SIA “ExpressCredit”

ANNUAL ACCOUNTS
FOR THE YEAR ENDED
31 DECEMBER 2017
AND
CONSOLIDATED ANNUAL ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2017

(UNAUDITED)

PREPARED IN ACCORDANCE WITH THE INTERNATIONAL FINANCIAL REPORTING STANDARDS AS ADOPTED BY EU

Translation from Latvian

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Information on the Company

Name of the Company	ExpressCredit SIA
Legal status of the Company	Limited liability company
Number, place and date of registration	40103252854 Commercial Registry Riga, 12 October 2009
Operations as classified by NACE classification code system	NACE2 64.9.1 Financial leasing NACE2 64.92 Other credit granting NACE2 47.79 Retail sale of second-hand goods in stores
Address	Raunas street 44 k-1, Riga, LV-1039 Latvia
Names and addresses of shareholders (from 30.10.2013)	Lombards24.lv, SIA 65.9942% Raunas street 44k-1, Riga, Latvia AE Consulting, SIA 31.51% (until 20.12.2017.) 10% (from 20.12.2017.) Posma street 2, Riga, Latvia EC finance, SIA (21.51% from 20.12.2017.), Raunas street 44k-1, Riga, Latvia Private individuals (2.5%)
Ultimate parent company	AS EA investments, reģ. Nr. 40103896106 Raunas street 44k-1, Riga, Latvia
Names and positions of Board members	Agris Evertovskis - Chairman of the Board Kristaps Bergmanis - Member of the Board Didzis Admidins - Member of the Board Ivars Lamberts - Member of the Board
Names and positions of Council members	Ieva Judinska-Bandeniece – Chairperson of the Council Uldis Judinskis - Deputy Chairman of the Council Ramona Miglane - Member of the Council
Responsible person for accounting	Santa Šoldre - Chief accountant
Financial year	1 January - 31 December 2017
Name and address of the auditor	SIA Potapoviča un Andersone Certified Auditors' Company Licence Nr. 99 Ūdens Street 12-45, Riga, LV-1007 Latvia Responsible Certified Auditor Kristīne Potapoviča Certificate No. 99

Information on the Subsidiaries

Subsidiary	**SIA ExpressInkasso** (parent company interest in subsidiary – 100%)
Date of acquisition of the subsidiary	22.10.2010
Number, place and date of registration of the subsidiary	40103211998; Riga, 27 January 2009
Address of the subsidiary	Raunas Street 44 k-1; Riga, LV 1039, Latvia
Operations as classified by NACE classification code system of the subsidiary	66.1 Financial support services except insurance and pension accrual
Subsidiary	**SIA MoneyMetro** (till 29.07.2016. SIA Banknote) (parent company interest in subsidiary – 100%)
Date of acquisition of the subsidiary	23.02.2015
Number, place and date of registration of the subsidiary	40003040217, Riga, 06 December 1991
Address of the subsidiary	Raunas Street 44 k-1, Riga, LV 1039, Latvia (till 30.04.2015 – Kalēju street 18/20, Riga)
Operations as classified by NACE classification code system of the subsidiary	64.92 Other financing services
Subsidiary	**Cash Advance Bulgaria EOOD** (parent company interest in subsidiary – 100%)
Date of acquisition of the subsidiary	03.05.2017.
Number, place and date of registration of the subsidiary	204422780, Bulgaria, Sofia, 03 May 2017
Address of the subsidiary	49A, Bulgaria Blvd., fl. 4., office 30, Triaditsa region
Operations as classified by NACE classification code system of the subsidiary	Crediting services

Statement of management`s responsibility

The management of SIA „ExpressCredit" group is responsible for the preparation of the financial statements.

Based on the information available to the Board of the parent company of the Group, the financial statements are prepared on the basis of the relevant primary documents and statements in accordance with International Financial Reporting Standards as adopted by the European Union and present a true and fair view of the Group's assets, liabilities and financial position as at 31 December 2017 and its profit and cash flows for 2017.

The management of the parent company confirms that the accounting policies and management estimates have been applied consistently and appropriately. The management of the parent company confirms that the consolidated financial statements have been prepared on the basis of the principles of prudence and going concern.

The management of the parent company confirms that is responsible for maintaining proper accounting records and for monitoring, controlling and safeguarding the Group's assets. The management of the parent company is responsible for detecting and preventing errors, irregularities and/or deliberate data manipulation. The management of the parent company is responsible for ensuring that the Group operates in compliance with the laws of the Republic of Latvia.

The management report presents fairly the Group's business development and operational performance.

Agris Evertovskis Chairman of the Board	Didzis Ādmīdiņš Board Member	Kristaps Bergmanis Board Member	Ivars Lamberts Board Member

Riga, 26 February 2018

Management report

The Group has performance during the year 2017 was as planned. The total revenue compared to the corresponding period of the previous year has increased by 17%, while profit has increased by 308%.

The Group's turnover has increased in all quarters of 2017 compared to 2016, and year 2017 has been the best in the Group's history in terms of turnover and profitability.

In November 2017, following a predefined strategy, the company started offering its customers a distance loans, thus significantly expanding its range of services. Consequently, ExpressCredit customers can now conclude a loan agreement either through branches or through a developed customer portal, which offers, among other things, to manage customer obligations. Introduction of distance lending gives access to a larger market segment where the Group has not worked so far. As at 30 June 2017, the non-bank lending portfolio in Latvia was EUR 109.9 million. Management believes that the new service will bring additional benefits to our existing customers, and will attract new customers who value the benefits of new technologies.

In 2017 the company has continued to strengthen the reputation of the brand name Banknote and has become one of the most recognizable consumer credit brands in Latvia.

By expanding the range of services offered, the Group has clarified the mission, values and vision of the Banknote brand. The mission, values and vision are as follows:
Mission - Provide simple and valuable financial services to people.
Values -
Simplicity – We always stand for simple and clear services; ***Accessibility*** - We are available to everyone and everywhere; ***Respect*** - We always treat everyone with respect, we are honest and open; ***Progress*** - We seek and find ways how to improve our performance.
Vision – To achieve the highest level of evaluation.

The company informs that by the end of 2017, the investor website www.expresscredit.lv has been redesigned, where the current corporate information will be posted on a regular basis.

The company continues to streamline its internal processes to ensure the operations according to expected changes in the Law on Anti Money Laundering and Combating the Financing of Terrorism, as well as adaptation of its activities according to General Data Protection Regulation, which will come into force on May 25, 2018. The Group is also constantly improving its customer solvency assessment. The company informs that only 25.8% of new customer loan applications are approved, while for the repeated customers - 81.3%.

By implementing business strategy and all planned activities the following financial results of the Group were achieved in year 2017 compared to year 2016:

Position	EUR, million	Change %
Net loan portfolio	13.9	+44.8
Assets	21.3	+33.4
Net profit	2.97	+308.7

Branches
During the period from 1 January 2017 to 31 December, continued to work on the branch network efficiency. As at 31 December 2017 the Group had 90 branches in 39 cities in Latvia (31.12.2016. - 91 branches in 39 cities).

Risk management
The Group is not exposed to significant foreign exchange rate risk because basic transaction currency is euro. Significant amount of funding of the Group consist of fixed coupon rate bonds, so that the Group is not significantly exposed to variable interest rate risk. Accurate application of the prudent strategies chosen has allowed the Group to successfully manage its financial risks, particularly the liquidity and credit risk.

Post balance sheet events
There are no subsequent events since the last date of the reporting year, which would have a significant effect on the financial position of the Company as at 31 December 2017.

Future prospects
In 2018 the Company plans to strengthen its market leading position by investing in IT development, improving the branch network, investing in brand and product visibility and enhancing customer service quality. It is planned that the Group's loan portfolio will increase, and profit dynamics will be higher than 2017 results.

Distribution of the profit proposed by the Group
The Parent Company's board recommends the profit of 2017 to pay out in dividends, respecting the restrictions applied to debt securities emissions.

