

Company Description

June 2022



Listing of notes on *Nasdaq First North*

Important legal information

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Investing into debt securities involves risks. While every care has been taken to ensure that this Company Description presents a fair and complete overview of the risks related to the Issuer, the operations of the Issuer and its subsidiaries, and to the notes mentioned in this Document (the “Notes”), the value of any investment in the Notes may be adversely affected by circumstances that are either not evident at the date hereof or not reflected in the Company Description.

Important legal information

The Issuer and its management board are responsible for the information contained in this Company Description and Securities Note Terms of the Notes Issue signed on 23 November 2021 in the attachment

Hereby we, Chairman of the Management of Board of AS DelfinGroup Didzis Ādmīdiņš and Member of the Management Board of AS DelfinGroup Aldis Umblejs certify that, by paying sufficient attention to this purpose, the information included in the Company Description and Securities Note is true, in accordance with the facts, and no information which may affect its meaning is concealed therein.

Aldis Umblejs
Member of the Management Board

Sanita Zitmane
Member of the Management Board

Agenda

DelfinGroup at glance

Business overview

Financial highlights

Transaction overview

Nasdaq First North listing disclosures



Who we are

DELFINGROUP

is a Latvian fintech company that offers accessible, simple, and consumer-focused finance and pawn services. To foster circular economy DelfinGroup provides sale of pre-owned goods.

We have established an extensive network of branches and a strong online presence, ensuring that we are easily accessible to everyone.

MISSION

To create and provide innovative and custom finance solutions for DelfinGroup clients.

VISION

Building a sustainable society by empowering people and promoting financial inclusion.

Key characteristics

2009

founded in

300+

employees

90+

branches

38

cities

400 000+

customers

12 YEARS

profitable operations

4

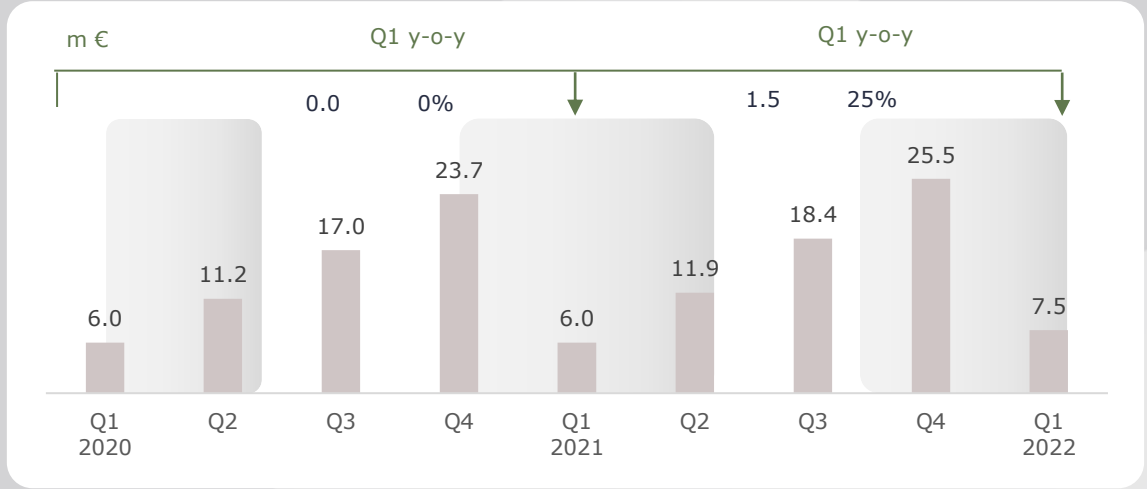
business segments

Selected financials

Total loans issued



Total revenue, quarterly cumulative



EBITDA



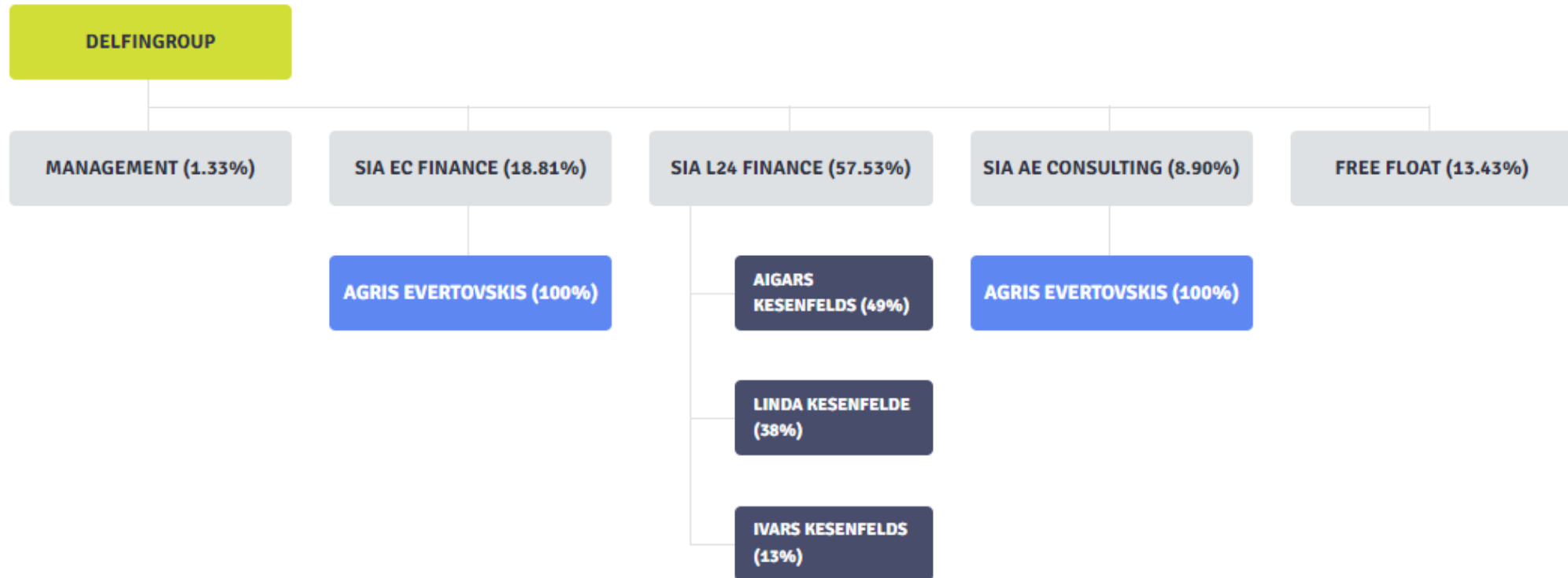
Profit before tax



Historic timeline



Shareholders



On 2 June 2022

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Industry and services

CONSUMER LENDING

- Pawn loans
- Consumer loans
- POS loans

RETAIL BUSINESS

Retail business of pre-owned goods

Brands:

Banknote
VIZIA

Product offering

Loan products	Banknote Consumer loans	VIZIA Consumer loans	Banknote Pawn loans	Banknote POS loans
Ticket size	EUR 50 – 10 000	EUR 100 – 10 000	Up to 95% from pledge value	EUR 50 – 1 400
Loan tenure	Up to 120 months	Up to 120 months	Up to 24 months	Up to 36 months
Interest rate per month	Up to 3.7%	Up to 3.7%	2 – 28%	Up to 2.95
Application and issuance	Via branches, online	Online	Via branches, online (valuation)	Via branches, online

Retail of pre-owned goods

- Offline sales in 93 branches
- Online sales at veikals.banknote.lv
- Stock bought from customers and 3rd party partners
- Stock sourced from pawn loan collateral

Banknote branch network

LATVIA



38

presence in cities

90+

branches in Latvia

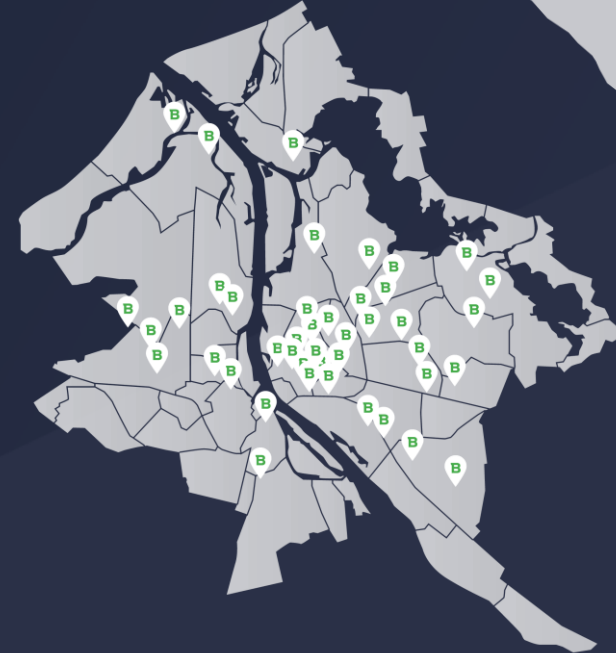
40+

branches in Riga

300+

employees

RIGA



Strategic objectives



Advanced IT solutions and competencies as a precondition for scaling up the business.



