An aerial photograph of a city at sunrise. The sun is low on the horizon, creating a bright glow and casting long shadows. The city is partially obscured by a thick layer of white clouds. A river or canal winds through the city, with several bridges crossing it. The overall scene is serene and atmospheric.

 **ExpressCredit**  
COMPANY PRESENTATION FOR YEAR 2018

April 2019

# DISCLAIMER

- ◆ This presentation is of selective nature and is made to provide an overview of the Company's (SIA "ExpressCredit" and its subsidiaries) business, based on 2018A results.
- ◆ Unless stated otherwise, this presentation shows information from consolidated perspective.
- ◆ Facts and information used in this presentation might be subject to revision in the future. Any forward-looking information may be subject to change as well.
- ◆ This presentation is not a legally binding document and the Company has no liability for any direct or indirect loss from the use of this presentation.
- ◆ This presentation does not intend to contain all the information that investors may require in evaluating the Company. Investors should read publicly available information regarding the Company as well as the full prospectus describing a particular bonds issue.

## DEFINITIONS FOR ALTERNATIVE PERFORMANCE MEASURES\*

**EBITDA** - Earnings before interest, taxes, depreciation and amortization calculated as Net Income + Interest + Taxes + Depreciation + Amortization. Used as a measure of corporate performance as it shows earnings before the influence of accounting and financial deductions.

**EBITDA Margin** - Operating profitability as a percentage of its total revenue, calculated as EBITDA / (Interest income + Gross profit from sale of foreclosed items). Used as a profitability measure that is factoring out the effects of decisions related to financing and accounting.

**NET Profit Margin** - How much net profit is generated as a percentage of revenue, calculated as Net Profit / Revenue. Used as an indicator of a company's financial health.

**Net Debt** - How well a company can pay all of its debts if they were due immediately calculated as Short-term Debt + Long-term Debt - Cash and Cash Equivalents. Used as a liquidity measure to assess if a company will need additional funding.

**Interest-Bearing Debt** - liabilities that require the payment of interest, contains bonds, other loans, leasing liabilities etc. Interest-Bearing Debt has a priority over other debts.

The goal of alternative performance measures is to provide investors with performance measures that are widely used when making investment decisions and comparing the performance of different companies.

\* As stipulated by FCMC Regulations on Alternative Performance Measures

Our vision is to always  
strive for the highest  
recognition.

# WHO WE ARE

## WE SERVE PEOPLE

Our mission is to provide simple and valuable financial services for people.

## WE PROVIDE

Consumer loans

Pawnbroking services

Money transfer

## REPRESENTED BRANDS

Banknote VIZIA WESTERN UNION WU

## WE VALUE



### Simplicity

Our services are always simple and easy to understand.



### Accessibility

We are accessible to everyone and everywhere.



### Respect

We treat everyone with respect, and we are honest and open.



### Progress

We seek and find ways how to improve our performance.

Simple and accessible financial services are provided throughout Latvia.

# Banknote

## ESSENTIAL SERVICES

Consumer loans



Pawn loans

Pawnshop



International money transfer

## BROAD PRESENCE

Banknote stands for:

- specialized and standardized branch concept;
- the largest branch network across financial services in Latvia with 86 representations;
- offline and online services for clients.

## LEADING PLAYER



No. 1 player in pawn loans segment in Latvia.

## NEW BRANDING

New brand name developed in 2015 with high level ad communication on TV, online and onsite.

VIZIA provides online financial services only.

# VIZIA

## PROMPT SERVICES



### Consumer loans

Unique offer – “Make a full repayment of the loan until the first scheduled payment day and pay as much as borrowed”.

## NEW APPROACH

A modern financial services provider specializing in simple and fast consumer loans for both small and large life situations.

## NEW BRANDING

Brand name developed in 2018 with ad communication on TV and internet.

# JOURNEY TO EXCELLENCE

Values and ambitions have driven us to a decade of success.



