceeds 20% of capital stock, it may only be used to offset losses, provided that sufficient other reserves are not available for this purpose.

At year-end this reserve was fully funded.

##### c) Dividends

No dividends were distributed during 2021.

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In accordance with the minutes of the Sole Shareholder's decision of 20 November 2020, a dividend of 3,000,000 euros was distributed to the Sole Shareholder from voluntary reserves during 2020.

15) Tax situation

The breakdown of the accounts related to Public Administrations in 2021 and 2020 is as follows:

2021				
Account	Debit balances		Credit balances	
	Non-current	Current	Non-current	Current
Value added tax	-	139	-	77
Personal income tax	-	-	-	13
Deferred tax asset	4,169	-	-	-
Current tax assets	-	1,209	-	-
Social Security Agencies	-	-	-	225
	4,169	1,348	-	315

  

2020				
Account	Debit balances		Credit balances	
	Non-current	Current	Non-current	Current
Value added tax	-	359	-	85
Personal income tax	-	-	-	14
Deferred tax asset	5,235	-	-	-
Withholdings and prepayments	-	808	-	-
Social Security Agencies	-	-	-	227

The changes in deferred tax assets during 2021 and 2020 are as follows:

Thousands of Euros	
Profit and Loss Statement	
Additions	
Balance at 31.12.19	4,458
Additions	7,030
Withdrawals	(6,253)
Balance at 31.12.20	5,235
Additions	61
Withdrawals	(1,127)

The deferred tax assets indicated above have been recorded in the balance sheet because the Sole Administrator considers that, based on the best estimate of the Company's future results, including certain tax planning actions, it is probable that these assets will be recovered.



## 4FINANCE SPAIN FINANCIAL SERVICES, S.A.U.

### Notes to the financial statements for the year ended 31 December 2021

The breakdown of the temporary differences in the recognition of the income tax expense for accounting and tax purposes and of the corresponding deferred tax assets is as follows:

	Thousands of Euros			
	31.12.21		31.12.20	
	Temporary difference	Tax effect	Temporary difference	Tax effect
Depreciation of property, plant and equipment	(8)	(2)	(8)	(2)
Impairment losses on receivables	11,116	2,779	9,560	2,390
Provisions for liabilities	(28)	(7)	(28)	(7)
Tax loss carryforwards	5,595	1,399	11,416	2,854
Total deferred tax assets	16,675	4,169	20,940	5,235

The reconciliation between the accounting result and the taxable income for 2021 and 2020 is as follows:

	Thousands of Euros	
	31.12.21	31.12.20
Income for the year before taxes	7,925	(3,361)
Corporate income tax	-	-
Permanent differences	307	321
Accounting tax base	8,232	(3,040)
Temporary differences arising in the year	(302)	(9,412)
Offset of tax loss carryforwards	(3,965)	-
Taxable income (taxable income)	3,965	(12,452)
Tax liability at 25%.	991	-
Deductions and tax credits	-	-
Net tax payable	991	-
Withholdings and payments on account	(1,683)	(517)
Corporate income tax payable /(refundable)	(692)	(517)

The timing differences arising in the year mainly reflect the difference between the accounting amortization expense and the tax deductible expense for the provision for impairment of customer portfolios.

The breakdown of the income tax expense is as follows:

	Thousands of Euros	
	2021	2020
Accounting basis at 25%.	(2,058)	777
Corporate income tax	-	-
Corporate income tax payable /(refundable)	(2,058)	777

#### 4FINANCE SPAIN FINANCIAL SERVICES, S.A.U.

### Notes to the financial statements for the year ended 31 December 2021

In accordance with current legislation, taxes cannot be considered definitively settled until the returns filed have been inspected by the tax authorities or the four-year statute of limitations period has elapsed. At year-end 2021 the Company has open for inspection the 2016 and subsequent years for corporate income tax and the 2017 and subsequent years for the other applicable taxes. It is considered that the settlements of the aforementioned taxes have been adequately made and, therefore, even in the event that discrepancies arise in the interpretation of current legislation due to the tax treatment granted to the transactions, any resulting liabilities, should they materialize, would not have a significant effect on the accompanying financial statements.

As explained in Notes 2h) and 16, the Company had a short-term provision of 1,560 thousand at the end of 2020 to meet the disbursement of the inspection assessments, signed in conformity, for corporate income tax and value added tax for 2015 and 2016. This amount has been paid during the year 2021.