Agris Evertovskis Chairman of the Board	Didzis Ādmīdiņš Board Member	Kristaps Bergmanis Board Member	Ivars Lamberts Board Member

Riga, 26 February 2018

Profit or loss account for the year ended 31 December 2017

	Parent company 2017 EUR	Group 2017 EUR	Parent company 2016 EUR	Group 2016 EUR
Net sales	4 164 730	4 164 730	4 795 253	4 796 333
Cost of sales	(2 750 763)	(2 750 763)	(3 449 335)	(3 449 335)
Interest income and similar income	12 877 292	13 862 720	10 298 728	10 627 654
Interest expenses and similar expenses	(1 818 486)	(1 820 203)	(1 396 899)	(1 396 128)
Gross profit	**12 472 773**	**13 456 484**	**10 247 747**	**10 578 524**
Selling expenses	(5 160 046)	(5 646 996)	(5 720 376)	(5 923 936)
Administrative expenses	(2 234 767)	(2 297 080)	(1 989 331)	(2 005 892)
Other operating income	60 097	44 175	135 651	37 332
Other operating expenses	(1 750 159)	(1 892 258)	(1 454 053)	(1 482 195)
Profit before taxes	**3 387 898**	**3 664 325**	**1 219 638**	**1 203 833**
Corporate income tax for the reporting year	(511 869)	(553 124)	(226 027)	(244 763)
Deferred tax	(145 252)	(145 252)	1 647	1 647
Current year's profit	**2 730 777**	**2 965 949**	**995 258**	**960 717**
Interim dividend	(996 526)	(996 526)	-	-
Current year's profit after Interim Dividend	**1 734 251**	**1 969 423**	**995 258**	**960 717**
Earnings per share	**1.82**	**1.98**	**0.67**	**0.64**
Diluted earnings per share	**1.82**	**1.98**	**0.67**	**0.64**

Comprehensive income statement for 2017

	2017 EUR	2017 EUR	2016 EUR	2016 EUR
Current year's profit	**2 730 777**	**2 965 949**	**995 258**	**960 717**
Other comprehensive income	-		-	-
Total comprehensive income	**2 730 777**	**2 965 949**	**995 258**	**960 717**

Notes on pages from 11 to 25 are integral part of these financial statements.

Agris Evertovskis Chairman of the Board	Didzis Ādmīdiņš Board Member	Kristaps Bergmanis Board Member	Ivars Lamberts Board Member

Riga, 26 February 2018

Balance sheet as at 31 December 2017	Notes	Parent company 31.12.2017. EUR	Group 31.12.2017. EUR	Parent company 31.12.2016. EUR	Group 31.12.2016. EUR
Assets					
Long term investments					
Fixed assets and intangible assets, goodwill	(1)	455 552	617 905	423 115	581 905
Loans and receivables	(4)	1 768 214	1 912 896	964 108	964 108
Loans to shareholders and management	(3)	746 619	746 619	1 216 601	1 216 601
Participating interest in subsidiaries	(2)	1 395 828	-	885 828	-
Other investments		-	-	-	20
Deferred tax asset		-	-	145 252	145 252
Total long-term investments:		**4 366 213**	**3 277 420**	**3 634 904**	**2 907 886**
Current assets					
Goods for sale		682 695	682 695	700 715	700 715
Loans and receivables	(4)	12 700 289	13 930 776	9 619 773	10 591 251
Receivables from affiliated companies		558 386	555 608	330 821	169 146
Other debtors		594 828	599 278	248 337	249 958
Deferred expenses		47 614	67 538	74 666	92 741
Assets held for sale		-	-	1 000	1 000
Cash and bank		2 072 996	2 219 747	1 127 231	1 279 410
Total current assets:		**16 656 808**	**18 055 642**	**12 102 543**	**13 084 221**
Total assets		**21 023 021**	**21 333 062**	**15 737 447**	**15 992 107**
Liabilities					
Shareholders' funds:					
Share capital	(5)	1 500 000	1 500 000	1 500 000	1 500 000
Prior years' retained earnings		-	232 708	78 216	345 348
Current year's profit		1 734 251	1 969 423	995 258	960 717
Total shareholders' funds:		**3 234 251**	**3 702 131**	**2 573 474**	**2 806 065**
Creditors:					
Long-term creditors:					
Bonds issued	(6)	7 052 187	7 052 187	5 213 760	5 213 760
Other borrowings	(7)	1 778 986	1 922 680	1 292 032	1 292 032
Total long-term creditors:		**8 831 173**	**8 974 867**	**6 505 792**	**6 505 792**
Short-term creditors:					
Bonds issued	(6)	1 014 743	1 014 743	1 017 773	1 017 773
Other borrowings	(7)	5 943 056	6 356 484	4 847 977	4 847 977
Accounts payable to affiliated companies		821 545	51 099	7 376	181
Trade creditors and accrued liabilities		802 881	833 376	713 488	735 137
Taxes and social insurance		375 372	400 362	71 567	79 182
Total short-term creditors:		**8 957 597**	**8 656 064**	**6 658 181**	**6 680 250**
Total liabilities and shareholders' funds		**21 023 021**	**21 333 062**	**15 737 447**	**15 992 107**

Notes on pages from 11 to 25 are integral part of these financial statements.

Agris Evertovskis Chairman of the Board	Didzis Ādmīdiņš Board Member	Kristaps Bergmanis Board Member	Ivars Lamberts Board Member

Riga, 26 February 2018

Statement of changes in equity of the Parent Company's for the year ended 31 December 2017

	Share capital	Prior years' retained earnings	Current year's profit	Total
	EUR	EUR	EUR	EUR
As at 31 December 2015	**426 861**	**279 540**	**1 371 815**	**2 078 216**
Dividends paid		(700 000)		(700 000)
Profit transfer	873 139	498 676	(1 371 815)	-
Enlarged share capital	200 000			200 000
Profit for the year			995 258	995 258
As at 31 December 2016	**1 500 000**	**78 216**	**995 258**	**2 573 474**
Dividends paid		(1 073 474)	(996 526)	(2 070 000)
Profit transfer		(995 258)	(995 258)	-
Profit for the year			2 730 777	2 730 777
As at 31 December 2017	**1 500 000**	**-**	**1 734 251**	**3 234 251**

Statement of changes in equity of the Group for the year ended 31 December 2017

	Share capital	Prior years' retained earnings	Current year's profit	Total
	EUR	EUR	EUR	EUR
As at 31 December 2015	**426 861**	**387 704**	**1 512 464**	**2 327 029**
Dividends paid	-	(700 000)	-	(700 000)
Prior years' retained earnings of subsidiary sold	-	-	18 319	18 319
Profit transfer	873 139	657 644	(1 530 783)	-
Enlarged share capital	200 000	-	-	200 000
Profit for the year	-	-	960 717	960 717
As at 31 December 2016	**1 500 000**	**345 348**	**960 717**	**2 806 065**
Dividends paid		(1 073 474)	(996 526)	(2 070 000)
Prior years' retained earnings of subsidiary sold			117	117
Profit transfer		960 834	(960 834)	-
Profit for the year			2 965 949	2 965 949
As at 31 December 2017	**1 500 000**	**232 708**	**1 969 423**	**3 702 131**

Notes on pages from 11 to 25 are integral part of these financial statements.