**2009**

First pawn shop opened



**2010**

50 branches opened in less than a year

Alternative Financial Services Association of Latvia was established



**2011**

Payday lending launched



**2012**

Consumer lending launched



**2013**

Secured bonds issued and listed on Nasdaq Riga stock exchange



**2015**

Started money transfer with **Western Union**

Rebranding of **Banknote**

Acquisition of Riga City Pawnshop



**2016**

Joined global loan marketplace **Mintos**



**2017**

ISO certification  
Online lending launched through new **Banknote** website

Received Customer Service Award for excellence in providing of financial services



**2018**

Launch of a new online lending brand **VIZIA**

# A KEY TO SUCCESS



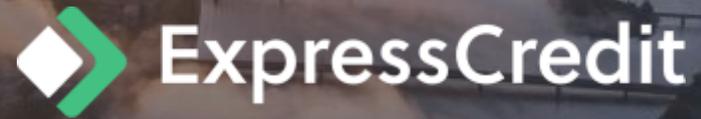
Wise assessment of  
market situation



Smart positioning



Proactivity



# TRUSTWORTHY AND STATE REGULATED BUSINESS

## REGULATION

Non-bank lenders is a state regulated business in Latvia.

Regulation mainly defines:

- types of services;
- branch arrangements (pawnshops);
- service prices (consumer loans).

## INTEREST RATE CAPS

According to Consumer Rights Protection Law valid in 2018:

- for loans up to 30 days - maximum monthly interest rate 8.8%;
- 30 days and longer loans - no more than 0.25% per day; allowable interest rates may reach 100%;
- for loans up to 3 months - maximum mark up of 100% is allowed.

## LICENSING

Licensing is mandatory since 2011 and it is supervised by Consumer Rights Protection Centre.

Criteria for getting a licence:

- fixed capital  $\geq$  EUR 425 000;
- licence issuing fee EUR 71 140;
- annual licence fee EUR 14 225.

SIA ExpressCredit (brand Banknote) and SIA ViziaFinance (brand VIZIA) are licensed companies.

# REGULATORY LANDSCAPE FOR 2019

Requirements and recent changes	Applies to	Effective from	Impact on ExpressCredit
For loans larger than EUR 100, lenders have to request information about the borrowers income from State Revenue Service (SRS)	consumer loans	01.01.2019.	No significant impact on costs. Before the regulation, ExpressCredit was already requesting information for loans larger than EUR 427. After the regulation, the number of information requests has increased at no or little additional cost.
Introduction of AML compliance requirements	consumer loans; pawn loans	01.01.2019.	No significant impact on the business. Majority of existing procedures already meet the requirements.
Maximum loan amount EUR 215 for loans with term up to 30 days	consumer loans	01.01.2019.	No significant impact on the business. ~3.5% of the loan portfolio in 2018 was with term up to 30 days. These customers have switched to taking loans with longer term as, in 2019, ExpressCredit does not offer loans with term up to 30 days anymore.
Restriction for advertising on state financed radio and television channels	consumer loans; pawn loans	01.07.2019.	Increased competitive advantage. ExpressCredit has established high brand recognition with Banknote physical branch network thus staying ahead of competition.
Cap on loan costs for consumer loans 0.07%/day (previously 8.8% monthly for loans with term up to 30 days, and 0.25%/day for loans with term larger than 30 days)	consumer loans	01.07.2019.	At the moment effective monthly interest is 6.4%, after the change it will be 3.5%. Nevertheless, the new interest rate will be applied to the newly issued consumer loans only. Average loan term is > 400 days, hence the decrease in interest income will not be sudden. ExpressCredit has prepared a pricing strategy for consumer loans to have the effective monthly interest > 3.5% monthly.

# BUILDING THE INDUSTRY STANDARDS

We are an active and responsible social partner.

