



ExpressCredit

COMPANY PRESENTATION, 2017



# 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 2017A 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.



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This presentation does not purport to contain all the information that investor 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.



Our vision is always to  
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 in 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 in TV and internet.



# JOURNEY TO EXCELLENCE

Values and ambitions have driven us to 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 law:

- 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.

## LICENCING

Licencing 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 licenced companies.



We are an active and responsible social partner.

# BUILDING THE INDUSTRY STANDARDS

## ACTIVE PARTICIPATION

- ExpressCredit is represented on the council of Alternative Financial Services Association of Latvia.
- ExpressCredit has approved Code of Good Practice developed by Alternative Financial Services Association of Latvia.
- Latvian Chamber of Commerce and Industry is medium in the process of new legislation initiatives.
- ExpressCredit business is monitored by Consumer Rights Protection Centre of Latvia.

## ASSOCIATIONS

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




Patērētāju tiesību aizsardzības centrs



The Latvian Chamber  
of Commerce and  
Industry



An aerial photograph of a city at sunrise. The sun is low on the horizon, creating a warm, golden glow over the city and a river. A bridge is visible in the distance. The sky is a mix of blue and orange.

Alternative financial services providers have significant development opportunities in Latvia.

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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 accessibility for specific people groups and fill-in the gap in regions traditional market players leave.

Households value alternative financial services as they are:

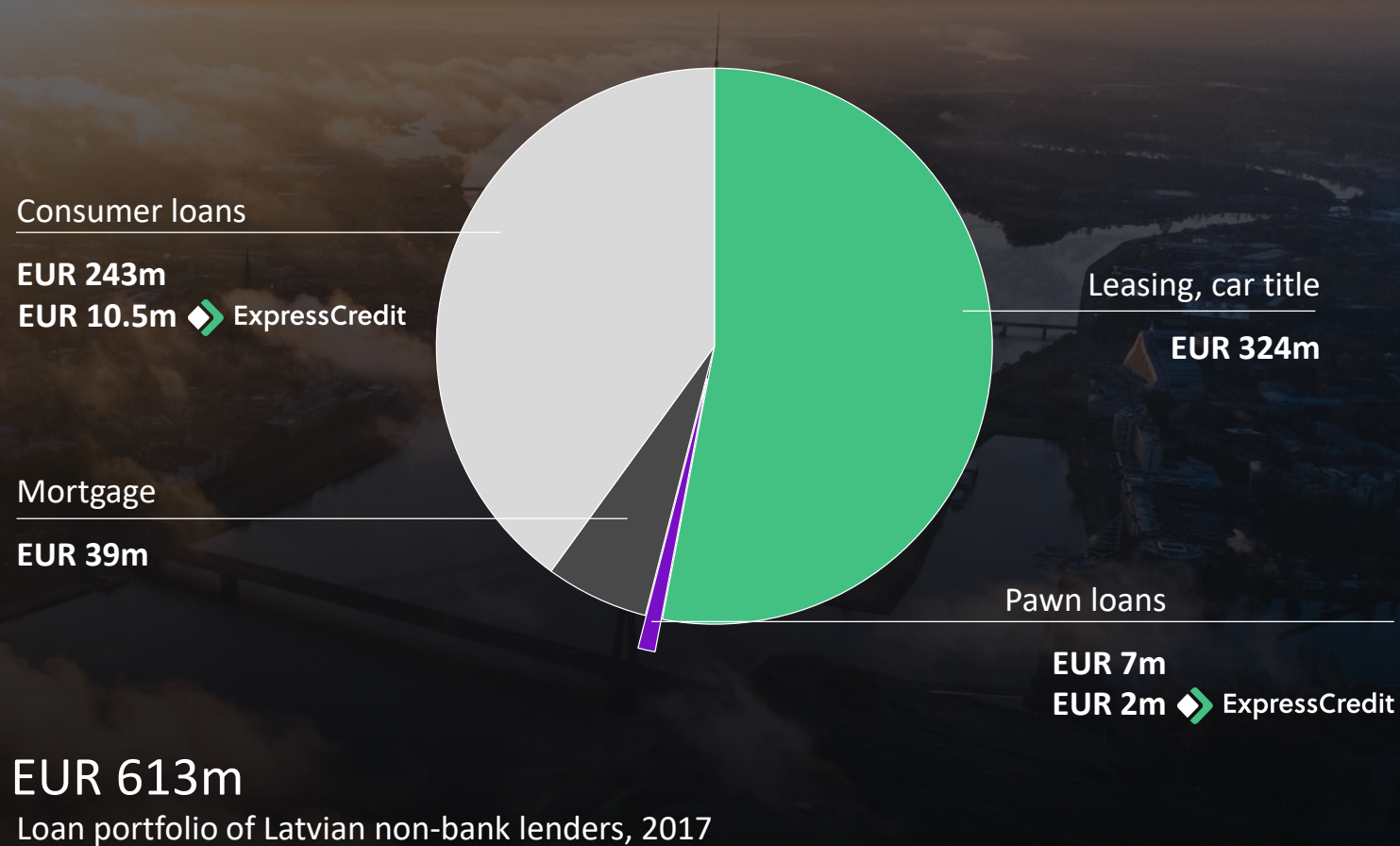
- convenient;
- discreet;
- fast;
- reasonable.