The Company has tax loss carry forwards not capitalized for the following amounts:

Year	Thousands of Euros	
	2021	2020
Company Income Tax		-
2013	1,333	1,333
2014	3,464	3,464
	<u>4,797</u>	<u>4,797</u>

As of 31 December 2021 and 2020, respectively, the breakdown of deferred tax assets and liabilities whose reversal period exceeds 12 months is as follows:

	Thousands of Euros	
	31.12.2021	31.12.2020
Company Income Tax	1,399	2,854
Deferred income tax assets related to temporary differences	2,799	2,390
	<u>4,198</u>	<u>5,244</u>

## 16) Provisions and contingencies

### a) Provisions

The breakdown of provisions, as well as the main movements recorded during 2021 and 2020, is as follows:

	2021		2020	
	Long-term provisions	Short-term provisions	Long-term provisions	Short-term provisions
Balance at beginning of year	-	2,286	1,329	-
Allocations	-	-	-	957
Applications		(1,685)		
Transfers from/to short-term	-	-	(1,329)	1,329

## 4FINANCE SPAIN FINANCIAL SERVICES, S.A.U.

### Notes to the financial statements for the

### year ended 31 December 2021

Balance at end of year	-	601	-	2,286
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As mentioned in note 2h) correction of errors, the Company has restated the financial statements for 2020 to include in equity the impact of the claim received as a result of the unilateral termination of the lease agreement for the offices in Calle Orense (Note 7).

Additionally, in 2021, the Company has settled the inspection assessments on corporate income tax and value added tax for fiscal years 2015 and 2016.

#### b) Contingencies

There are certain transactions between group companies, in respect of which discrepancies may arise in the interpretation of current legislation due to the tax treatment granted to them. In any case, both the Sole Administrator and the Company's Management do not consider it probable that these transactions could give rise to significant liabilities affecting the accompanying financial statements.

Additionally, the Company has received during 2021 a request for information from the Tax Agency for the transactions with the group company Latvia SIA 4finance Media during 2019. Request answered on 13.02.2021. As of the date of formulation, the requested documentation has been sent, answering the request, without receiving a response as of the date of formulation.

#### 17) Revenues and expenses

##### a) Net sales

During 2021 and 2020, respectively, the Company's net turnover has been obtained entirely in Spain.

##### b) Corporate expenses

The breakdown is as follows:

	2021	2020
Wages and salaries	4,780	5,271
Social Security contributions	1,365	1,546
	6,145	6,817

##### c) Other income

The other results caption includes mainly the result from the sale of loan portfolios and the expense incurred for customer claims.

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**Notes to the financial statements for the**  
**year ended 31 December 2021**

d) External services

The breakdown of external services is as follows:

	2021	2020
Leases (Note 7)	258	682
Repairs and maintenance	-	28
Independent professional services	857	441
Insurance premiums	3	-
Banking services	1,095	1,087
Advertising, publicity and public relations	8,634	95
Supplies	136	215
Other services	7,721	20,499
	<b>18,704</b>	<b>23,047</b>

e) Losses, impairment and changes in provisions for trade operations

The breakdown of this caption during 2021 and 2020, respectively, is as follows (see Note 8):

	Thousands of euros	
	2021	2020
Impairment losses on trade operations	19,244	12,696
Losses from uncollectible receivables (note 8)	7,629	12,607
	<b>26,873</b>	<b>25,303</b>

18) Transactions with related parties

During the year, transactions have been carried out with the following related parties:

Company	Type of relationship
AS 4finance (Latvia)	Parent company
Prestamo Movil S.A. (Argentina)	Group company
SIA 4finance Media (Latvia)	Group company
SIA 4finance IT (Latvia)	Group company
SIA4financeIT in CZ	Group company
SIA4finance IT in PL	Group company
SIA4finance IT in LT	Group company
4f Sales, Inc.(USA)	Group company
4financeNext EOOD(Bulgaria)	Group company
TBI Bank EAD(Bulgaria)	Group company

**4FINANCE SPAIN FINANCIAL SERVICES, S.A.U.**  
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The breakdown of related party transactions for 2021 and 2020 are as follows:

Concept	2021 Income/(expense)		
	Services rendered	Services received	Interest paid
Parent company	96	(3,728)	(4,583)
Other group companies	16	(1,340)	-
Total group and associated companies	112	(5,069)	(4,583)

Concept	2020 Income/(expense)		
	Services rendered	Services rendered	Interest paid
Parent company	-	(1,268)	(4,195)
Other group companies	705	(38,710)	-
Total group and associated companies	705	(38,710)	(4,195)

The pricing policy followed in all transactions carried out during the year is based on the application of the normal market value, in accordance with Article 16 of the Corporate Income Tax Law, the supporting documentation for which is on file with the Company, according to the price study carried out annually by the Company.