Superior UX that facilitates customer satisfaction of DelfinGroup products.



Highly appreciated employer that attracts industry's top talents and provides them with necessary tools for personal well-being and professional growth.



Ensure accessible products digitally online and on-site through a broad branch network in Latvia.



Data-driven decision making at all levels that is achieved by extensive use of big data collected from millions of customer interactions and transactions which is analyzed with the most advanced business intelligence software.



Ambassador of circular economy that promotes rational use and reuse of resources to prolong the life cycle of consumer goods, by developing platform for buying and selling pre-owned goods and increasing awareness in society about environmentally friendly lifestyle.



Diversified financing structure to ensure flexibility, stability, and cost efficiency.



Professional corporate governance ensures transparency and financial sustainability for DelfinGroup shareholders.

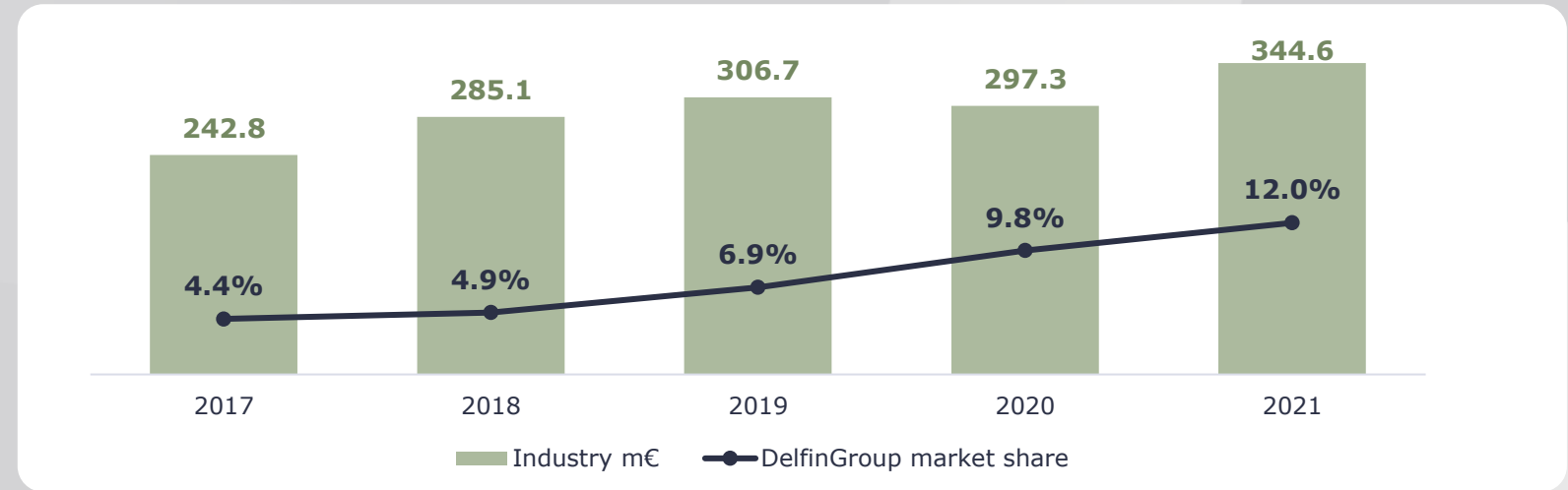
Key strategic indicators

Indicator	2021 audited results	2022 target	2024 target
Net loan portfolio	43.0 mEUR	51 mEUR	70 mEUR
Profit before tax	5.2 mEUR	8.7 mEUR	12.9 mEUR
EBITDA	10.2 mEUR	12.0 mEUR	17.6 mEUR
ROE	46.7%	>30%	>30%
Cost-to-income ratio	58.0%	<52%	<45%
Equity ratio	33.4%	>27%	>27%
Dividend payout ratio	50%	>50%	>50%
Cost of interest-bearing liabilities	7.5%	8%	<8%

Industry overview

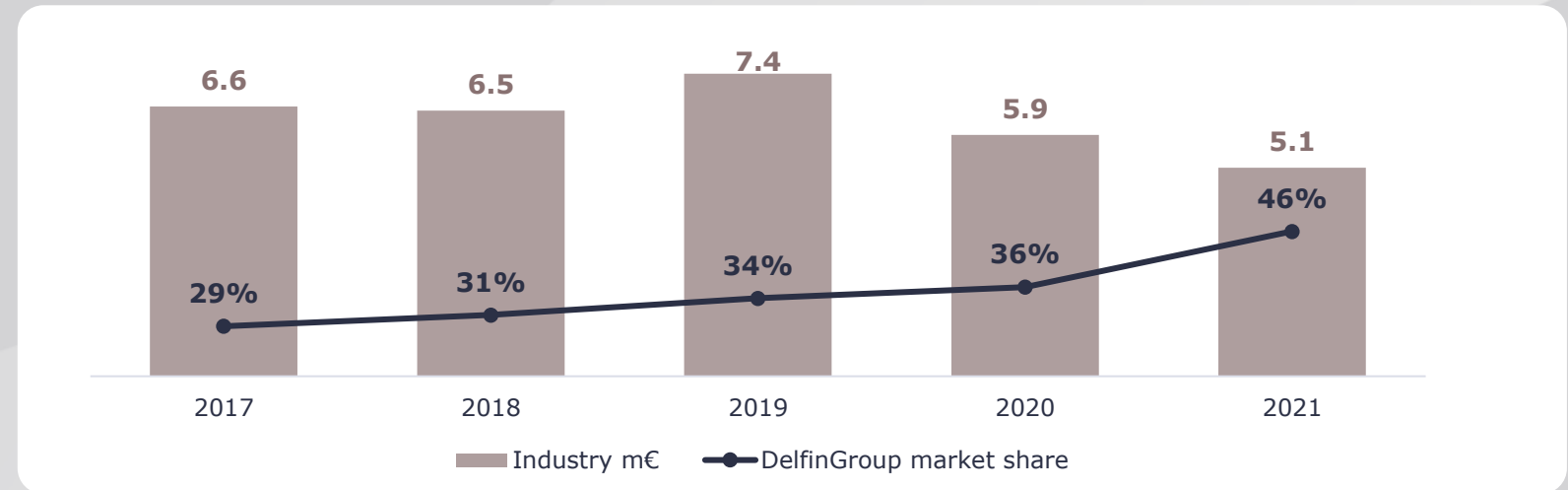
DelfinGroup shows stable growth of consumer loan market share over the last five years and has become one of the largest industry players

DelfinGroup consumer loan portfolio vs Industry



Over the last years DelfinGroup has a dominant position in pawn loan industry in Latvia

DelfinGroup pawn loan portfolio vs Industry*



Sources:

Consumer Rights protection Centre [CRPC](#);
DelfinGroup internal calculations

*Decrease of pawn loan industry in 2020 and 2021 is a result of Covid-19 restrictions that affected on-site services.

Management board



DIDZIS ĀDMĪDIŅŠ

Chairman of the
Management Board (CEO)

Joined the company in 2010.
CEO since 2018 and member of
the management board since
2014.

Directly owns 600 000 DelfinGroup
shares (1.32%)



SANITA ZITMANE

Member of the
Management Board (COO)

Joined the company in 2021.
Previously Country Manager at
Twino Group and Consumer
Lending Product Manager at
Citadele banka.

Directly owns 0 DelfinGroup
shares.



ALDIS UMBLEJS

Member of the
Management Board (CFO)

Joined the company in 2021.
Previously CFO at Finitera,
Manager at EY and CFO at
Scandagra Latvia.

Directly owns 3 484 DelfinGroup
shares (<0.01%)

Supervisory board



AGRIS EVERTOVSKIS

Chairman of the
Supervisory Board

Founded the company in 2009. Previous experience as Chairman of the Management Board of DelfinGroup since 2009.



GATIS KOKINS

Deputy Chairman of
the Supervisory Board

2009 – 2021 TET,
Chairman of the
Supervisory Board.

1997 – 2009 Parex bank,
Head of Corporate Banking
and Leasing in Baltic states.



JĀNIS PIZIČS

Member of the
Supervisory Board

**2019 – present Monio
group, Monio insurance,**
Member of the
Management Board.

2017 – 2019, Finko,
CEO.



MĀRTIŅŠ BIČEVSKIS

Member of the
Supervisory Board

**2021 – present
LatRailNet,** Deputy Chair
of the Supervisory Board.

2020 – present, Baltic
Institute of Corporate
Governance, Member of
Policy Group in Latvia.