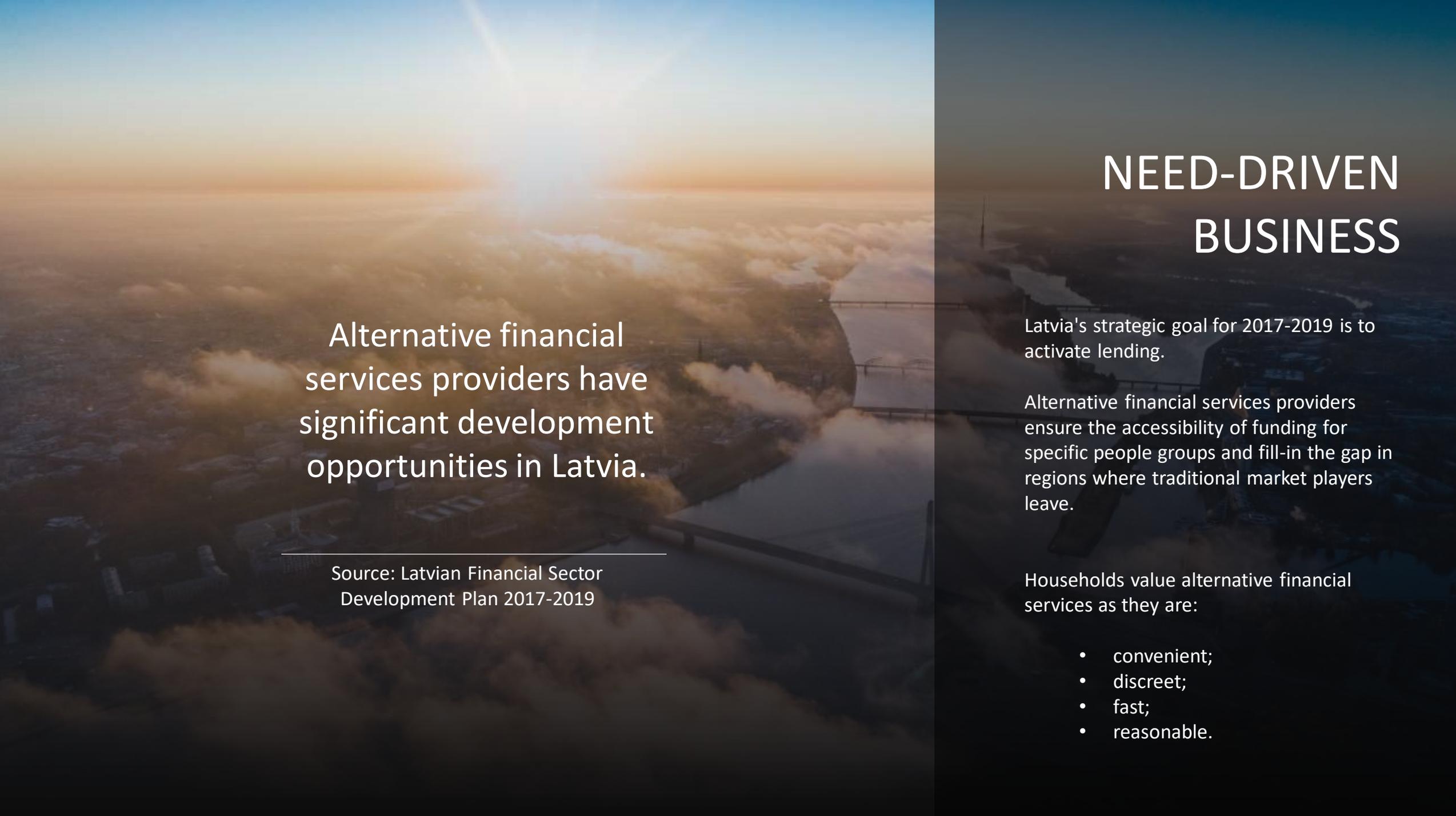
## ACTIVE PARTICIPATION

- ExpressCredit is represented on the council of Alternative Financial Services Association of Latvia.
- ExpressCredit has adopted Code of Good Practice developed by Alternative Services Association of Latvia.
- Latvian Chamber of Commerce and Industry is a medium in the process of new legislation initiatives.
- ExpressCredit business is monitored by Consumer Rights Protection Centre.
- ExpressCredit is the only non-bank lender included in the Gold level of the State Revenue Service for In-Depth Cooperation Programme (qualified on March 2019).

## ASSOCIATIONS

- ExpressCredit is a founding member of Alternative Financial Services Association of Latvia operating since 2013.
- ExpressCredit joined Latvian Chamber of Commerce and Industry in 2015.



An aerial photograph of a city at sunrise. The sun is low on the horizon, creating a bright glow and long shadows. A river flows through the city, and a bridge spans across it. The buildings are silhouetted against the bright sky.

Alternative financial services providers have significant development opportunities in Latvia.

---

Source: Latvian Financial Sector Development Plan 2017-2019

## NEED-DRIVEN BUSINESS

Latvia's strategic goal for 2017-2019 is to activate lending.