Cash flow statement for the year ended 31 December 2017

	Parent company 2017 EUR	Group 2017 EUR	Parent company 2016 EUR	Group 2016 EUR
Cash flow from operating activities				
Profit before extraordinary items and taxes	**3 387 898**	**3 664 325**	**1 219 638**	**1 203 833**
Adjustments for:				
a) fixed assets and intangible assets depreciation	183 419	191 490	233 036	234 023
b) accruals and provisions (except for provisions for bad debts)	(41 798)	33 809	570 492	640 283
c) write-off of provisions	7 679	7 679	(82 940)	(82 940)
d) cessation results	1 554 187	1 683 212	1 347 105	1 371 747
e) interest income	(12 877 292)	(13 862 720)	(10 298 728)	(10 627 654)
f) interest and similar expense	1 818 486	1 820 203	1 396 899	1 395 958
g)(profit)/ loss on fixed assets disposal	(6 165)	(6 165)	(3 804)	(3 804)
h) other adjustments	9 824	6 941	17 091	33 409
Loss before adjustments of working capital and short-term liabilities	**(5 963 762)**	**(6 461 226)**	**(5 601 211)**	**(5 835 145)**
Adjustments for:				
a) (increase)/ decrease in consumer loans issued (core business) and other debtors	(5 761 480)	(6 389 335)	(6 502 259)	(6 544 325)
b) stock (increase)/decrease	10 341	10 341	520 635	520 635
c) trade creditors' (decrease)/ increase	113 710	119 722	936	65 857
Gross cash flow from operating activities	**(11 601 191)**	**(12 720 498)**	**(11 581 899)**	**(11 792 978)**
Corporate income tax payments	(226 428)	(252 509)	(211 168)	(218 776)
Interest income	12 891 167	13 873 424	10 254 557	10 545 467
Interest paid	(1 831 913)	(1 833 630)	(1 400 376)	(1 395 958)
Net cash flow from operating activities	**(768 365)**	**(933 213)**	**(2 938 886)**	**(2 862 245)**
Cash flow from investing activities				
Acquisition of affiliated, associated or other companies shares or parts	(513 000)	-	-	-
Earnings from the disposal of shares in subsidiaries	4 000	4 000	2 000	2 000
Acquisition of fixed assets and intangibles	(156 262)	(167 896)	(144 438)	(174 365)
Proceeds from sales of fixed assets and intangibles	28 459	28 459	8 272	8 272
Loans issued/repaid (other than core business of the Company) (net)	273 572	132 720	292 565	343 709
Net cash flow from investing activities	**(363 231)**	**(2 717)**	**158 399**	**179 616**
Cash flow from financing activities				
Proceeds of the capital share investment	-	-	200 000	200 000
Loans received and bonds issued (net)	14 193 223	14 144 626	10 529 796	10 529 796
Redemption/purchase of bonds	(2 851 000)	(2 851 000)	(1 250 000)	(1 250 000)
Loans repaid	(7 122 989)	(7 275 486)	(5 252 083)	(5 252 083)
Finance lease payments	(71 873)	(71 873)	(59 266)	(59 265)
Dividends paid	(2 070 000)	(2 070 000)	(700 000)	(700 000)
Net cash flow from financing activities	**2 077 361**	**1 876 267**	**3 468 447**	**3 468 448**
Net cash flow of the reporting year	**945 765**	**940 337**	**687 960**	**785 819**
Cash and cash equivalents at the beginning of the reporting year	**1 127 231**	**1 279 410**	**439 271**	**493 591**
Cash and cash equivalents at the end of reporting year	**2 072 996**	**2 219 747**	**1 127 231**	**1 279 410**

Notes on pages from 11 to 25 are integral part of these financial statements.

Notes

Accounting policies

(a) Basis of preparation

These financial statements have been prepared based on the accounting policies and measurement principles as set out below.

These financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). The financial statements are prepared based on historic cost method. In cases when reclassification not affecting prior year profit and equity is made, the relevant explanations are provided in the notes to the financial statements.

The preparation of financial statements in accordance with IFRS requires the use of significant estimates and assumptions that affect the reported amounts of assets and liabilities, as well as the information on contingent assets and liabilities at the balance sheet date and the revenues and costs for the reporting period. Although these estimates are based on the information available to the management regarding the current events and actions, the actual results may differ from the estimates used. Critical assumptions and judgements are described in the relevant sections of the Notes to the financial statements.

The following new and amended IFRS and interpretations became effective in 2017, but have no significant impact on the operations of the Bank and these financial statements:

Amendments to IAS 12 “Income taxes” – recognition of Deferred Tax Assets for Unrealised Losses (effective for annual periods beginning on or after 1 January 2017).

Amendments to IAS 7 “Statement of Cash Flows” – Disclosure initiative (effective for annual periods beginning on or after 1 January 2017).

- **Certain new standards and interpretations have been published that become effective for the accounting periods beginning on 1 January 2018 or later periods or are not yet endorsed by the EU:**

IFRS 9 “Financial instruments” (effective for annual periods beginning on or after 1 January 2018). Key features of the new standard are:

- Financial assets are required to be classified into three measurement categories: those to be measured subsequently at amortised cost, those to be measured subsequently at fair value through other comprehensive income (FVOCI) and those to be measured subsequently at fair value through profit or loss (FVPL).
- Classification for debt instruments is driven by the entity’s business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). If a debt instrument is held to collect, it may be carried at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held in a portfolio where an entity both holds to collect assets’ cash flows and sells assets may be classified as FVOCI. Financial assets that do not contain cash flows that are SPPI must be measured at FVPL (for example, derivatives). Embedded derivatives are no longer separated from financial assets but will be included in assessing the SPPI condition.
- Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss.
- Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.
- IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model. There is a ‘three stage’ approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables.
- Hedge accounting requirements were amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging.

IFRS 15 “Revenue from Contracts with Customers” (effective for annual periods beginning on or after 1 January 2018). The new standard introduces the core principle that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognised if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalised and amortised over the period when the benefits of the contract are consumed.

Amendments to IFRS 10 “Consolidated financial statements”, IAS 28 “Investments in associates and joint ventures” – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective date to be determined by the IASB, not yet endorsed in the EU).

Notes (continued)

Accounting policies (continued)

(a) Basis of preparation (continued)

IFRS 16 “Leases” (effective for annual periods beginning on or after 1 January 2019). The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessees will be required to recognise: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the income statement. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

Amendments to IFRS 15 “Revenue from Contracts with Customers” (effective for annual periods beginning on or after 1 January 2018);

Amendments to IFRS 2 “Share-based Payment” (effective for annual periods beginning on or after 1 January 2018, not yet endorsed in the EU);

Amendments to IFRS 4 “Insurance Contracts” – Applying IFRS 9 “Financial instruments” with IFRS 4 “Insurance contracts” (effective for annual periods beginning on or after 1 January 2018);

Annual improvements to IFRS’s 2016. The amendments include changes that affect 3 standards:

- IFRS 12 “Disclosure of Interests in Other Entities” (effective for annual periods beginning on or after 1 January 2017, not yet endorsed in the EU),
- IFRS 1 “First-time Adoption of International Financial Reporting Standards” (effective for annual periods beginning on or after 1 January 2018, not yet endorsed in the EU), and
- IAS 28 “Investments in Associates and Joint Ventures” (effective for annual periods beginning on or after 1 January 2018, not yet endorsed in the EU).

IFRIC 22 “Foreign Currency Transactions and Advance Consideration” (effective for annual periods beginning on or after 1 January 2018, not yet endorsed in the EU).

IFRS 17 “Insurance contracts” (effective for annual periods beginning on or after 1 January 2021, not yet endorsed in the EU).

IFRIC 23 “Uncertainty over Income Tax Treatments” (effective for annual periods beginning on or after 1 January 2019, not yet endorsed in the EU).

Amendments to IAS 40 “Investment Property” – Transfers of investment property (effective for annual periods beginning on or after 1 January 2018, not yet endorsed in the EU).

Amendments to IFRS 9 “Financial instruments” – Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 January 2019, not yet endorsed in the EU).

Amendments to IAS 28 “Investments in Associates and Joint Ventures” – Long-term Interests in Associates and Joint Ventures (effective for annual periods beginning on or after 1 January 2019, not yet endorsed in the EU).

Annual improvements to IFRS’s 2017 (effective for annual periods beginning on or after 1 January 2019, not yet endorsed in the EU). The amendments include changes that affect 4 standards:

- IFRS 3 - “Business Combinations”,
- IFRS 11 - “Joint Arrangements”
- IAS 12 - “Income taxes”
- IAS 23 - “Borrowing costs”.

The Bank has elected not to adopt these standards, revisions and interpretations in advance of their effective dates. The Bank anticipates that the adoption of all other standards, revisions and interpretations will have no material impact on the financial statements of the Bank in the period of initial application.