2016 – 2019 Latvenergo,
Member of the Supervisory
Board



Dr EDGARS VOĻSKIS

Member of the
Supervisory Board

**2020 – present Baltic
International Bank,**
Member of the Management
Board.

**2017 – 2019 KPMG CIS
(Belarus),** Partner.

**2006 – 2017 KPMG
Baltics and Belarus,**
Director

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Financial highlights

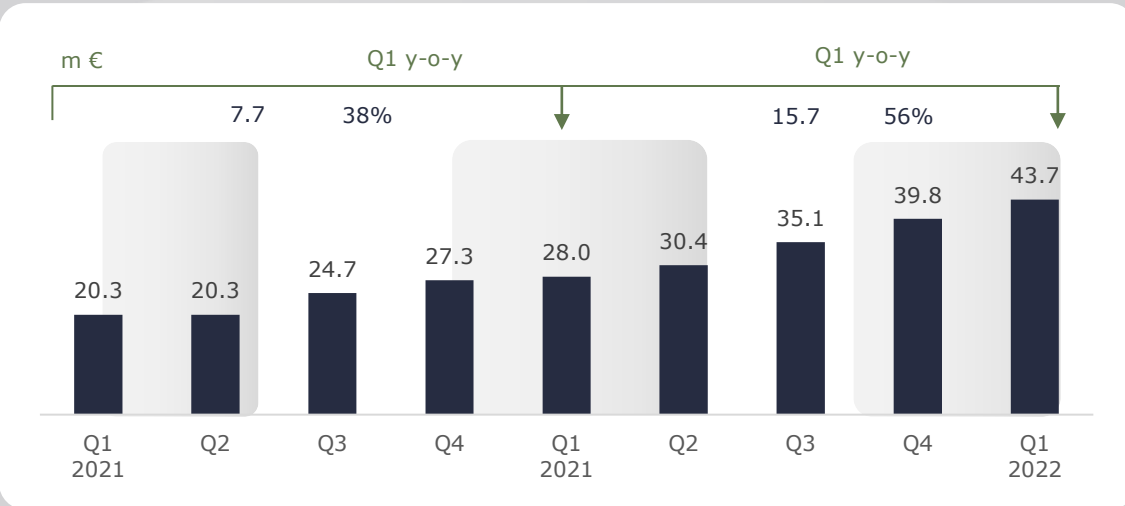
Transaction overview

Nasdaq First North listing disclosures



Consumer loans

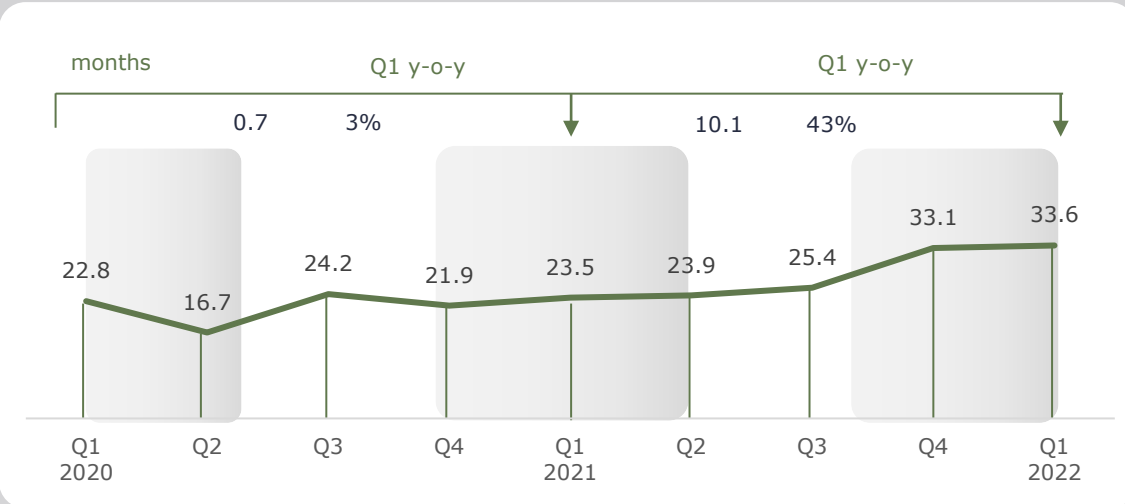
Consumer net loan portfolio



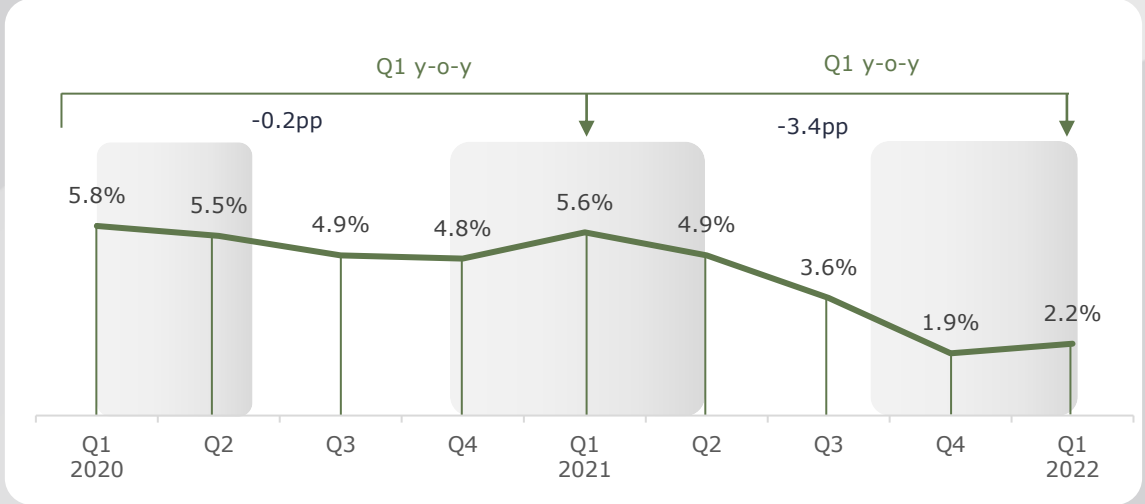
Average loan*



Weighted average term of loans issued