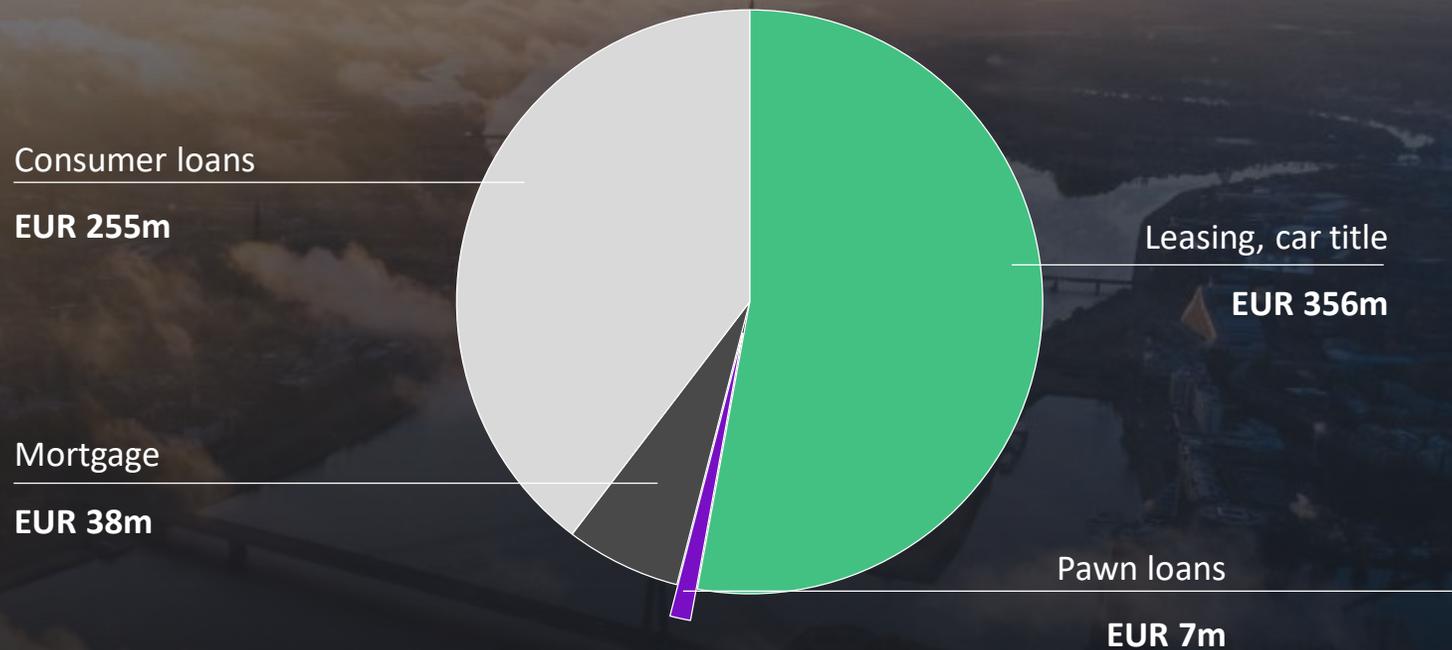
Alternative financial services providers ensure the accessibility of funding for specific people groups and fill-in the gap in regions where traditional market players leave.

Households value alternative financial services as they are:

- convenient;
- discreet;
- fast;
- reasonable.

ExpressCredit is swiftly growing market share in consumer loans and pawn loans segments.

# MARKET WITH POTENTIAL



Loan portfolio of Latvian non-bank lenders, 2018H1

# MARKET OVERVIEW: CONSUMER LOANS

ExpressCredit\* grows faster than the industry, having 5,8%\*\* market share.

\* Loan portfolio data based on SIA ExpressCredit standalone net consumer loan portfolio excl. accrued interest.

\*\* Based on loan portfolio as at the end of 2018H1.