Notes (continued)
Accounting policies (continued)

(b) Accounting principles applied

The items in the financial statements have been measured based on the following accounting principles:

a) It is assumed that the company will continue as a going concern;
b) The measurement methods applied in the previous reporting year have been used;
c) The measurement of the items has been performed prudently meeting the following criteria:
   - Only profits accruing up to the balance sheet date have been included in the report;
   - All possible contingencies and losses arising in the reporting year or the previous year have been recognised, even if they became known in the period between the balance sheet date and the issuance of the annual report;
   - All impairment and depreciation charges have been calculated and recognised irrespectively of whether the company has operated profitably or not during the reporting year;
d) All income and expenses relating to the accounting year irrespective of the date of the payments made or the dates of receipt or payment of invoices have been recognised. Revenues are matched with expenses in the reporting year.
e) Assets and liabilities are presented at their gross amounts;
f) The opening balances of the reporting period reconcile with the closing balances of the previous reporting period;
g) All items which may materially affect the assessment or decision-making of the users of the financial statements are presented, immaterial items have been aggregated and their breakdown is presented in the Notes;
h) Business transactions are presented based on their economic substance rather than their legal form.

Asset and liability recognition is performed on historical cost basis. All financial assets and liabilities are classified as held to maturity or loans and receivables.

(c) Consolidation principles

The consolidated financial statements have been prepared under the cost method. The companies included in the consolidation are the Group's parent company and the subsidiaries in which the Group's parent company holds, directly or indirectly, more than a half of the voting rights, or the right to control their financial and operating policies is acquired otherwise. Where the Group owns more than a half of the share capital of another company without controlling the company, the respective company is not consolidated. The subsidiaries of the Group are consolidated from the moment the Group has taken over control, and the consolidation is terminated when the control cease to exist. Where the date of the share purchase agreement or the date of the decision of shareholders on making further investments is fundamentally different from the date of on which share ownership changes or the registration date as recorded in the Register) of Enterprises, the date of agreement shall be considered the date of the share purchase or the date of the investment, unless the agreement provides otherwise. The Group's all inter-company transactions and balances and unrealised profit on transactions between group companies are eliminated; unrealised losses are eliminated as well, except for the cases when the expenses are not recoverable. Where necessary, the accounting and measurement methods applied by the Group's subsidiaries have been changed to bring them in compliance with the Group's accounting and measurement methods.

In these statements the minority interest in the share capital of the Group's consolidated subsidiaries and their income statement have been presented separately.

(d) Recognition of revenue and expenses

- ***Net sales***

Net revenue represents the total value of goods sold and services provided during the year net of value added tax.

- ***Interest income and similar income***

The Company presents interest income in the section of the Profit and loss account prior to calculation of gross profit, as this income is related to the basic activities of the Company – charging interest for loans issued in return to pledge held as security or loans issued on other conditions. Interest income is recognised using accruals principle. Interest income is not recognised from the moment the recoverability of principal is considered doubtful. Penalty interest is recognised on a cash basis.

- ***Other income***

Other income is recognised based on accruals principle.

- ***Penalties and similar income***

Of collection exists, is recognised based on cash principle.

- ***Expenses***

Expenses are recognised based on accruals principle in the period of origination, irrespective of the moment of payment. Expenses related to financing of loans is recognised in the period of liability origination and included in the profit and loss items „Interest and similar expenses".

(e) Foreign currency translation

(e1) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The financial statement items are denominated in euro (EUR), which is the Company's functional and presentation currency.

(e2) Transactions and balances

All transactions in foreign currencies are translated into the functional currency using the exchange rates at the date of the respective transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement of the respective period. At the balance sheet date the rates set by the Bank of Latvia were:

	31.12.2017	**31.12.2016**
	1 EUR	**1 EUR**
USD	1.19930	1.05410
RUB	69.39200	64.30000

Notes (continued)
Accounting policies (continued)

(f) Financial instruments – key measurement terms
Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction. Fair values of financial assets or liabilities, including derivative financial instruments in active markets are based on quoted market prices. If the market for a financial asset or liability is not active (and for unlisted securities) the Group establishes fair value by using valuation techniques. These include the use of discounted cash flow analysis, option pricing models and recent comparative transactions as appropriate and may require the application of management's judgement and estimates.

Where, in the opinion of the Management, the fair values of financial assets and liabilities differ materially from their book values such fair values are separately disclosed in the notes to the accounts.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

Amortised cost is the amount at which the financial instrument was recognised at initial recognition less any principal repayments plus accrued interest and for financial assets less any write-down for incurred impairment losses. Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to maturity amount using the effective interest method. Accrued interest income and accrued interest expense including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any) are not presented separately and are included in the carrying values of related items on the balance sheet.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

(g) Offsetting of financial assets and liabilities
Financial assets and liabilities are offset and net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

(h) Intangible assets (including goodwill) and fixed assets
All intangible assets and fixed assets are initially measured at cost. Intangible assets and fixed assets are recorded at historic cost net of depreciation and permanent diminution in value. Depreciation or amortisation is calculated on a straight-line basis to write down each asset to its estimated residual value over its estimated useful life as follows:

	years
Buildings	20
Constructions	5
Intangibles	3 – 5
Other fixed assets	3 – 5
Low value inventory (worth over 71 EUR)	3

The residual values, remaining useful lives and methods of depreciation are reviewed and, if required, adjusted annually. Fixed asset and intangibles recognition is terminated in case of its liquidation or when no future benefits are expected in connection with the utilisation of the respective asset. Any profit or loss connected with the termination of recognition (calculated as difference between the disposal gains and net book value as at the moment of derecognition), is recognised in the profit or loss account in the period when derecognition occurs. Leasehold improvements are written down on a straight-line basis over the shorter of the estimated useful life of the leasehold improvement and the term of the lease. Current repairs and maintenance costs are charged to profit and loss account in the period when the respective costs are incurred.

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the net fair value of share of equity acquired. The recognised goodwill is reassessed at least on an annual basis to make sure no permanent diminution in value has occurred. In case such diminution in value is identified, the diminution in value is recognised in the income statement of the respective year.

(i) Investments in the associated companies
In the financial statements the investments in associated companies are carried at equity method. Under this method the value of the investment at the balance sheet date comprises the value of the equity of the associated company corresponding to the share of investment and the book value of the positive goodwill arising at the acquisition of the investment.
At the year-end the amount of the reported item is increased or decreased by reference to the Company's share in the profit or loss of the associated company during the year (in the post-acquisition period), or other changes in equity, as well as by the reduction of the goodwill arising at acquisition to its recoverable amount. Unrealised profit on inter-company transactions is excluded. Profit distribution is presented in the year following the reporting year in which the shareholders adopt a decision on profit distribution.

Notes (continued)
Accounting policies (continued)

(j) Impairment of assets
Intangible assets which are not put into operation or which do not have a useful life are not amortised; their value is reviewed annually. The value of the assets subject to depreciation or amortisation is reviewed whenever any events or circumstances support that their carrying value may not be recoverable. Impairment losses are recognised in the amount representing the difference between the carrying value of the asset and its recoverable value. Recoverable amount is the higher of the respective asset's fair value less the costs to sell and the value in use. In order to determine impairment, assets are grouped based on the smallest group of assets that independently generates cash flow (cash generating units).

(k) Segments
A geographical segment provides products or services within a particular economic environment that is subject to other economic environments characterized by different risks and benefits. A business segment is a share of assets and operations, providing products and services that are subject to other business segments of different risks and benefits.

(l) Inventories
Inventories are stated at the lower of cost or market price. Inventories are measured using the weighted FIFO method. The Company assesses at each balance sheet date whether there is objective evidence that inventories are impaired and makes provisions for slow-moving or damaged inventories. Inventories loss is recognised in the period such loss is identified, writing off the relevant inventory values to the period profit and loss account.

(m) Seized assets
Collateral is repossessed following the foreclosure on loans that are in default. Seized assets are measured at the lower of cost or net realisable value and reported within "Inventories".

(n) Trade and other receivables
Accounts receivable comprise loans and other receivables (other debtors, advances and deposits) that are non-derivative financial assets with fixed or determinable payments. Loans are carried at amortised cost where cost is defined as the fair value of cash consideration given to originate those loans. All loans and receivables are recognised when cash is advanced to borrowers and derecognised on repayments. The Company has granted consumer loans to customers throughout its market area. The economic condition of the market area may have an impact on the borrowers' ability to repay their debts. Restructured loans are no longer considered to be past due unless the loan is past due according to the renegotiated terms.