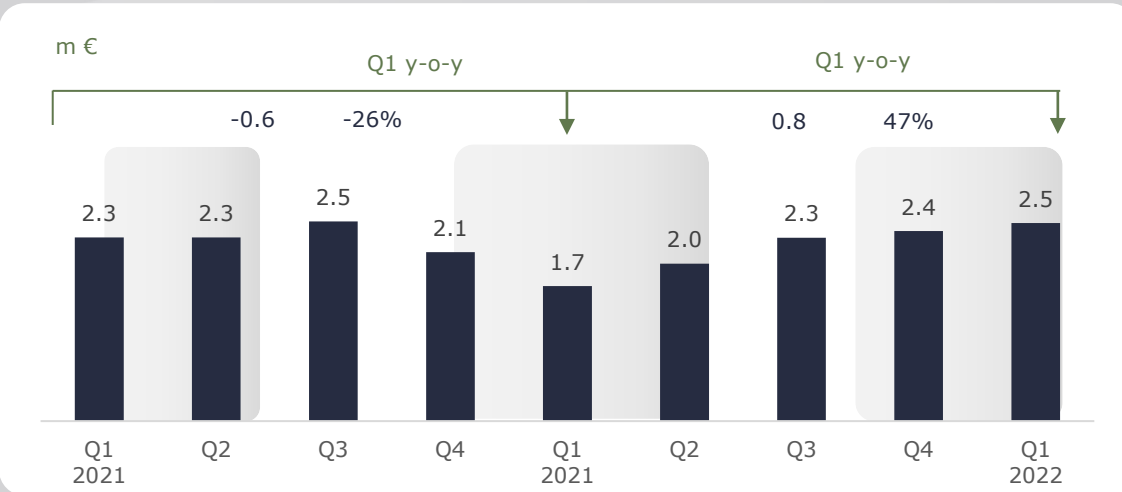


Non-performing loan ratio

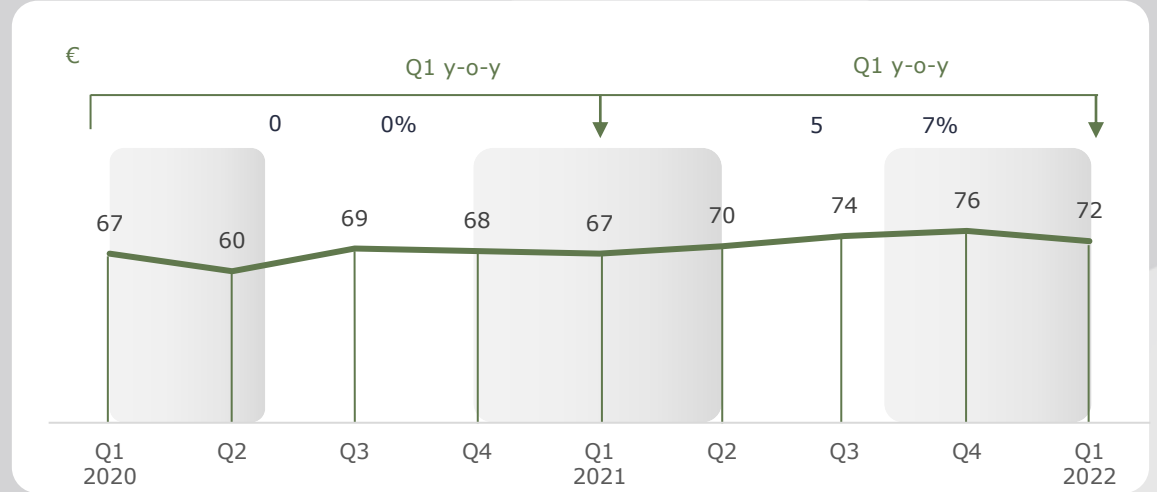


Pawn loans

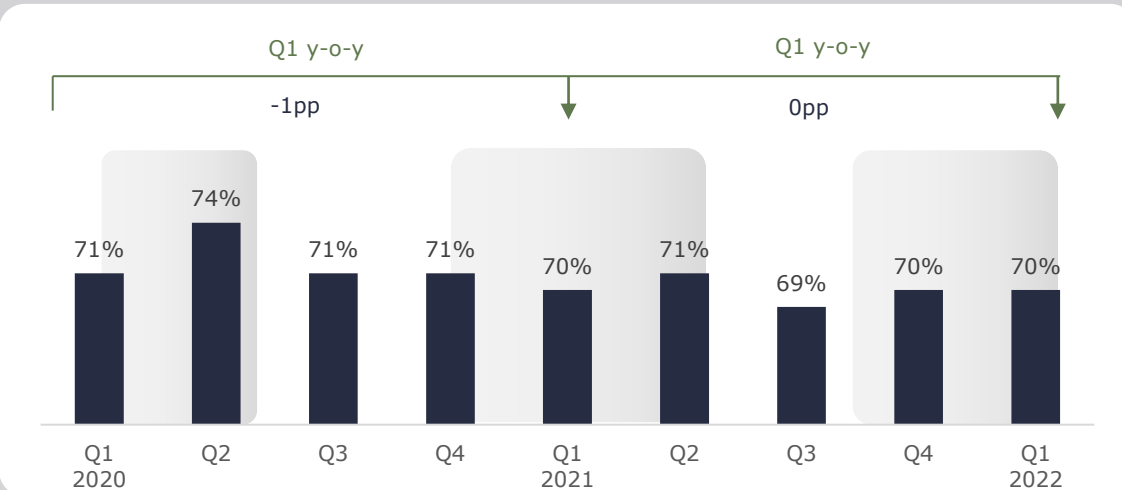
Pawn net loan portfolio



Average pawn loan amount



Redemption rate*



Retail of pre-owned goods*

Sale of pre-owned goods



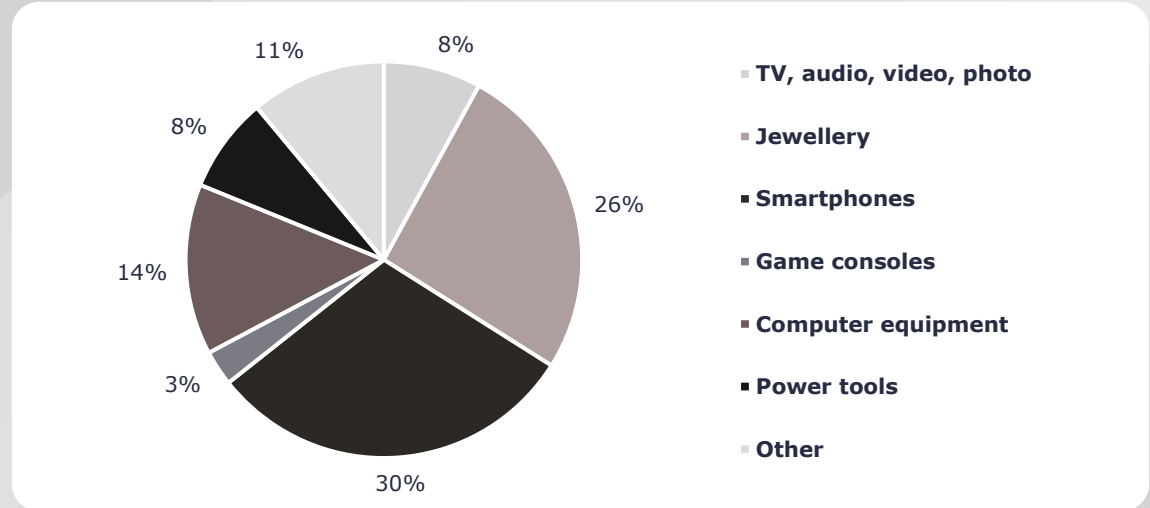
Gross margin



Number of items sold



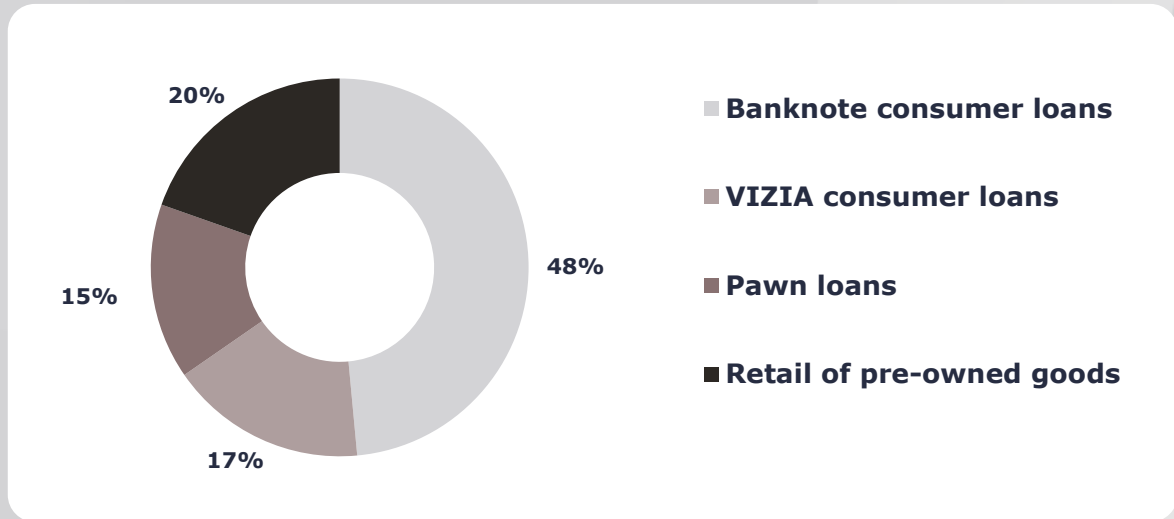
Sales split by product category (3M)



Diversification

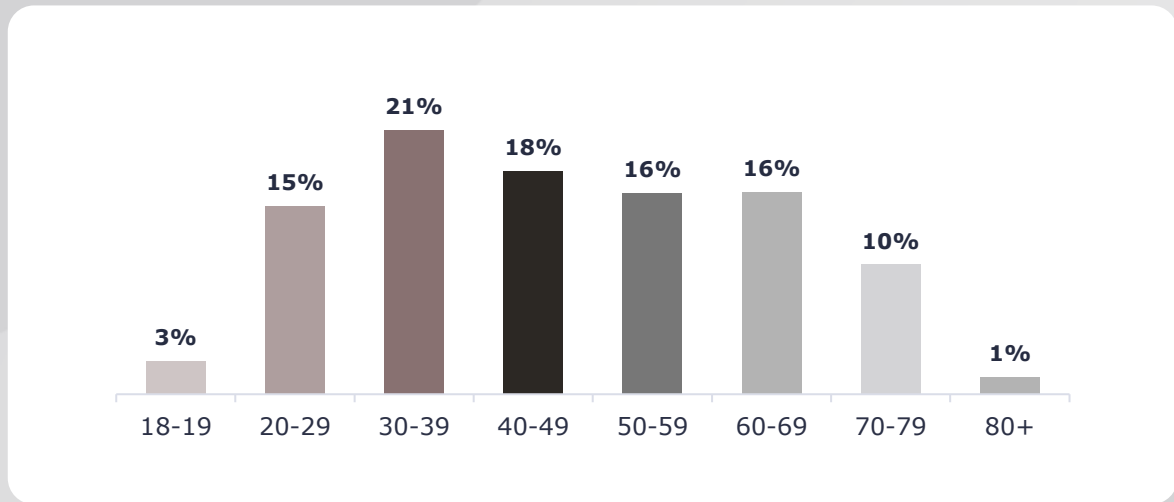
Diversified revenue structure containing various product segments in online and offline sales channels