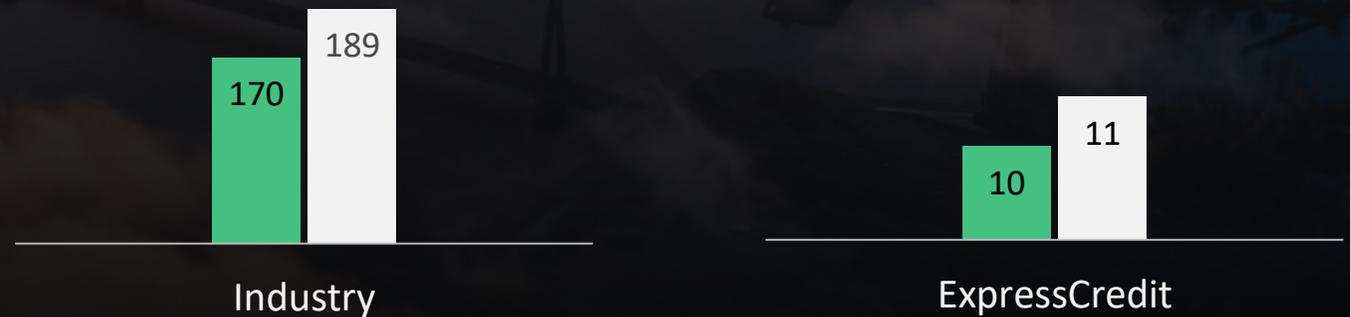
2017H1, EURm

2018H1, EURm

Amount of consumer loans outstanding in EUR million as at 2017H1 and 2018H1, Industry\* and ExpressCredit comparison.



Amount of consumer loans issued in EUR million as at 2017H1 and 2018H1, Industry\* and ExpressCredit comparison.



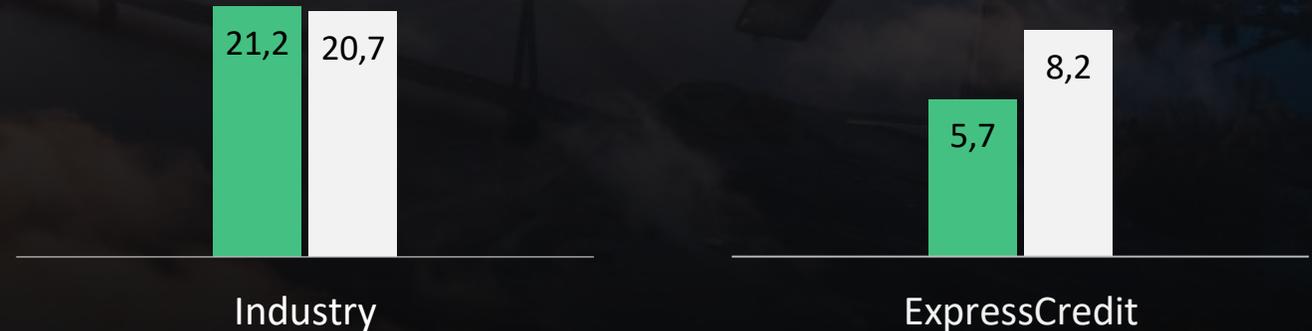
\*Source: Consumer Rights Protection Centre

# MARKET OVERVIEW: PAWN LOANS

Pawn loan portfolio in EUR million in 2017H1 and 2018H1, Industry\* and ExpressCredit comparison.



Amount of pawn loans issued in EUR million in 2017H1 and 2018H1, Industry\* and ExpressCredit comparison.



In 2018H1 40% of all pawn loans issued in Latvia were issued by ExpressCredit.

The market share is growing y-o-y.

2017H1, EURm

2018H1, EURm

\* Source: Consumer Rights Protection Centre

# CLIENT SERVICE AT THE FOREFRONT

In 2018, online brand Vizia received Google Review rating of 4.9/5 from clients for exceptional service.

## INVEST IN PEOPLE TO ENHANCE EXCELLENCE

- Employee competence development program over decade has been continuously improved.
- Each employee in client service area has full-profile skills to deliver service excellence and financial expertise.
- ExpressCredit objectives and values are shared across all organization and management levels.

## QUALITY CONTROL ADVANCES SERVICE

- There are continuous skill based follow-ups for branch employees.
- Distant and face-to-face customer service monitoring smoothens even the tiniest inconsistencies of service standards.
- Management processes are certified according to ISO 9001:2015 and ISO 50001:2015 standards.

## BROAD AND DEVELOPED BRANCH NETWORK

- Branches are located in main cities and most populated areas of Latvia providing access to broad customer base.