The breakdown of the balance sheet balances with related parties is as follows:

Concept	Balance at 31.12.21 Assets/(liabilities)				
	Debit balances		Credit balances		
	Sales and services	Cash and cash equivalents	Purchases and services	Loans	Interest
Parent company	-	-	(607)	(32,515)	(385)
Other group companies	7	148	(215)	-	-
Total group and associated companies	7	148	(822)	(32,515)	(385)

Concept	Balance at 31.12.20 Assets/(liabilities)				
	Debit balances		Credit balances		
	Sales and services	Cash and cash equivalents	Purchases and services	Loans	Interest
Parent company	-	-	-	(32,515)	(389)
Other group companies	183	138	(3,316)	-	-
Total group and associated companies	183	138	(3,316)	(32,515)	(389)

**4FINANCE SPAIN FINANCIAL SERVICES, S.A.U.****Notes to the financial statements for the  
year ended 31 December 2021**

The terms and conditions of loans and borrowings as of 31 December 2021 are as follows:

Granting entity	Currency	Effective rate	Maturity	Thousands of euros	
				Non-current	Current
4finance S.A. (Luxembourg)	Euro	14%	19/03/2022	(32,515)	--
				<u>(32,515)</u>	<u>--</u>

The terms and conditions of loans and borrowings as of 31 December 2020 are as follows:

Granting entity	Currency	Effective rate	Maturity	Thousands of euros	
				Non-current	Current
4finance S.A. (Luxembourg)	euros	14%	19/03/2022	(27,815)	--
4finance S.A. (Luxembourg)	euros	5% fixed rate + % variable	21/05/2021	--	(4,700)
				<u>(27,815)</u>	<u>(4,700)</u>

The financial expenses accrued on these loans amounted to 4,583 thousand euros in 2020 (4,195 thousand euros in 2020). The variable rate loan is of a participating nature and has been reclassified to short-term based on its maturity.

During 2021 and 2020, respectively, the Company's Sole Director has not received any remuneration for any reason, has no balances with the Company for advances or loans granted, no obligations have been assumed on his behalf as a guarantee, no civil liability insurance premiums have been paid for damages caused by acts or omissions in the performance of his duties. In addition, the Company has no pension and life insurance obligations with respect to the Sole Administrator, nor does it have any obligations assumed on his behalf by way of guarantee.

As of 31 December 2020, the Company does not have any senior management personnel on its payroll.

The Sole Director of the Company and the persons related to her as referred to in Article 231 of the Consolidated Text of the Capital Companies Act have not reported any situations of direct or indirect conflict that they may have with the interests of the Company. Likewise, he/she states that he/she has no positions or shareholdings in companies with the same, similar or complementary type of activity to that which constitutes the corporate purpose of the Company.

**4FINANCE SPAIN FINANCIAL SERVICES, S.A.U.**  
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19) Other information

a) **Personnel**

The average number of people employed during the years is as follows:

<b>Professional category</b>	<b>2021</b>	<b>2020</b>
Administrator	1	1
Managers	-	3
Department managers	8	8
Telephone managers	115	116
Administrative staff	40	50
<b>Total</b>	<b>164</b>	<b>178</b>

(\*) The average number of people employed during the 2020 financial year has been calculated in accordance with BOICAC 124/2021.

The number of employees at year-end, distributed by professional category, is as follows:

Professional Category	31.12.21		31.12.20	
	Male	Female	Male	Female
Administrator	--	1	1	--
Managers	--	--	--	--
Department managers	2	6	1	6
Telephone managers	37	72	37	78
Administrative staff	22	31	20	31
	61	110	59	115

The average number of persons employed during the fiscal year with a disability greater than or equal to thirty-three percent by category is 2 persons (3 in 2020).

20) Auditors' fees

The fees accrued during the fiscal year for auditing services amounted to 29 thousand euros (21 thousand euros in 2020). During those years, the Company has not carried out any other transactions with its auditing firm or with entities of the same group of companies to which its auditing firm belongs or with any other company to which it is related by common ownership, management or control.

21) Subsequent events

As of the date of preparation of these financial statements, there are no known events subsequent to the end of the fiscal year that have a relevant impact on the financial statements as of 31 December 2021.

# **4FINANCE SPAIN FINANCIAL SERVICES, S.A.U.**

## **Management Report**

### **2021**

4Finance Spain Financial Services S.A.U. (formerly Vivus Finance S.A.U.), hereinafter the "Company", belongs to the 4finance Holding S.A. Group, rated B2 (stable outlook) and B (stable outlook) by Moody's and Standard & Poor's, respectively. The 4Finance Group is one of the world's largest online consumer lending groups in Europe.