From October 2015 SIA "ExpressCredit" has started issuance of pledged loans (except pledges in the form of golden and silver articles) with new lending conditions, that assume 10% commission in case of loan default and subsequent sale of the pledge, i.e., the revenues received by SIA "ExpressCredit" from the sale of the pledge, decreased by the VAT portion. The pledges are made available for sale after 30 days of default, however, they continue to hold the status of the pledge and the loan recipient has the rights to buy out the pledge before the sale. In the financial statements these pledges are classified as loans issued. In case a surplus originates upon a sale of the pledge and the related costs (loan issued, interest and penalties accrued, intermediary and holding commissions), the surplus is recognised as the liability of the company to the loan recipient. The liability expires, if the loan recipient does not claim the amount due within the 10 year term as defined in Article 1895 of the Civil Code. If the loan recipient has not claimed the surplus within the legally defined time limits, SIA "ExpressCredit" recognises the income. Such income is outside VAT legislation and is not VAT taxable.

The Company assesses at each balance sheet date whether there is objective evidence that loans are impaired. If any such evidence exists, the amount of the allowances for loan impairment is assessed as the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows including amounts recoverable from collateral discounted at the original effective interest rate. The assessment of the evidence for impairment and the determination of the amount of allowances for impairment or its reversal requires the application of management's judgement and estimates. Management's judgements and estimates consider relevant factors including but not limited to, the identification of non-performing loans (loan repayment schedule compliance), the estimated value of collateral (if taken) as well as other relevant factors affecting loan and recoverability and collateral values. These judgements and estimates are reviewed periodically and as adjustments become necessary, they are reported in earnings in the period in which they become known. The Management of the Company have made their best estimates of losses based on objective evidence of impairment and believe those estimates presented in the financial statements are reasonable in light of available information.

When loans cannot be recovered they are written off and charged against allowances for loan impairment losses. They are not written off until all the necessary legal procedures have been completed and the amount of the loss is finally determined.

The provision in the allowance account is reversed if the estimated recovery value exceeds the carrying amount.

Notes (continued)
Accounting policies (continued)

(n) Trade and other receivables (continued)
In accordance with the provisioning policy developed by the Company (for non-secured consumer loans with the term of repayment up to 2 years) provisions are made based on the payment delay analysis at following rates:

Days of delay	Provision made
0	3%
1-15	6%
16-30	18%
31-60	32%
61-90	42%
91-180	47%
181-360	67%
360-720	92%
721+	100%

Provisions for interest income debts is made in accordance with the policies set by the management of the Company. In accordance with the provisioning policy the Company calculates the provision required based on prior experience of loan volumes that turn out to be doubtful and the statistics of recoverability of such debts. The provision for interest accrued is made in accordance with the provisioning policies set by the management making sure that cash flows from interest receivable are excluded from cash flows used as the basis for principal recoverability testing.

The recoverability of other debtors, advances and deposits paid is valued on individual basis if there are any indications of net book value of the asset exceeding its recoverable amount.

(o) Finance lease
Where the property, plant and equipment are acquired under a finance lease arrangement and the Company takes over the related risks and rewards, the property, plant and equipment items are measured at the value at which they could be purchased for an immediate payment. Leasing interest is charged to the profit and loss in the period in which it arises.

(p) Operating leases

Company is a lessor
The type of lease in which the lessor retains a significant part of the risks and rewards pertaining to ownership, is classified as operating lease. Lease payments and prepayments for a lease (net of any financial incentives received from the lessor) are charged to the profit and loss under a straight-line method over the lease term.

(q) Taxes
The corporate income tax expense is included in the financial statements based on the management's calculations made in accordance with the requirements of Latvian tax legislation.
Assets or liabilities of deferred tax is written off into current year's profit and loss according to changes of tax legislation, what cause difference to base of deferred tax.

(r) Provisions for unused annual leave
The amount of provision for unused annual leave is determined by multiplying the average daily pay of employees during the last 6 months by the number of accrued but unused annual leave days the end of the reporting year. The company separates the vacation provisions paid out till the date of annual report preparation and treats them as CIT deductible in the reporting period.

(s) Borrowings
Initially borrowings are recognised at the proceeds received net of transaction costs incurred. In subsequent periods, borrowings are stated at amortised cost which is determined using the effective interest method. The difference between the proceeds received, net of transaction costs and the redemption value of the borrowing is gradually recognized in the profit and loss account over the term of the borrowing.

(t) Cash and cash equivalents
For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, balances of current accounts with banks and short-term deposits with a maturity term of up to 90 days.

(u) Payment of dividends
Dividends due to the shareholders are recognized in the financial statements as a liability in the period in which the shareholders approve the disbursement of dividends.

Notes (continued)
Accounting policies (continued)

(v) Financial risk management

(v1) Financial risk factors

The activities of the Company expose it to different financial risks:
(u1.1) foreign currency risk;
(u1.2) credit risk;
(u1.3) operational risk;
(u1.4) market risk;
(u1.5) liquidity risk;
(u1.6) cash flow and interest rate risk.

The Company's overall risk management is focused on the uncertainty of financial markets and aims to reduce its adverse effects on the Company's financial indicators. The Finance Director is responsible for risk management. The Finance Director identifies, assesses and seeks to find solutions to avoid financial risks acting in close cooperation with other structural units of the Company.

(v1.1) Foreign exchange risk

The Company operates mainly in the local market and its exposure to foreign exchange risk is low. With the current income-expense structure additional monitoring procedures for currency risk monitoring are not deemed necessary. No further risk prevention mechanisms are used on the account that the overall currency risk has been assessed as low.

(v1.2) Credit risk

The Company has a credit risk concentration based on its operational specifics – issuance of loans against pledge, as well as issuance of non-secured loans that is connected with an increased risk of asset recoverability. The risk may result in short-term liquidity problems and issues related to timely coverage of short-term liabilities. The Company's policies are developed in order to ensure maximum control procedures in the process of loan issuance, timely identification of bad and doubtful debts and adequate provisioning for potential loss.

(v1.3) Operational risk

Operational risk is a loss risk due to external factors namely (natural disasters, crimes, etc.) or internal ones (IT system crash, fraud, violation of laws or internal regulations, insufficient internal control). Operation of the Company carries a certain operational risk which can be managed using several methods including methods to identify, analyse, report and reduce the operational risk. Also self-assessment of the operational risk is carried out as well as systematic approval of new products is provided to ensure the compliance of the products and processes with the risk environment of the activity.

(v1.4) Market risk

The Company is exposed to market risks, basically related to the fluctuations of interest rates between the loans granted and funding received, as well as demand for the Company's services fluctuations. The Company attempts to limit market risks, adequately planning the expected cash flows, diversifying the product range and fixing funding resource interest rates.

(v1.5)Liquidity risk

The Company complies with the prudence principle in the management of its liquidity risk and maintains sufficient funds. The management of the Company has an oversight responsibility of the liquidity reserves and make current forecasts based on anticipated cash flows. Most of the Company's liabilities are short-term liabilities. The management is of the opinion that the Company will be able to secure sufficient liquidity by its operating activities, however, if required, the management of the Company is certain of financial support to be available from the owners of the Company.

(v1.6) Cash flow interest rate risk

As the Company has borrowings and finance lease obligations, the Company's cash flows related to financing costs to some extent depend on the changes in market rates of interest. The Company's interest payment related cash flows depend on the current market rates of interest. The risk of fluctuating interest rates is partly averted by the fact that a number of loans received have fixed interest rates set. Additional risk minimization measures are not taken because the available bank products do not provide an effective control of risks.

(v2) Accounting for derivative financial instruments

The Company does not actively use derivative financial instruments in its operations. Derivative financial instruments are initially recognized at fair value on the date of the contract, and are thereafter measured at fair value at the balance sheet date. Derivative financial instruments are carried as assets if their fair value is positive and as liabilities if fair value is negative. Any gains or losses arising due to the changes in the fair value of the derivative financial instrument are not classified hedges and are recognized directly in the profit and loss.

(v3) Fair value

The carrying value of financial assets and liabilities approximates their fair value. See also note (f).