# PROFITABILITY BASED ON THOROUGH PROCESSES

## NEW TECHNOLOGIES AND PROCESSES

- Online services increases customer base which values high-quality financial services.
- Customer-oriented loan evaluation, issuance and monitoring processes contributes to profitability.
- Operations are data driven with extensive IT development.
- Process ownership, key performance indicators and reporting system helps to track every aspect of business.
- Core processes undergo constant efficiency scrutiny.

## SPOT-ON MARKETING STRATEGY

- Customers are approached with resonating messages through targeted segmentation and diverse pricing policy.
- Brand recognition is boosted by extensive branch network which is used as instrumental outdoor advertising.
- Broad range of sales channels contributes to efficient marketing.
- Marketing focus is devoted to building long term customer loyalty.

2018 was the most  
successful year in history  
with profit reaching EUR  
4.55m.

# CONSUMER LOANS

## CONSISTENT TENDENCY OF CONSUMER LOANS PORTFOLIO, EURm



Consumer loans represent 60% from ExpressCredit issued loans.

## CONSUMER LOANS IN SPOTLIGHT

Loan size	<ul style="list-style-type: none"> <li>• EUR 50 – 3000</li> <li>• weighted average loan size – 476 EUR</li> <li>• Banknote and VIZIA offers differ</li> </ul>
Terms	<ul style="list-style-type: none"> <li>• instalment loans 2 – 60 months</li> <li>• weighted average term – 422 days</li> </ul>
Interest rate per month	3% - 11%
Application and issuance process	In branches and online
Rejection rate for new customers	67%
Payment discipline	Only 5.6% of loans having more than 90 days overdue payments

# PAWN LOANS

## STABLE GROWTH OF PAWN LOANS PORTFOLIO, EURm



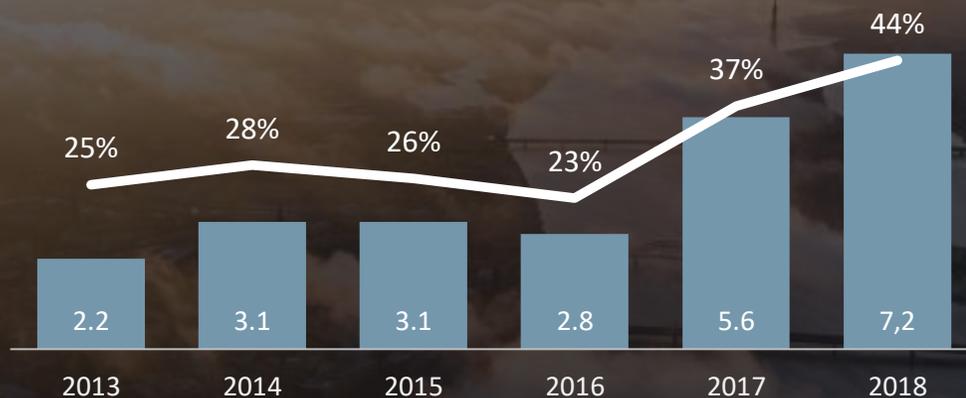
## PAWN LOANS IN SPOTLIGHT

Loan size	Up to 100% of the pawn value (typically 65%)
Terms	<ul style="list-style-type: none"> <li>• up to 30 days (single payment loans)</li> <li>• 2 – 24 months (instalment loans)</li> </ul>
Interest rate per month	5% - 28%
Application and issuance process	Only in Banknote branches
Redemption rate	76%
Most common pawn items	Jewellery, mobile, audio, video and photo devices, office equipment and hardware, antique items, etc.
Selling of inventory	<ul style="list-style-type: none"> <li>• within 3 months</li> <li>• 45% mark-up on goods</li> </ul>

Pawn loans represent 40% from ExpressCredit issued loans.