Revenue by business segments Q1 2022



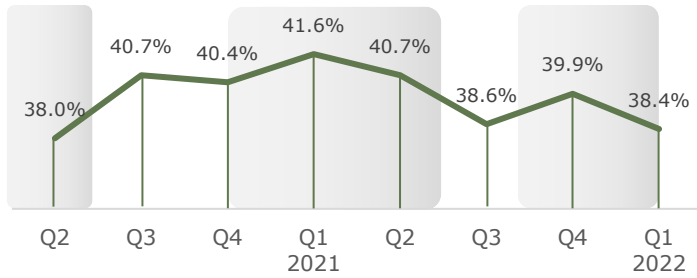
DelfinGroup products cover all of the age groups thanks to customized financial solutions

Distribution of active clients by age on 31 March 2022*

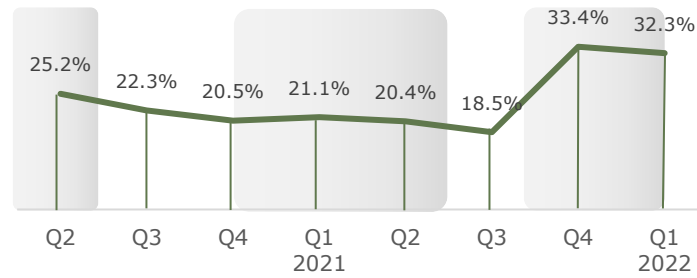


Financial ratios

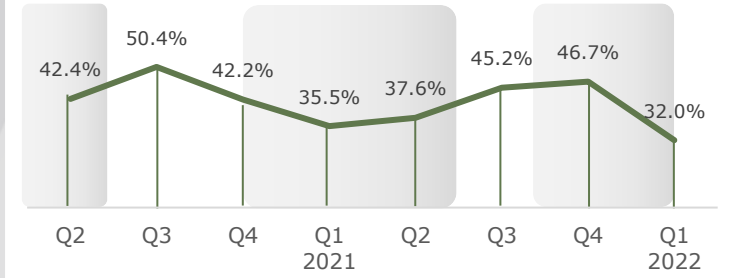
EBITDA margin*



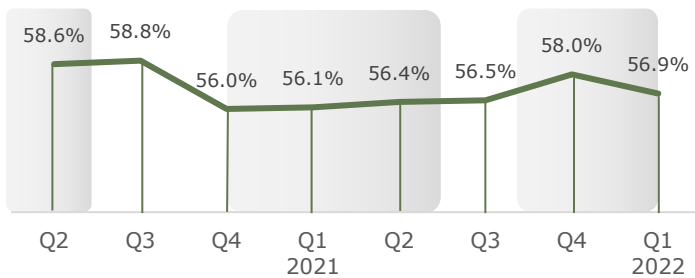
Equity ratio



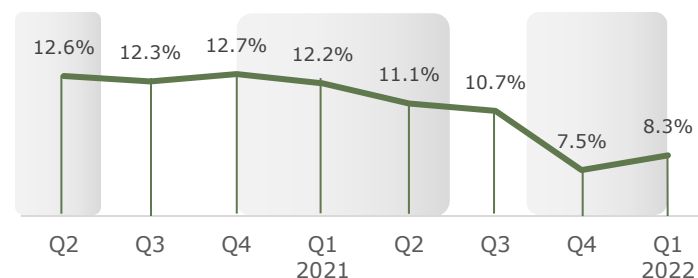
ROE**



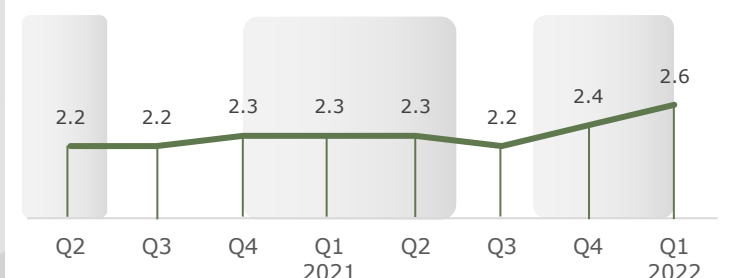
Cost-to-income ratio*



Cost of interest-bearing liabilities

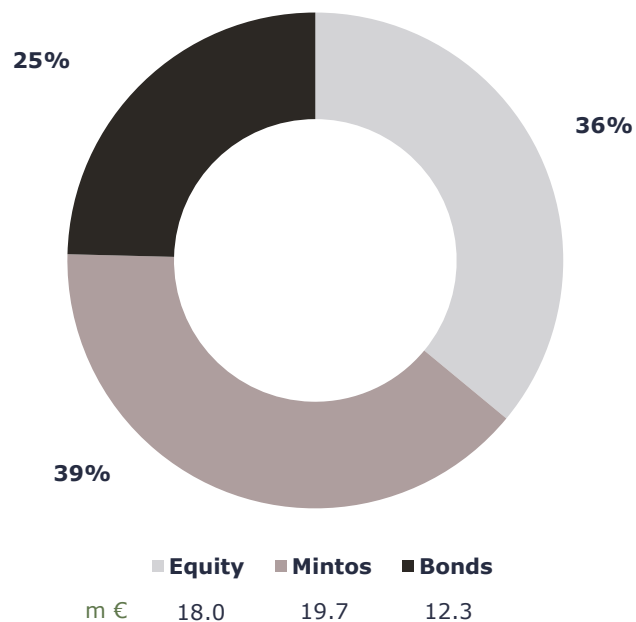


Interest coverage ratio*

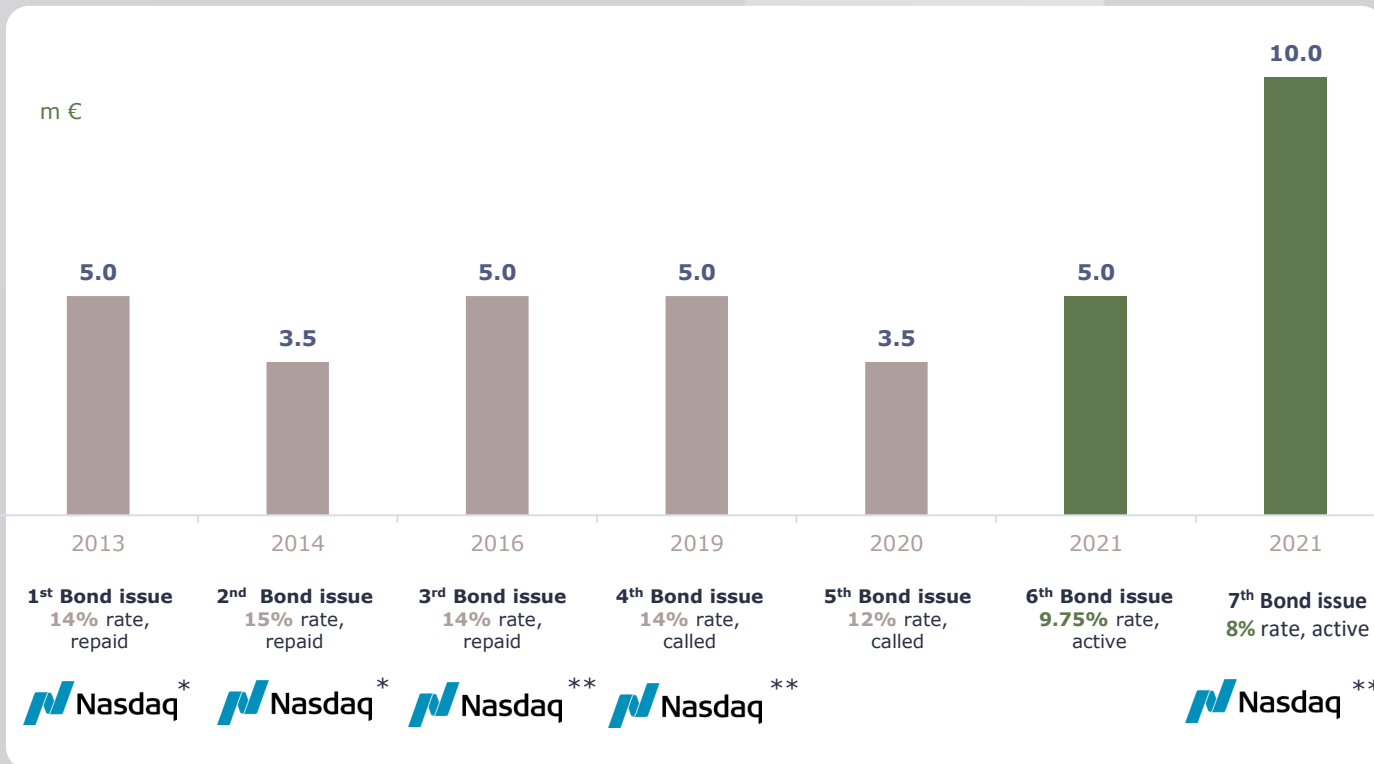


Capital structure

Capital structure, Q1 2022



Bond financing track record



DelfinGroup on Mintos

- Since **2016**
- **76.3 thousand** active investors
- Investors from **114 countries**