Notes (continued)
Accounting policies (continued)

(v) Financial risk management (continued)

(v4) Management of the capital structure
In order to ensure the continuation of the Company's activities, while maximizing the return to stakeholders capital management, optimization of the debt and equity balance is performed. The Company's capital structure consists of borrowings from related persons, third party loans and loans from credit institutions and finance lease liabilities, cash and equity, comprising issued share capital, retained earnings and share premium. At year-end the ratios were as follows:

	Parent company	**Group**	**Parent company**	**Group**
	31.12.2017	**31.12.2017**	**31.12.2016**	**31.12.2016**
	EUR	**EUR**	**EUR**	**EUR**
Loan and lease liabilities	16 610 517	16 397 193	12 371 542	12 371 542
Cash and bank	(2 072 996)	(2 219 747)	(1 127 231)	(1 279 410)
Net debts	**14 537 521**	**14 177 446**	**11 244 311**	**11 092 132**
Equity	3 234 251	3 702 131	2 573 473	2 806 064
Liabilities / equity ratio	**5.14**	**4.43**	**4.81**	**4.41**
Net liabilities / equity ratio	**4.49**	**3.83**	**4.37**	**3.95**

(w) Significant assumptions and estimates
The preparation of financial statements in accordance with International Financial Reporting Standards as adopted by the EU and Latvian law requires the management to rely on estimates and assumptions that affect the reported amounts of assets and liabilities and off-balance sheet assets and liabilities at the date of financial statements, as well as the revenues and expenses reporting in the reporting period. Actual results may differ from these estimates.

The following judgements and key assumptions concerning the future are critical, and other causes of inaccuracies in the calculations as at the date of financial statements, with a significant risk of causing a material change in the balance sheet value of assets and liabilities within the next financial year:

- The Company review the useful lives of its fixed assets at the end of each reporting period. The management makes estimates and uses assumptions with respect to the useful lives of fixed assets. These assumptions may change and the calculations may therefore change.
- The Company review the value of its fixed assets and intangible assets whenever any events or circumstances support that the carrying value may not be recoverable. Impairment loss is recognised in the amount equalling the difference between the carrying value of the asset and its recoverable value. Recoverable amount is the higher of an asset's fair value less the costs to sell and the value in use. The Company is of the view that considering the anticipated volumes of services no material adjustments due to impairment are required the asset values.
- In measuring inventories the management relies on its expertise, past experience, background information, and potential assumptions and possible future circumstances. In assessing the impairment of the value of inventories consideration is given to the possibility to sell the item of inventories and the net realisable value.
- The Company’s management, based on estimates, makes provisions for the impairment of the value of receivables. The Company’s management is of the opinion that the provisions for receivables presented in the financial statements accurately reflect the expected cash flows from these receivables and that these estimates have been made based on the best available information.
- The Company is composed with caution savings potential future payment obligations in cases where disputes the validity of such legal obligation, or there are legal disputes about the amount of such liabilities.

(x) Related parties
Related parties include the shareholders, members of the Board of the parent company of the Company, their close family members and companies in which the said persons have control or significant influence. Term “Related parties” agrees to Commission Regulation (EC) 1126/2008 of 3 November 2018 which took in force various IAS according to European Parlament and Council Regulation (EC) 1606/2002 mentioned in Annex of IAS 24 “Related Party Disclosures”.

(y) Subsequent events
Post-period-end events that provide additional information about the Company’s position at the balance sheet date (adjusting events) are reflected in the financial statements. Post-period-end events that are not adjusting events are disclosed in the notes when material.

(z) Contingencies
Contingent liabilities are not recognised in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the financial statements but disclosed when an inflow of economic benefits is probable.

(aa) Earnings per share
Earnings per share are calculated by dividing the net profit or loss for the year attributable to the shareholders with the weighted-average number of shares outstanding during the year.

Notes (continued)

(1) Intangible and fixed assets of the Parent company

	Concessions, patents, trademarks and similar rights	Other intangible assets	Other fixed assets and inventory	Advances	Leasehold improvements	Total
	EUR	EUR	EUR	EUR	EUR	EUR
Cost						
31.12.2016	40 539	10 000	899 521	105 967	339 575	1 395 602
Additions	13 675	20 727	122 388	66 575	14 787	238 152
Disposals	(1 072)	-	(54 750)	-	-	(55 822)
Finished fixed assests from prepaid advances	172 542	-	-	(172 542)	-	-
31.12.2017	**225 684**	**30 727**	**967 159**	**-**	**354 362**	**1 577 932**
Depreciation						
31.12.2016	23 388	556	676 894	-	271 649	972 487
Charge for 2017	9 745	4 897	135 308	-	33 470	183 420
Disposals	(730)	-	(32 797)	-	-	(33 527)
31.12.2017	**32 403**	**5 453**	**779 405**	**-**	**305 119**	**1 122 380**
Net book value 31.12.2017	**193 281**	**25 274**	**187 754**	**-**	**49 243**	**455 552**
Net book value 31.12.2016	**17 151**	**9 444**	**222 627**	**105 967**	**67 926**	**423 115**

As at 31 December 2017 the residual value of the fixed assets acquired under the terms of financial lease was 174 572 *euro* (31.12.2016: 164 557 *euro*). The ownership of those fixed assets will be transferred to the Group only after settlement of all lease liabilities.

Intangible and fixed assets of the Group

	Concessions, patents, trademarks and similar rights	Other intangible assets	Other fixed assets and inventory	Advances	Goodwill	Leasehold improvements	Total
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Cost							
31.12.2016.	40 539	25 034	911 489	105 967	127 616	344 735	1 555 380
Additions	13 675	26 087	126 348	67 084	-	17 100	250 294
Disposals	(1 072)	-	(54 750)	(509)	-	-	(56 331)
Finished fixed assests from prepaid advances	172 542	-	-	(172 542)	-	-	-
31.12.2017.	**225 684**	**51 121**	**983 087**	**-**	**127 616**	**361 835**	**1 749 343**
Depreciation							
31.12.2016	23 388	850	677 415	-	-	271 822	973 475
Charge for 2017	9 745	8 217	138 867	-	-	34 660	191 489
Disposals	(730)	-	(32 797)	-	-	-	(33 527)
31.12.2017.	**32 403**	**9 067**	**783 486**	**-**	**-**	**306 482**	**1 131 438**
Net book value 31.12.2017	**193 281**	**42 054**	**199 601**	**-**	**127 616**	**55 353**	**617 905**
Net book value 31.12.2016	**17 151**	**24 184**	**234 074**	**105 967**	**127 616**	**72 913**	**581 905**

Notes (continued)

(2) Parent Company's investments in subsidiaries

The Parent company is the sole shareholder of the subsidiary SIA "ExpressInkasso" (100%), of the subsidiary SIA "MoneyMetro" (100%), and implementet acquisition of (100%) shares of the subsidiary "Cash Advance Bulgaria" EOOD in 2017. The disposal was made of (100%) shares of the subsidiary SIA "EC Finance" in amount of 3000 shares with each share nominal value in 1 EUR.

a) participating interest in subsidiaries

Name	Acquisition price of subsidiaries		Participating interest in share capital of subsidiaries	
	31.12.2017.	31.12.2016.	31.12.2017.	31.12.2016.
	EUR	EUR	%	%
SIA ExpressInkasso	2828	2 828	100	100
SIA MoneyMetro from 23.02.2015	880 000	880 000	100	100
SIA EC Finance from 01.12.2015. till 08.12.2017.	-	3 000	-	100
Cash Advance Bulgaria EOOD from 20.01.2017	513 000	-	100	100
	1 395 828	**885 828**		

b) information on subsidiaries

Name	Address	Shareholders' funds 31.12.2017. EUR	Shareholders' funds 31.12.2016. EUR	Profit/ (loss) for the period 2017 EUR	Profit/ (loss) for the period 2016 EUR
SIA ExpressInkasso	Raunas street 44k-1, LV-1039 Riga, Latvia	493 159	233 209	259 951	122 218

Basic operations of SIA ExpressInkasso are debt collection services.