In 2018 the non bank sector is expected to issue up to EUR 590m in new loans and total portfolio will reach up to EUR 635m.

Source: Alternative Financial Services Association of Latvia

# MARKET WITH POTENTIAL



Source: Consumer Rights Protection Centre



# CLIENT SERVICE AT THE FOREFRONT

ExpressCredit received  
Customer Service  
Award 2017  
for excellence in  
providing of financial  
services.

## 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

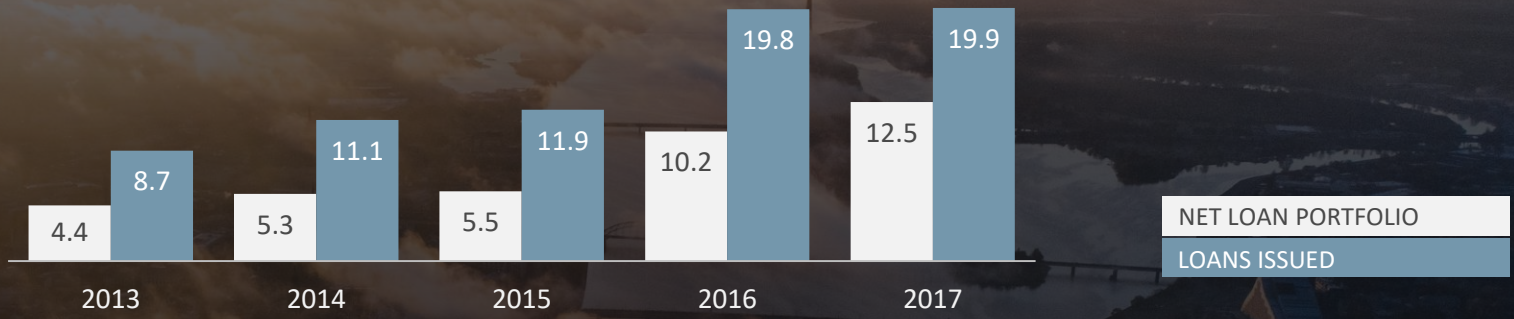
- Customers are approached with resonating messages through targeted segmentation and diverse pricing policy.
- Brand recognition is boosted by extensive branch network which is used as instrumental outdoor advertising.
- Broad range of sales channels contributes to efficient marketing.
- Marketing focus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

2017 was the most successful year in history with profit reaching nearly EUR 3m.



# CONSUMER LOANS

## CONSISTENT TENDENCY OF CONSUMER LOANS PORTFOLIO, EURm



Consumer loans represent 57% from ExpressCredit issued loans.

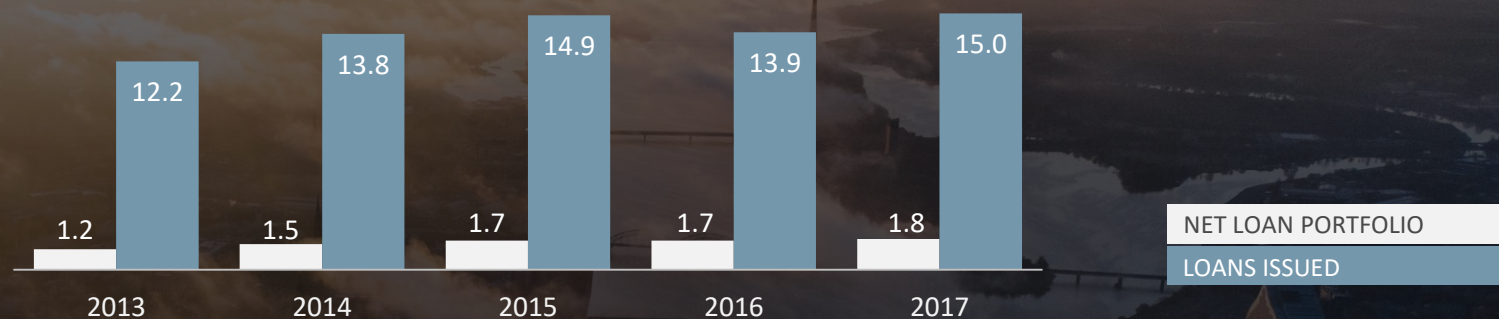
## CONSUMER LOANS IN SPOTLIGHT

Loan size	<ul style="list-style-type: none"> <li>• EUR 50 – 3000</li> <li>• weighted average loan size – EUR 351</li> <li>• Banknote and VIZIA offers differ</li> </ul>
Terms	<ul style="list-style-type: none"> <li>• single payment loans up to 30 days</li> <li>• instalment loans 4 – 60 months</li> <li>• weighted average term – 285 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 5.5% of loans having more than 90 days overdue payments