# SOLID FINANCIAL PERFORMANCE

## EBITDA GROWTH

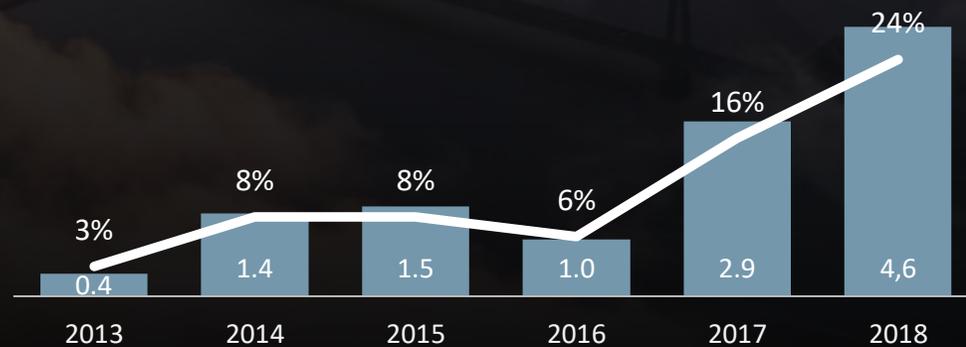


EBITDA margin\*

EBITDA, EURm

\* Calculated as EBITDA / (Interest income + Gross profit from sale of foreclosed items)

## NET PROFIT



PROFIT margin\*

NET PROFIT, EURm

\* Calculated as NET PROFIT / (Interest income + Revenue from sale of foreclosed items)

2018 has been the best year in terms of profitability and growth.

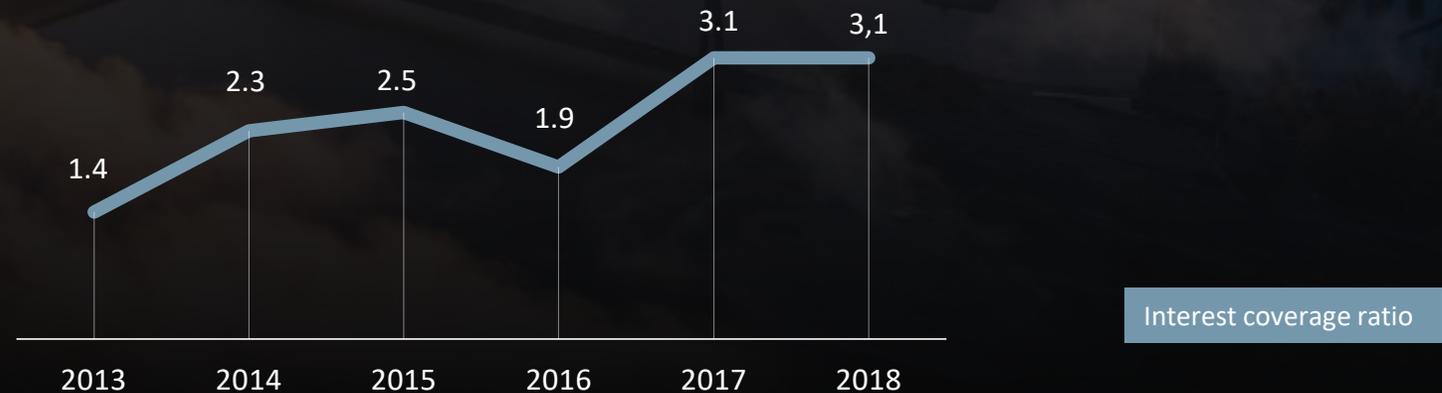
Sustainable financial performance.

# FINANCIAL RATIOS

## LEVERAGE RATIO



## INTEREST COVERAGE RATIO



# KEY FINANCIALS: INCOME STATEMENT

Solid EBITDA.

Income statement, EUR'000	2016A	2017A	2018A
Interest and similar income	10 628	13 863	14 664
Revenue from sale of goods	4 796	4 164	4 186
Cost of goods sold	(3 449)	(2 750)	(2 659)
<b>Gross profit</b>	<b>11 975</b>	<b>15 277</b>	<b>16 191</b>
Selling expense	(5 729)	(5 497)	(5 681)
Administrative expense	(2 006)	(2 290)	(2 771)
Net other operating expense	(1 445)	(1 845)	(566)
<b>EBITDA</b>	<b>2 795</b>	<b>5 645</b>	<b>7 173</b>
Depreciation	(195)	(169)	(250)
Interest and similar expense	(1 396)	(1 823)	(2 298)
Taxes	(243)	(700)	(79)
<b>NET PROFIT</b>	<b>961</b>	<b>2 953</b>	<b>4 546</b>
Dividends paid		(996)	(490)
<b>NET PROFIT after dividends (Balance Sheet)</b>	<b>961</b>	<b>1 957</b>	<b>4 056</b>

Continuous y-o-y  
increase in the loan  
portfolio and total  
assets.