SIA MoneyMetro (from 30.04.2015. till 29.07.2016. SIA Banknote, till 30.04.2015– SIA Rīgas pilsētas lombards)	Raunas street 44k-1, LV-1039 Riga, Latvia	726 590	754 712	(28 124)	(64 327)

Basic operation of SIA MoneyMetro is providing consumer lending services.

SIA EC Finance from 01.12.2015. till 08.12.2017.	Raunas street 44k-1, LV-1039 Riga, Latvia	N/A	2 883	N/A	(117)
Cash Advance Bulgaria EOOD from 20.01.2017	49A, Bulgaria Blvd., fl. 4., office 30, Triaditsa region	516 343	N/A	3 343	N/A

Basic operations of Cash Advance Bulgaria EOOD are Crediting services.

(3) The Group's loans to shareholders and management

	Loans to members EUR
Cost	
31.12.2016.	1 216 601
Loans issued	1 367 051
Loans repaid	(1 858 873)
Interest of loans	21 840
31.12.2017.	**746 619**
Net book value as at 31.12.2017	**746 619**
Net book value as at 31.12.2016	**1 216 601**

Interest on borrowing is 2.64% per annum. The loan maturity - 31 December 2019 (including the loan principal amount and accrued interest). The Company's management has assessed the recoverability of the loans and is convinced that a provision is not necessary. Loans are not secured. Loans are denominated in euro.

Notes (continued)

(4) Loans and receivables

	Parent company 31.12.2017. EUR	Group 31.12.2017. EUR	Parent company 31.12.2016. EUR	Group 31.12.2016. EUR
Long-term loans and receivables				
Debtors for loans issued against pledge	61 099	61 099	55 955	55 955
Debtors for loans issued without pledge	1 707 115	1 851 797	908 153	908 153
Long-term loans and receivables, total	**1 768 214**	**1 912 896**	**964 108**	**964 108**
Short-term loans and receivables				
Debtors for loans issued against pledge	1 996 754	1 996 754	1 808 673	1 808 673
Debtors for loans issued against pledge, for realization	789 456	789 456	673 763	673 763
Debtors for loans issued without pledge	10 585 452	11 923 626	7 863 648	8 870 377
Interest accrued	540 846	578 557	554 721	589 261
Provisions for bad and doubtful trade debtors	(1 212 219)	(1 357 617)	(1 281 032)	(1 350 823)
Short-term loans and receivables, total	**12 700 289**	**13 930 776**	**9 619 773**	**10 591 251**
Loans and receivables	**14 468 503**	**15 843 672**	**10 583 881**	**11 555 359**

All loans are issued in euro.

Long term receivables for the loans issued don't exceed 5 years.

In 1 June 2017 and 2 December 2017 were concluded contracts with SIA "ExpressInkasso" about cession of bad receivable amounts. The carrying value of the claim amount in total – EUR 2 095 367, the amount of compensation according to the independent evaluators' assessment –EUR 628 724. Loss from impairment of the issued loans within the Group were recognised in the current year. As at 29 March 2017 and 3 November 2017 were signed contracts with third parties for the bad receivable amounts cession. The carrying value of the claim in the Group's balance sheet in total – EUR 643 656, the amount of compensation –EUR 575 307. Losses from these transactions were recognised in the current year.

In 25 September 2017 the Parent company signed a contract with third party for the receivable amounts regular cession to assign debtors for loans issued which are outstanding for more than 90 days. The carrying value of the claim amount until 31 December 2017 in total – EUR 484 491, the amount of compensation – EUR 336 272. Losses from these transactions were recognised in the current year.

The claims in amount of EUR 2 847 309 (31.12.2016: EUR 2 538 391) are secured by the value of the collateral. Claims against debtors for loans issued against pledge is secured by pledges, whose fair value is about EUR 4 755 006, which is 1.67 times higher than the carrying value, therefore provisions for overdue loans are not made. All pledges, for which loan payments are delayed, becomes the Group's property and are realized in the Group's stores.

a) Age analysis of claims against debtors for loans issued:

	Parent company 31.12.2017. EUR	Group 31.12.2017. EUR	Parent company 31.12.2016. EUR	Group 31.12.2016. EUR
Receivables not yet due	13 589 275	14 549 165	7 858 894	8 491 645
Outstanding 1-30 days	795 107	878 658	1 520 508	1 577 284
Outstanding 31-90 days	505 630	564 932	1 077 219	1 103 429
Outstanding 91-180 days	334 088	412 055	869 553	871 591
Outstanding for 181-360 days	130 815	383 567	224 905	415 356
Outstanding for more than 360 days	325 807	412 912	313 834	446 877
Total claims against debtors for loans issued	**15 680 722**	**17 201 289**	**11 864 913**	**12 906 182**

b) Provisions for bad and doubtful trade and other receivables

	Parent company 2017 EUR	Group 2017 EUR	Parent company 2016 EUR	Group 2016 EUR
Provisions for bad and doubtful receivables at the beginning of the year	**1 281 032**	**1 350 823**	**710 540**	**710 540**
Written-off	(81 506)	(81 506)	(36 001)	(36 001)
Additional provisions	12 693	88 300	606 493	676 284
Provisions for bad and doubtful receivables at the end of the year	**1 212 219**	**1 357 617**	**1 281 032**	**1 350 823**

Notes (continued)

(5) Share capital

The Parent Company's share capital is EUR 1 500 000 which consists of 1 500 000 ordinary shares, each of them with a nominal value of EUR 1.

(6) Bonds issued

	Parent company 31.12.2017. EUR	**Group 31.12.2017. EUR**	**Parent company 31.12.2016. EUR**	**Group 31.12.2016. EUR**
Bonds issued	7 063 000	7 063 000	5 224 000	5 224 000
Bonds commission	(10 813)	(10 813)	(10 240)	(10 240)
Total long-term part of bonds issued	**7 052 187**	**7 052 187**	**5 213 760**	**5 213 760**
Bonds issued	1 000 000	1 000 000	1 000 000	1 000 000
Bonds commission	(2 806)	(2 806)	(13 203)	(13 203)
Interest accrued	17 549	17 549	30 976	30 976
Total short-term part of bonds issued	**1 014 743**	**1 014 743**	**1 017 773**	**1 017 773**
Bonds issued, total	**8 063 000**	**8 063 000**	**6 224 000**	**6 224 000**
Interest accrued, total	17 549	17 549	30 976	30 976
Bonds commission, total	(13 619)	(13 619)	**(23 443)**	**(23 443)**
Bonds issued net	**8 066 930**	**8 066 930**	**6 231 533**	**6 231 533**

As at the date of signing of the annual report the Parent company of the Group has registered secured bonds (ISIN LV0000801280) with the Latvia Central Depository on the following terms – number of financial instruments 5 000 with the nominal value of 200 *euro*, with the total nominal value of 1 000 000 *euro*. Coupon rate - 14%, coupon is paid once a month on the 25th date. The principal amount is repaid once in a quarter in the amount of 50 *euro* per bond. The maturity of the bonds – 25 November 2018. On 28 March 2014 the public quotation of the bonds with NASDAQ OMX Riga Baltic Securities list was started.

As at the date of signing of the annual report the Parent company of the Group has registered bonds (ISIN LV0000801322) with the Latvia Central Depository on the following terms – number of financial instruments 3 500 with the nominal value of 1000 *euro*, with the total nominal value of 3 500 000 *euro*, 10 000 euro of them are nominal value of self purchased bonds. Coupon rate - 15%, coupon is paid once a month on the 25th date. The principal amount is to be repaid once in a quarter in the amount of 125 *euro* per bond starting 25 March 2019. The maturity of the bonds – 25 December 2020. On 14 April 2014 the public quotation of the bonds with NASDAQ OMX Riga Baltic Securities list was started.

As at the date of signing of the annual report the Parent company of the Group has registered bonds (ISIN LV0000802213) with the Latvia Central Depository on the following terms –number of securities issued: 5 000, number of securities situated on 31.12.2017.: 3 997, Nominal value 1 000 *euro* per each with the total nominal value of 3 997 000 *euro,* 524 000 euro of them are nominal value of self purchased bonds. As at the date of signing of the annual report: 5 000 with a Nominal value 1 000 *euro* per each, and the total nominal value of 5 000 000 *euro*., 504 000 of them are nominal value of self purchased bonds. Coupon rate - 14%, coupon is paid once a month on the 25th date. The principal amount (EUR 1000 per each bond) is to be repaid on 25.10.2021. Issued bonds are not in public trade. Bonds are issued starting from 19.10.2016.