*Traded on Nasdaq Riga Baltic Bond List
 **Traded on Nasdaq Riga First North Baltic Bond List

Consolidated income statement

BALANCE SHEET, EUR'000	2019*				2020*				2021				2022
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Total revenue	4,936	5,429	5,951	5,861	6,020	5,195	5,788	6,659	6,018	5,918	6,463	7,089	7,476
Cost of sales	-756	-856	-1009	-982	-1215	-961	-993	-1,055	-748	-1,015	-849	-1,057	-894
Credit loss expense*	-408	-643	-695	-893	-725	-439	-303	-850	-877	-445	-954	-263	-1,279
Interest expenses and similar expenses	-536	-664	-739	-914	-823	-887	-808	-1,115	-1,011	-852	-920	-1,044	-689
Gross profit	3,236	3,266	3,508	3,072	3,257	2,908	3,684	3,639	3,382	3,607	3,741	4,726	4,614
Selling expenses	-1,185	-1,420	-1,325	-1,496	-1,342	-1,155	-1,247	-1,703	-1,326	-1,442	-1,524	-1,832	-1,757
Administrative expenses	-707	-863	-876	-1,042	-855	-776	-865	-765	-945	-1,050	-1,018	-1,200	-1,279
Other operating income	6	52	16	21	4	25	16	28	16	11	29	29	24
Profit before tax	1,350	1,035	1,323	555	1,064	1,002	1,588	1,199	1,128	1,125	1,227	1,723	1,601
Income tax expense	-338	-2	-3	-7	-26	-7	-462	-259	-324	-299	-201	-155	-188
Net profit	1,012	1,033	1,320	548	1,038	995	1,126	940	804	826	1,026	1,568	1,414
EBITDA	1,915	1,784	2,112	2,376	2,110	2,155	2,659	2,629	2,399	2,241	2,402	3,126	2,581

Consolidated balance sheet

BALANCE SHEET, EUR'000	2019				2020				2021				2022
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Fixed and intangible assets	652	621	775	691	748	860	927	1,038	864	818	790	1,201	1,301
Right-of-use assets	-	-	-	2,049	1,950	3,056	2,928	3,194	3,281	3,145	3,013	2,973	2,915
Loans to related parties	1,295	1,389	1,397	1,308	1,376	1,381	376	474	445	-	-	-	-
Net loan portfolio	20,761	26,609	29,474	31,547	32,493	32,256	34,040	34,674	32,220	33,265	38,182	42,962	47,091
Inventory and scrap	1,111	1,173	1,231	1,155	1,224	1,186	1,545	1,534	1,693	1,533	1,797	1,949	2,138
Other assets	339	256	231	384	503	536	365	655	495	331	746	520	541
Cash	2,686	469	1,296	1,136	2,037	1,958	2,434	4,592	1,907	594	2,541	2,460	1,704
TOTAL ASSETS	26,844	30,517	34,404	38,270	40,331	41,233	42,615	46,161	40,905	39,686	47,069	52,065	55,690
EQUITY	5,466	6,499	7,819	8,367	9,405	10,401	9,513	9,454	8,639	8,108	8,696	17,377	18,011
Share capital and reserves	1,500	1,500	1,500	1,500	1,500	1,500	4,000	4,000	4,000	4,000	4,000	4,532	4,532
Share premium	-	-	-	-	-	-	-	-	-	-	-	6,891	6,891
Retained earnings	2,954	2,954	2,954	2,954	6,867	6,867	2,354	1,354	3,835	2,478	2,040	1,731	5,175
Profit/loss for the current year	1,012	2,045	3,365	3,913	1,038	2,034	3,159	4,100	804	1,630	2,656	4,224	1,414
LIABILITIES	21,378	24,018	26,585	29,903	30,926	30,832	33,102	36,708	32,266	31,578	38,373	34,687	37,678
Interest-bearing debt	20,023	22,832	25,311	26,438	27,316	25,586	27,575	31,151	26,894	26,360	33,290	29,412	31,644
Trade payables and other liabilities	1,355	1,186	1,274	1,337	1,596	2,047	2,418	2,121	1,798	1,765	1,751	1,970	2,788
Lease liabilities for right-of-use assets	-	-	-	2,128	2,014	3,199	3,109	3,436	3,574	3,453	3,332	3,305	3,246
TOTAL EQUITY AND LIABILITIES	26,844	30,517	34,404	38,270	40,331	41,233	42,615	46,161	40,905	39,686	47,069	52,065	55,690

Definitions for Alternative Performance Measures*

EBITDA

Earnings before interest, taxes, depreciation and amortization = (Profit before tax) + (Interest expenses and similar expenses) + (Rights of used assets depreciation) + (Depreciation of fixed assets) + (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.

Interest Coverage Ratio

Profitability and debt ratio, calculated as ((Profit before corporate income tax) + (Interest expenses and similar expenses) / (Interest expenses and similar expenses). Used to determine how easily a company can pay interest on its outstanding debt.

Cost-to-income Ratio

((Sales expenses) + (Administrative expenses) + (Other expenses (excluding Loss from cession (debt sales) of non-performing loans))) / ((Net sales) – (Cost of sales) + (Interest income and similar income) + (Other operating income) – (Interest expenses and similar expenses))

Return on Equity (ROE)

Net profit for the period/months in the period*12 / (((Equity as at start of the period) + (Equity as at period end)) / 2)

Total revenue

Net sales + Interest income and similar income. Represents income generated by Company's business segments.

Interest-Bearing Debt

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

Cost of interest-bearing liabilities

Weighted average nominal interest rate calculated by amount of interest bearing liabilities as at period end

Equity ratio

Equity/Total assets

Non-performing loan ratio

90+ days overdue portfolio share in total loan portfolio

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Certified Adviser

Signet Bank AS acts as the First North Certified Adviser for AS «DelfinGroup»

Official name: **Signet Bank AS**

Registration number: 40003076407

Main field of activity: Banking services

Address: Antonijas iela 3, Riga, LV-1010, Latvia

Web page: <https://www.signetbank.com/>



Representative

Edmunds Antufjevs

E-mail: Edmunds.Antufjevs@signetbank.com

Phone: +371 67 081 058

Signet Bank AS is advising AS «DelfinGroup» with the preparation of admission documents. The agreement is valid from the day of submitting the application for admission to trading on First North to Nasdaq Riga until the actual first trading day of the Notes on First North platform.

Certified Adviser and employees of the Certified Adviser do not have any direct or indirect shareholdings in the Issuer and are not represented in Board of the Issuer.

Term sheet

Issuer	AS DelfinGroup
Type of bond	Senior unsecured bonds
ISIN	LV0000802536
Issue size	EUR 10,000,000
Fixed annual coupon, coupon frequency	8% , monthly
Maturity	25 November 2023
Nominal value	EUR 1'000
Use of proceeds	Refinancing and general corporate purposes
Call Option	@101% last 6 months before maturity
Put Option	None
Financial covenants	<ul style="list-style-type: none">• Capitalization ratio at least 25%¹• ICR at least 1.25x (at least 1.5x from 31.12.2022)²• Net Loan Portfolio plus Cash, net of value of outstanding Mintos Debt Security and Bank Debt Security I at least 1.2x the outstanding principal of all unsecured interest-bearing debts³
Admission to trading	Nasdaq Riga First North Bond list
Arranger and Certified Adviser	Signet Bank AS

¹Capitalization ratio = (Equity + Subordinated debt) / Net Loan Portfolio

²Interest Coverage Ratio = EBITDA / Interest expense, calculated for a period of trailing 12 months

³(Net Loan Portfolio + Cash - Mintos Debt Security - Bank Debt Security I) / (all unsecured interest-bearing debt)

Risk factors (1)

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

1. Risk Factors

1.1. Risk factors relating to the Issuer and its business

The risks indicated in this clause may reduce the Issuer's ability to fulfil its obligations and cause its insolvency in the worst-case scenario. Investors have to take into account that Notes are unsecured. This clause may not feature all the potential risks, which may affect the Issuer.