## KEY FINANCIALS: BALANCE SHEET

Balance sheet, EUR'000	2016A	2017A	2018A
Fixed and intangible assets	582	601	603
Loans to related parties	1 386	1 302	1 277
Net loan portfolio	11 555	15 843	20 151
Inventory and scrap	701	683	848
Other assets	489	668	298
Cash	1 279	2 220	3 489
<b>TOTAL ASSETS</b>	<b>15 992</b>	<b>21 317</b>	<b>26 666</b>
Share capital and reserves	1 500	1 500	1 500
Retained earnings	345	232	398
Profit/loss for the current year	961	1 957	4 056
<b>Equity</b>	<b>2 806</b>	<b>3 689</b>	<b>5 954</b>
Interest-bearing debt	12 372	16 346	19 556
Trade payables and other liabilities	735	879	957
Liabilities	79	403	199
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>15 992</b>	<b>21 317</b>	<b>26 666</b>

Growth financed from operations and attracted financing.

## KEY FINANCIALS: CASH FLOW

Cash flow statement, EUR'000	2016A	2017A	2018A
EBITDA	2 795	5 645	7 173
Taxes	(243)	(700)	(79)
Interest payments	(1 396)	(1 823)	(2 277)
Cessation result	1 372	1 683	539
Change in Consumer loans issued	(7 074)	(6 391)	(4 734)
Other adjustments	1 155	643	(21)
<b>Cash flow from operations</b>	<b>(3 391)</b>	<b>(943)</b>	<b>601</b>
Acquisition of fixed assets and intangibles	(174)	(168)	(222)
Loans issued/repaid to other	104	133	26
Other adjustments	10	32	19
<b>Cash flow from investing</b>	<b>(60)</b>	<b>(3)</b>	<b>(177)</b>
Loans received and bonds issued (net)	10 530	14 063	8 560
Redemption/purchase of bonds	(1 250)	(2 851)	(1 106)
Loans repaid	(4 483)	(7 184)	(4 316)
Dividends (incl. extraordinary dividends)	(700)	(2 070)	(2 230)
Other adjustments	140	(72)	(62)
<b>Cash flow from financing</b>	<b>4 237</b>	<b>1 886</b>	<b>846</b>
<b>TOTAL CASH FLOW</b>	<b>786</b>	<b>940</b>	<b>1 270</b>

Transparency and  
openness according to  
the best standards of  
corporate governance.

# INVESTOR RELATIONS

## INFORMATION TO INVESTORS

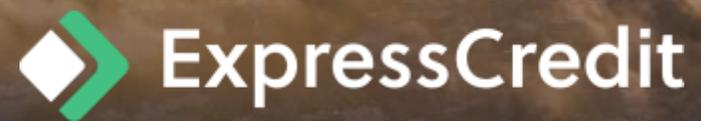
- Quarterly reports with management presentation and quarterly condensed financial statements are provided on regular basis.
- Important events are reported according to Nasdaq Riga stock exchange and regulatory requirements.
- [www.expresscredit.lv](http://www.expresscredit.lv) - dedicated home page covering essential information for investors.

## SOURCES OF FINANCE

- Bonds are issued on Nasdaq Riga stock exchange (since 2013 in total 3 emissions issued with total amount of EUR 13.5m, arranged by BlueOrangeBank).
- ExpressCredit cooperates with peer-to-peer financing platform Mintos marketplace.

## NASDAQ RIGA STOCK EXCHANGE

- ISIN LV0000801280, emission repaid.
- ISIN LV0000801322, emission prospect is approved by Financial and Capital Market Commission of Latvia for public listing in Nasdaq Riga stock exchange.
- ISIN LV0000802213, emission is listed on alternative market Nasdaq Riga First North.



SIA ExpressCredit  
Raunas iela 44 k-1  
Rīga, Latvia  
LV-1039



[kristaps.bergmanis@expresscredit.lv](mailto:kristaps.bergmanis@expresscredit.lv)



+371 66 15 50 06



[www.expresscredit.lv](http://www.expresscredit.lv)