The bonds (ISIN LV0000801280) are secured by the commercial pledge of the total assets and shares of the Group, as well as future components of these assets. The bonds are also secured by the financial pledge of the cash assets and financial instruments (if existent) of the Group held at AS "Reģionālā investīciju banka". The bond holders have the rights to recover their assets proportionately to their share of investment in case of pledge realisation if the parent company has breached the conditions of coupon payment or principal repayment.

The following pledge agreements with the total pledge value of EUR 6 million are concluded. The pledge agreements have been concluded with the following persons/entities:

- Lombards24.lv, SIA, reg.No. 40103718685, pledge on SIA "ExpressCredit" shares, pledged number of shares - 989 913;
- AE Consulting, SIA, reg. No. 40003870736, pledge on SIA "ExpressCredit" shares, pledged number of shares - 150 000;
- EC Finance, SIA, reg. No. 40103950614, pledge on SIA "ExpressCredit" shares, pledged number of shares – 322 587;
- Kristaps Bergmanis, pledge on SIA "ExpressCredit" shares, pledged number of shares-: 15 000.00;
- Didzis Ādmīdiņš, pledge on SIA "ExpressCredit" shares, pledged number of shares -22 500.

Each pledge guarantees the claim in the total claim amount:

- with the Parent company on 100% shares of SIA "EkspressInkasso";
- with a subsidiary SIA "EkspressInkasso" on aggregate movable property and future components of these assets;
- with the Parent company on aggregate movable property and future components of these assets. Leased vehicles are excluded from the pledge listing.

Notes (continued)

(7) Other borrowings

	Parent company 31.12.2017. EUR	Group 31.12.2017. EUR	Parent company 31.12.2016. EUR	Group 31.12.2016. EUR
Long-term finance lease	120 472	120 472	113 074	113 074
Other long-term loans	1 658 514	1 802 208	1 178 958	1 178 958
Total other long-term loans	**1 778 986**	**1 922 680**	**1 292 032**	**1 292 032**
Short-term finance lease	54 100	54 100	51 483	51 483
Other short-term loans	5 888 956	6 351 074	4 796 494	4 796 494
Total other short-term loans	**5 943 056**	**6 356 484**	**4 847 977**	**4 847 977**
Total other loans	**7 722 042**	**8 279 164**	**6 140 009**	**6 140 009**

The Parent company has acquired fixed assets on finance lease. As at 31 December 2017 the interest rate was set as 3 M Euribor + 5.5% and 6M Euribor + 3-3.5%.

The Parent company has received loans from private individuals and legal entities. The interest is charged from 11% to 15 % p.a. The loans are received without security granted.

(8) Related party transactions

In the annual report there are presented only those related parties with whom have been transactions the reporting year or in the comparative period.

Related party	**Transactions in 2017**	**Transactions in 20156**
Parent company's owners		
"Lombards24.lv", SIA (previously „Express Holdings", SIA), reg. No.40103718685	X	X
„AE Consulting", SIA, reg. No. 40003870736	X	X
"EC finace", SIA, reg. No. 40103950614 from 08.12.2017.	X	N/A
Didzis Ādmīdiņš, p.c.. 051084-11569	X	X
Kristaps Bergmanis, p.c. 040578-13052	X	X
Companies and individuals under common control or significant influence		
Agris Evertovskis, p.c. 081084-10631	X	X
EA investments, AS, reģ.Nr. 40103896106	X	N/A
Subsidiary		
"ExpressInkasso", SIA, reg. No. 40103211998	X	X
"MoneyMetro", SIA, reg. No. 40003040217	X	X
"EC Investments", SIA, reg. No. 40103944745 till 01.02.2016.	N/A	X
"EC finance", SIA, reg. No. 40103950614 till 08.12.2017.	N/A	X
Cash Advance Bulgaria EOOD, reg. No. 204422780	X	N/A
Other related companies		
"Naudasklubs" SIA, reg. No. 40103303597	N/A	X
"Banknote" SIA, (previously "A.Kredīts", SIA) reg. No. 40103501494	X	X
"ExpressCreditEesti" OU, reg. No. 12344733 till 27.10.2016.	N/A	X
"EL Capital", SIA, reg.No. 40203035929	X	N/A
"EuroLombard Ltd"., reg. No. 382902595000	X	N/A
"KALPAKS", SIA, reg.No. 40203037474	X	N/A

All the transactions have been performed at market rates.

	2017 EUR	2016 EUR
Parent company transactions with:		
Owners of the parent company		
Loans received	739 973	9 500
Loans repaid	739 973	9 500
Loans issued	1 363 904	992 265
Loan repayment received	1 855 287	663 237
Interest paid	3 576	-
Interest received	21 840	8 467
Dividends paid	2 070 000	700 000
Services received	2 542	2 210
Services delivered	420	120
Goods sold	2 492	6 797
Investment in shares	-	200 000
Bonds sold	50 000	-

Notes (continued)

Related party transactions (continued)

	2017 EUR	2016 EUR
Parent company's transactions with:		
Subsidiaries		
Cession of loans	573 959	529 232
Loans received	1 392 500	41 888
Loans repaid	634 284	41 888
Loans issued	318 000	75 163
Loan repayment received	355 563	7 600
Interest paid	16 275	771
Interest received	3 591	18
Dividends paid	-	92 315
Services delivered	24 834	12 433
Goods sold	230	7 140
Fixed assets sold	238	2 910
Investment in shares	513 000	
Companies and individuals under common control or significant influence		
Loans received	50 000	-
Loans issued	98 000	267 400
Loan repayment received	114 400	251 000
Interest paid	112	-
Interest received	2 264	2 026
Services delivered	60	-
Shares sold	4 000	-
Other related companies		
Loans repaid	-	16 550
Loans issued	550 687	89 550
Loan repayment received	176 120	24 389
Interest paid	-	79
Interest received	33 565	3 622
Services received	26 438	64 631
Services delivered	6 421	1 030
Fixed assets sold	81	-
Group's transactions with:		
Owners of the parent company		
Loans received	739 973	9 500
Loans repaid	739 973	9 500
Loans issued	1 363 904	992 265
Loan repayment received	1 855 287	663 237
Interest paid	3 576	-
Interest received	21 840	8 467
Dividends paid	2 070 000	700 000
Services received	4 720	2 210
Services delivered	420	120
Goods sold	2 492	-
Fixed assets sold	-	6 797
Investment in Shares	-	200 020
Bonds sold	50 000	-
Companies and individuals under common control or significant influence		
Loans received	50 000	7 000
Loans repaid	-	7 000
Loans issued	98 000	267 400
Loan repayment received	114 400	251 000
Interest paid	112	-
Interest received	2 264	2 026
Services delivered	60	-
Shares sold	4 000	-
Other related companies		
Loans repaid	-	16 550
Loans issued	550 687	89 550
Loan repayment received	176 120	4 580
Interest paid	-	79
Interest received	33 565	3 622
Services received	26 438	115 109
Services delivered	6 421	1 030
Fixed assets sold	81	-

Notes (continued)

(9) Guarantees issued, pledges

As at 31 December 2017 the Parent company has issued guarantees to other companies (only to legal entities) for the purchase of cars under the terms of financial lease. The total amount guaranteed as at 31.12.2017 - EUR 74 830. The guarantee is effective till 2021. For other information on guarantees issued/received and pledges given – see Note 6. Information about the Parent company's fixed assets acquired the terms of financial lease see in Note 1.

(10) Subsequent events

There are no subsequent events since the last date of the reporting year, which would have a significant effect on the financial position of the Company as at 31 December 2017.

Agris Evertovskis Chairman of the Board	Didzis Ādmīdiņš Board Member	Kristaps Bergmanis Board Member	Ivars Lamberts Board Member

Riga, 26 February 2018