The order in which the risks are presented does not reflect the likelihood of their occurrence or the magnitude of their potential impact on the Issuer. In addition, Investors should be aware that the risks described therein might combine and thus intensify one another. Additional risks and uncertainties, which are currently not known to the Issuer or which the Issuer currently believes are immaterial, could also impair the business, cash flows, results of operations and their financial condition.

1.1.1 Changes in regulatory enactments and policies

The Issuer carries out its activity in Latvia and most of the risks, which affect it, are related to the economic situation, legal and regulatory framework of Latvia, where the Issuer carries out its business.

Currently, the activity of the Issuer and other non-bank credit companies in Latvia is regulated by Cabinet Regulation No. 245 of 29 March 2011, "Regulations Regarding a Special Permit (Licence) of Consumer Credit Services", which, among other things, determines the need for a licence, as well as annual prolongation of licence operation. Other examples of regulations applicable to the Issuer are Cabinet Regulation No. 691 of 25 October 2016, "Regulations On Consumer Credit", Law On Out-Of-Court Consumer Dispute Resolution Bodies, Personal Data Processing Law; Unfair Commercial Practice Prohibition Law; Law On Extrajudicial Recovery of Debt, and Consumer Rights Protection Law.

Any material changes in the existing Legal Acts or implementation of any new Legal Acts in the Republic of Latvia might negatively affect the business and solvency of the Issuer.

1.1.2 Regulatory and licensing risk

Consumer Rights Protection Centre (CRPC) carries out supervisory functions for consumer finance and debt collection companies in the Republic of Latvia. CRPC issues the aforementioned licenses for companies in these sectors.

The Issuer is licensed consumer finance company and has obtained a non-terminated license.

CRPC is entitled to withdraw licenses in case there are breach of regulations set forth by Legal Acts of the Republic of Latvia. The Issuer believes that the risk of losing license is managed by following CRPC's regulations and recommendations. Nevertheless, the risk that the regulator may interpret or enforce existing requirements in new ways that could restrict the Issuer's ability to continue its current way of operation or impose significant additional compliance costs on the Issuer cannot be ruled out.

Furthermore, the government may seek to impose new laws, regulatory restrictions or licensing requirements that affect the products or services the Issuer offers, the terms on which the Issuer offers them, and the disclosure, compliance and reporting obligations the Issuer must fulfil in connection with the Issuer's business.

The economic developments caused by Covid-19 spawned the risk of imposed moratoriums on loan payments, especially on principal and/or interest payments. Moratoriums give clients who are negatively impacted by a specific event, for example, Covid-19, and meet certain criteria, the opportunity to modify the credit repayment schedule and partly or fully defer payment obligations. During the Covid-19 pandemic multiple governments imposed or companies voluntarily signed moratoriums for consumer lending credit and/or bank credit payment deferrals, for example, in Latvia banks entered a moratorium for mortgage loan repayments. Imposed moratoriums may restrict or forbid the Issuer to initiate the collection process from defaulted clients. This may have a material adverse effect on the Issuer's business, financial condition, results of operations and cash flows.

1.1.3 Macroeconomic risk

The economic situation in Latvia, where the Issuer carries out its entrepreneurial activity, is assessed as stable, which is supported by both macroeconomic data, such as GDP and employment indicators, and credit ratings assigned by international rating agencies — Moody's Investors Service, Standard & Poor's Financial Services, and Fitch Ratings.

At the moment of signing the Terms of the Issue Standard & Poor's credit rating for Latvia stands at A+ with stable outlook, Moody's credit rating for Latvia was last set at A3 with stable outlook, Fitch's credit rating for Latvia was last reported at A- with stable outlook.¹

The Bank of Latvia has raised its gross domestic product (GDP) growth forecast for this year from the previously estimated 2.8% to 3.3%. The March forecasts are more optimistic than in December 2020, taking into account the supportive monetary policy and favourable financing conditions, as well as broad fiscal policy support to businesses and individuals to mitigate the negative effects of Covid-19. Assuming that vaccination remains on schedule, restrictions are expected to ease significantly from the second half of 2021, which will improve consumer and business sentiment. The Bank of Latvia forecasts that fiscal measures supporting household incomes and a more active use of consumption savings during the pandemic will lead to a rapid recovery in private consumption. The Bank of Latvia forecasts that the rapid recovery of GDP, especially private consumption, in the second half of 2021 will be sustainable and will continue in 2022, when 6.5% GDP growth could be achieved.²

However, the short-term risks to the GDP and inflation forecasts are on the downside and mainly hinge on the opportunities to contain the pandemic. If the vaccination does not proceed as planned and there are any delays in containing the spread of the coronavirus, including its mutations, the economic recovery is likely to decelerate and the upward effect of the postponed consumption on service prices could be smaller than estimated.

1 <https://tradingeconomics.com/latvia/rating>

2 <https://www.leta.lv/eng/home/important/13DAE7B1-D9B4-4742-990D-EB3DCA093CC0/>

3 <https://www.bank.lv/en/publications-r/news-and-articles/press-releases/12457-latvijas-banka-has-revised-its-gdp-and-inflation-forecasts-for-latvia>

4 <https://registri.ptac.gov.lv/lv/table/kapitalsabiedribas-kuras-sanemu-licenci-pateretaju-krediteanas-pakalpojumu-sniegsanai>

Risk factors (2)

If the disposable income of population declines due to these economic hardships, it can adversely affect clients' ability to return the loans to the Issuer, which in turn may reduce its ability to meet Issuer's obligations to Investors.

1.1.4 Competition risk

Issuer's principal competitors include other consumer lending providers and banks. As of the Issue Date there are 50 licensed consumer finance companies which operated in the territory of Latvia, offering different credit services; more than 10 of them offered loans against pledge of movable property (pawn loan). Among the licensed consumer finance companies a large part of lenders operate in a virtual environment, or only in a small geographic area.⁴ The Issuer provides its services throughout the territory of Latvia - a total of 38 cities and rural areas, operating over 90 branches, as well as in the virtual environment. Taking into account the number of businesses that provide similar services, the Issuer's existing branch network, the quality of services and barriers to entry in the market, the Issuer risks of competition is not considered to be significant.

The Issuer's management has extensive experience in managing entrepreneurial activity, which is useful in adjusting to market changes and managing the company in changing conditions of external environment. Increased competition or more aggressive marketing and pricing practices on the part of the Issuer's competitors could result in lower revenues, margins and turnover rates in the Issuer's operations, which may have a material adverse effect on the Issuer's business, financial condition, results of operations, prospects and cash flows.

1.1.5 Credit risk

The Issuer is exposed to the risk of loss through defaults on the loans granted. The default is contingent on the inability or unwillingness of the customer to make payments. This includes scenarios where the customer makes payments late, only partially, or not at all. Issuer's lending decisions are based partly on information provided to the Issuer by loan applicants and/or delivered by third parties (credit bureaus, agencies, appraisers and other partners). Prospective customers may fraudulently provide the Issuer with inaccurate information or third parties might provide the Issuer with incomplete information which, if not alerted, may harm Issuer's credit scoring and respective risk decisions.

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

The Issuer operates according to its established credit risk policies and principles. If these policies and principles prove insufficient, which may be caused by an internal failure of the Issuer's risk management procedures or an external change of conditions beyond the Issuer's control and the quality of the Issuer's total loan portfolio deteriorates or the Issuer's collateral valuation principles become inadequate, the Issuer may be required to increase its impairments for the loan portfolio, which may have a material adverse effect on the Issuer's business, financial condition, results of operations, prospects and cash flows.

1.1.6 Privacy and data protection breach risk

The Issuer's business is subject to a variety of laws and regulations that involve user privacy issues, data protection, advertising, marketing, disclosures, distribution, electronic contracts and other communications, consumer protection and online payment services. The introduction of new products or the expansion of the Issuer's activities in certain jurisdictions may subject the Issuer to additional laws and regulations. In addition, the application and interpretation of these laws and regulations are often uncertain, particularly in the new and rapidly evolving fintech industry in which the Issuer operates, and may be interpreted and applied inconsistently and may also be inconsistent with the Issuer's current or past policies and practices. Existing and proposed laws and regulations can be costly to comply with and can delay or impede the development of new products, result in negative publicity, increase the Issuer's operating costs, require significant management time and attention, and subject the Issuer to inquiries or investigations, claims or other remedies, including demands which may require the Issuer to modify or cease existing business practices and/or pay fines, penalties or other damages. This may have a material adverse effect on the Issuer's business, financial condition, results of operations, prospects and cash flows.