# PAWN LOANS

## STABLE GROWTH OF PAWN LOANS PORTFOLIO, EURm



## PAWN LOANS IN SPOTLIGHT

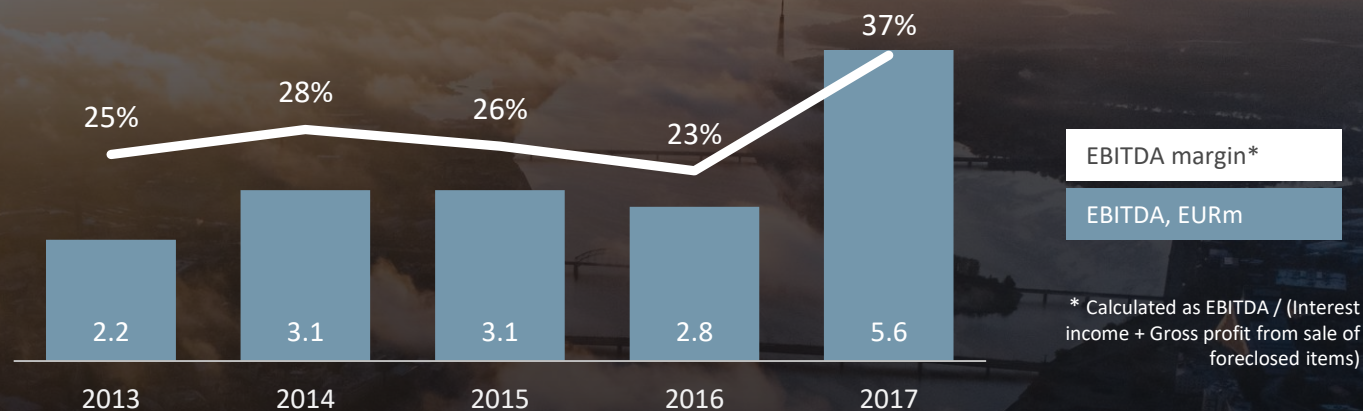
Loan size	Up to 100% of the pawn value
Terms	<ul style="list-style-type: none"> <li>• up to 30 days (single payment loans)</li> <li>• 2 – 24 months (instalment loans)</li> </ul>
Interest rate per month	5% - 28%
Application and issuance process	Only in branches
Redemption rate	73%
Most common pawn items	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>• 49% mark-up on goods</li> </ul>

Pawn loans represent 43% from ExpressCredit issued loans.