4Finance Spain Financial Services S.A.U., for its part, presents its audited annual report together with the annual accounts for the twelve-month period to 31 December 2021 (hereinafter, the "Period").

#### **Key aspects of the Company during 2021.**

During the period, the Company maintained a proactive business response to the situation generated by the Covid-19 pandemic, which, due to its different variants, remained present in Spain. The Company provided continuous service to its customers throughout 2021 while maintaining its market share and gradually increasing sales without yet reaching pre-Covid levels.

Following the Group's strategy, the Company continued to focus its business on single-payment loans which is the product line where it maintains leadership as well as higher profitability ratios. Single-payment loans represented 99% of the Company's net loans at the end of 2021. At the end of November 2021, the Company introduced a new instalment product with a maximum maturity of four months to meet the financing needs of our customers.

The granting of single-payment loans increased significantly from the second quarter onwards as the first quarter customer demand was affected by adverse weather in January and the various restrictions due to Covid-19. At the beginning of the third quarter, lending volumes reached significant quotas with figures close to pre-Covid levels, supported by a substantial reactivation of demand, the relaxation of pandemic-related restriction measures and the effectiveness of vaccines. Throughout the year, the Company actively monitored risk criteria for first and second lending.

Although lending volumes continued on an upward trajectory through the end of fiscal 2021, they only reached pre-pandemic levels in the fourth quarter due primarily to the fact that demand for credit across the domestic market remains lower than before the Covid-19 pandemic. The impact of the health crisis has occurred against a backdrop of weak demand.

The Company undertook a thorough review of operating costs in the previous year and in 2021 the focus has continued to be on efficiency so that the Company's structure is consistent with activity levels. Marketing expenditure recovered to pre-pandemic levels in the first quarter to support increased lending volumes and regain market share.

During fiscal 2021, the Company granted loans totalling 191 million euros, down 12% from the 218 million euros lent in 2019 however up 48% from the 129 million euros granted in 2020, which was the initial pandemic year and was heavily marked by lockdowns.

Interest income for the period amounted to 67 million euros compared to 84 million euros in 2019. This represents a decrease of 20% compared to pre-pandemic figures, a more substantial decrease than the decrease in the volume lent which was 12%, due to the fact that the Company has continued to promote discounts and mitigations, especially for the customers most financially affected by Covid-19. Mitigation is understood as the set of measures that the Company has taken to counteract or minimize the negative economic impacts of the pandemic on our customers. These 67 million euros of revenue in the period represent an increase of 15% compared to 2020.

The Company recorded a net profit after tax for the period of 5.9 million euros, a very significant increase compared to a loss of 2.6 million euros for the twelve months ended 31 December 2020



(restated figure), mainly due to the recovery in sales which increased by 48% compared to the previous year.

The Company did not pay dividends during the year 2021. The composition and movement in shareholders' equity are presented in the Statement of Changes in Shareholders' Equity.

#### **Changes in accounting policies.**

During 2021, there were no changes in accounting estimates that had a significant effect on either the results for the year or on the balance sheet.

#### **Future developments.**

In 2022, the Company, as an integral part of the 4Finance Group, will continue to serve its customers as a leader in the digital consumer finance sector in Spain. To this end, it will continue its efforts to become a multi-channel and multi-product financial services provider by providing an excellent, appropriate, responsible and transparent service to its customers.

#### **Main risks and uncertainties.**

The Company applies the general risk management policies established by the Group, as well as Group policies covering specific areas such as: credit risk, liquidity risk, market risk, operational risk and capital management risk.

#### **Impact of the Covid-19 coronavirus pandemic.**

From an operational point of view, the Company applies a hybrid working model combining office presence and teleworking. The Company has continued to provide continuous service to its clients.

As a responsible lender, the Company has continued to offer a range of options to support customers affected by the coronavirus pandemic. This includes offering discounts or free payments.

Despite the different variants of Covid-19 that during 2021 have still influenced the dynamism of demand, the level of balances recovered from customers has not been substantially impacted.

**Signature of the undersigned**

The Sole Director of 4Finance Spain Financial Services, S.A.U. in compliance with the provisions of the legislation in force, formulates the annual accounts and the management report of the Company for the year ended 31 December 2021.

Likewise, they declare that they have signed the aforementioned document in their own handwriting, by signing this page attached to the same, which extends on pages 1 to 28 corresponding to the annual accounts and the management report of the Company, which extends on pages 1 to 2.

Madrid, 31 March 2022

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Ms. Alisa Cevere  
Sole Administrator