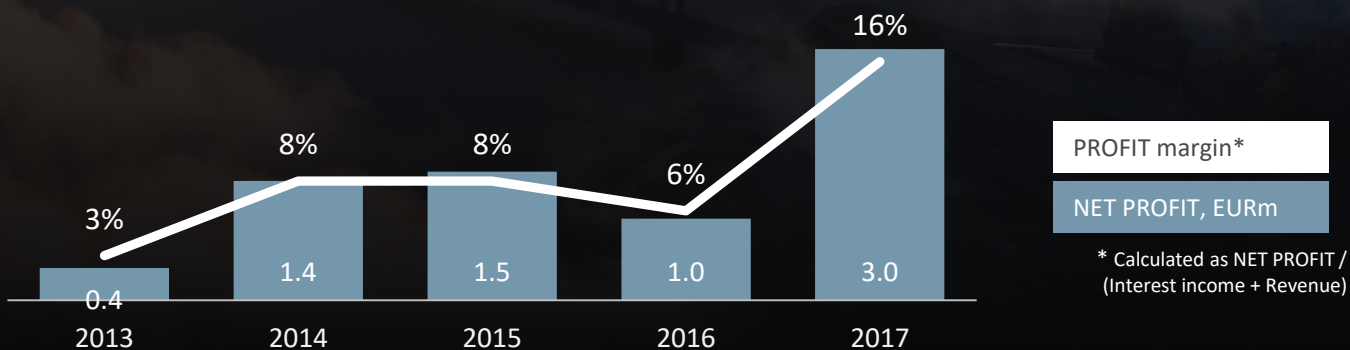


# SOLID FINANCIAL PERFORMANCE

## EBITDA GROWTH



## NET PROFIT



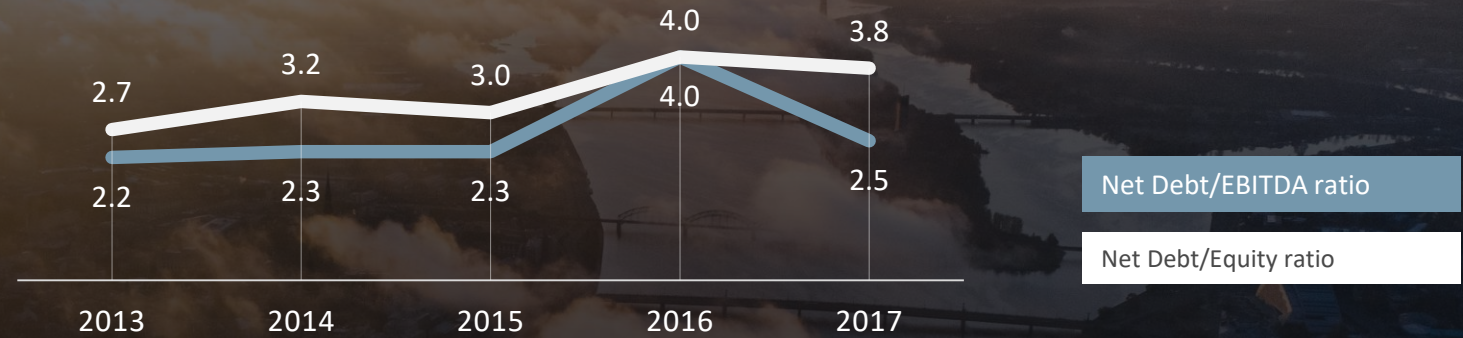
2017 has been the best year in terms of profitability and growth.



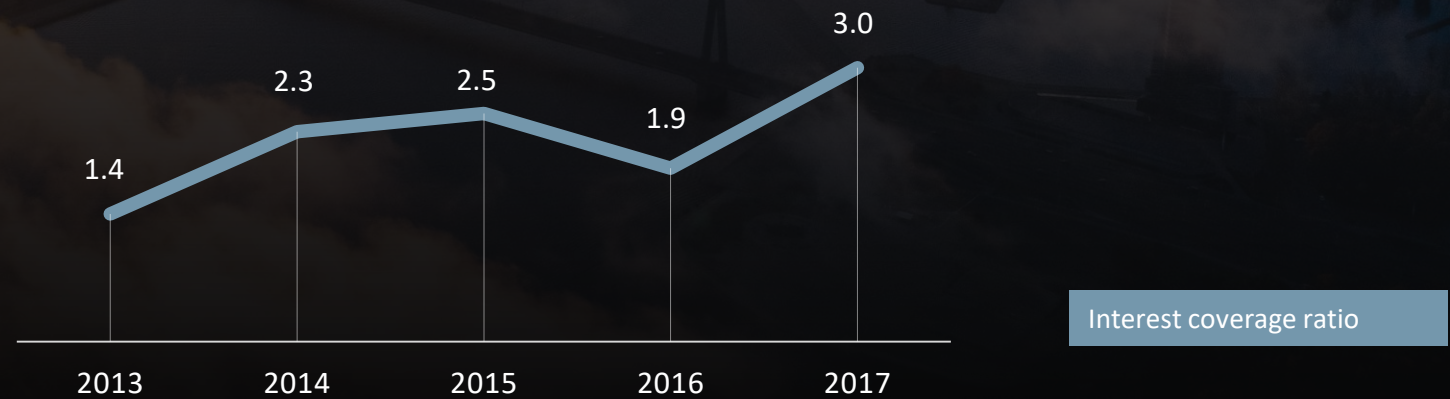
Sustainable financial performance.

# FINANCIAL RATIOS

## LEVERAGE RATIO



## INTEREST COVERAGE RATIO





Solid EBITDA.

# KEY FINANCIALS: INCOME STATEMENT

Income statement, EUR'000	2016A	2017A
Interest and similar income	10 628	13 863
Revenue from sale of goods	4 796	4 164
Cost of goods sold	(3 449)	(2 750)
Gross profit	11 975	15 277
Selling expense	(5 729)	(5 497)
Administrative expense	(2 006)	(2 290)
Net other operating expense	(1 445)	(1 845)
<b>EBITDA</b>	<b>2 795</b>	<b>5 645</b>
Depreciation	(195)	(169)
Interest and similar expense	(1 396)	(1 823)
Taxes	(243)	(700)
<b>NET PROFIT</b>	<b>961</b>	<b>2 953</b>
Dividends paid	-	(996)
<b>NET PROFIT after dividends</b>	<b>961</b>	<b>1 957</b>



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

## KEY FINANCIALS: BALANCE

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



Growth financed from operations and attracted financing.

## KEY FINANCIALS: CASH FLOW

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





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