1.1.7 AML and Sanctions compliance risk

As the Issuer carries out its activity in Latvia, the Issuer is a subject to the Law on the Prevention of Money Laundering and Terrorism and Proliferation Financing and Law On International Sanctions and National Sanctions of the Republic of Latvia and complies with the international legal acts and legal acts of the Republic of Latvia which regulate prevention of legalization of proceeds derived from criminal activity and financing of terrorism and proliferation.

The Issuer takes all the measures necessary to reduce the probability of conducting business with customers involved in or allegedly involved in money laundering and terrorism and proliferation financing by adhering to all the legal requirements. Nevertheless, there is a risk that the measures adopted by the Issuer may be insufficient for prevention of money laundering and terrorism and proliferation financing, as a result of which the Issuer may incur losses, be subjected to legal Sanctions, or its reputation may deteriorate. This may have an adverse effect on the financial position and reputation of the Issuer.

1.1.8 Counterparty risk

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

There is a risk that the access to services the Issuer uses to verify the identity and creditworthiness of a potential customer, appraise pledged items and to provide marketing services may be restricted or prohibited, or the costs for these services may be significantly increased, which may affect Issuer's activity for an indefinite period of time.

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

Risk factors (3)

1.1.9 Liquidity risk

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

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

1.1.10 Key employee risk

In the future, Issuer's duties will be affected by its ability to attract, preserve, and motivate highly qualified and experienced personnel. The market for qualified individuals in Latvia is highly competitive and labour costs for the hiring and training of new employees are increasing. Accordingly, the Issuer may not be able to attract and/or retain qualified executive officers or other specialists, which may have a material adverse effect on the Issuer's business, financial condition, and results of operations, prospects and cash flows.

1.1.11 Litigation risk

The Issuer may be adversely affected by contractual claims, complaints and litigation, resulting from relationships with counterparties, customers, competitors or regulatory authorities, as well as by any adverse publicity that the Issuer may attract. Any such litigation, complaints, contractual claims, or adverse publicity may have a material adverse effect on the Issuer's business, financial condition, results of operations, prospects and cash flows. Defence of any lawsuit, even if successful, could require substantial time and attention of the Issuer's management and could require the expenditure of significant amounts for legal fees and other related costs. The Issuer is also subject to a risk of regulatory proceedings, and the Issuer could suffer losses from the interpretation of applicable laws, rules and regulations in regulatory proceedings, including regulatory proceedings in which the Issuer is not a party. Any of these events could have a material adverse effect on the Issuer's business, financial condition, results of operations, prospects and cash flows.

1.1.12 Interest rate risk

The Issuer earns a substantial majority of its revenues from interest payments on the loans the Issuer issues to its customers. Financial institutions, peer-to-peer platforms, bond issues and other funding sources provide the Issuer with the capital to fund these loans and charge the Issuer interest on funds that the Issuer draws down. In the event that the spread between the rate at which the Issuer lends to its customers and the rate at which it borrows from its lenders decreases, the Issuer's financial results and operating performance will suffer. The interest rates the Issuer charges to its customers and pay to the Issuer's lenders could each be affected by a variety of factors, including access to capital based on the Issuer's business performance, the volume of loans the Issuer issues to its customers, competition and regulatory requirements. Interest rate changes may adversely affect the Issuer's business forecasts and expectations and are highly sensitive to many macroeconomic factors beyond the Issuer's control, such as inflation, the level of economic growth, the state of the credit markets, changes in market interest rates, global economic disruptions, unemployment and the fiscal and monetary policies of the Republic of Latvia and/or European Union. Any material reduction in the Issuer's interest rate spread could have a material adverse effect on the Issuer's business, financial condition, results of operations, prospects and cash flows.

1.1.13 Risk of natural disasters and other business disruption

The Issuer's services and operations are vulnerable to damage or interruption from tornadoes, earthquakes, fires, floods, power losses, telecommunication failures, terrorist attacks, acts of war, human errors and similar events. A significant natural disaster, such as a tornado, earthquake, fire or flood, could have a material adverse impact on the Issuer's ability to conduct business. Although the Issuer has implemented business continuity plans, acts of terrorism, war, civil unrest, violence or human error could cause disruptions to the Issuer's business or the economy as a whole. Any of these events could cause consumer confidence to decrease, which could decrease the number of loans the Issuer issues to customers. Any of these occurrences may have a material adverse effect on the Issuer's business, financial condition, results of operations, prospects and cash flows.

1.1.14 Taxation risk

Changes to local tax regime or challenges to the current tax structures of the Issuer's business could have material adverse effect on the Issuer's business, financial condition, or results of operations. Additionally, certain tax positions taken by the Issuer require the judgement of management and, thus, could turn to be inefficient or challenged by tax authorities due to possible erroneous interpretation of tax legislation.

1.2. Risks factors related to Notes

1.2.1 Notes repayment risk

At Maturity date, the entire principal amount of the Notes, together with accrued and unpaid interest, will become due and payable. The Issuer may not have the ability to repay or refinance these obligations. If the Maturity date occurs at a time when other arrangements prohibit the Issuer from repaying the Notes, the Issuer could try to obtain waivers of such prohibitions from the lenders and holders under those arrangements, or the Issuer could attempt to refinance the borrowings that contain the restrictions. If the Issuer fails to obtain the waivers or refinance these borrowings, the Issuer would be unable to repay the Notes.

Risk factors (4)

1.2.2 Subordination risk

The Notes will not be secured. The Notes rank pari passu with other unsecured obligations of the Issuer. In case of the insolvency of the Issuer, the Investors will be entitled to recover their investment on the same terms as other creditors in the respective claims' group according to the relevant Legal Acts, after the satisfaction of all claims of all secured creditors of the Issuer. There are no contracts or other transaction documents that would subordinate the claims of the Investors to other unsecured liabilities of the Issuer.

As of Issue Date, Issuer has an outstanding Existing Secured Notes:

- LV0000802379 with maturity date 25 November 2022 and remaining principal EUR 5,000,000.

As per Issuer's public announcement on 22 October 2021, Issuer will prematurely redeem the outstanding Existing Secured Notes with LV0000802379 on 25 November 2021.

According to reported unaudited financial statements as of 30 September 2021, Issuer has an outstanding secured liabilities to Mintos Finance in the amount of EUR 14,912,974.

Existing Secured Notes together with outstanding financing from Mintos Finance are secured with the following collateral:

- (a) a commercial pledge over all assets of the Issuer, Subsidiaries and the Material Subsidiaries as an aggregation of property at the moment of pledging as well as its future components;
- (b) a commercial pledge over all receivables of the Issuer, Subsidiaries and the Material Subsidiaries as an aggregation of property at the moment of pledging as well as its future components.

Registered commercial pledge amount is EUR 40,500,000.

In addition, Mintos Finance has a second rank pledge over all assets and all receivables of the Issuer's subsidiary SIA "VIZIAFinance" (registration number: 40003040217). The amount of registered second rank commercial pledge is EUR 4,800,000.

After the early redemption of Existing Secured Notes, Issuer plans to amend, register renewal of Mintos Debt Security or register new commercial pledge, as the case may be, on behalf of Mintos Finance for reduced amount. Notes will be unsecured and effectively subordinated to any secured Financial Indebtedness of the Issuer, to the extent of the value of the Permitted Security securing such Financial Indebtedness.

1.2.3 Liquidity risk

This is a private placement and there is no intention of the Issuer to list the Notes on a regulated market, thus, there is a risk that no liquid secondary market for the Notes will exist.

Neither the Issuer nor any other person guarantees the minimum liquidity of the Notes. Thus, the Investors should take into account that they may not be able to sell or face difficulties in selling their Notes in secondary market at their fair market value or at all.

1.2.4 Price risk

The development of market prices of the Notes depends on various factors, such as changes of interest rates, central bank policies, overall economic development, or demand for the Notes.

The Notes bear a fixed interest rate. Thus, the Investors who seek to sell the Notes before their Maturity date are exposed to interest rate risk: if the market interest rate increases, the price of fixed rate Notes typically declines.

Neither the Issuer, nor any other person undertakes to maintain a certain price level of the Notes. The Investors are, thus, exposed to the risk of an unfavourable price development of their Notes if they sell the Notes prior to the maturity date. If an Investor decides to hold the Notes until the maturity date, the Notes will be redeemed at their Nominal value.

1.2.5 Foreign exchange risk

The Notes will be denominated and payable in EUR. If Investors measure their investment returns by reference to a currency other than EUR, an investment in the Notes will entail foreign exchange-related risks due to, among other factors, possible significant changes in the value of the EUR relative to the currency by reference to which Investors measure the return on their investments because of economic, political and other factors over which the Issuer has no control. Depreciation of the EUR against the currency by reference to which Investors measure the return on their investments could cause a decrease in the effective yield of the relevant Notes below their stated coupon rates and could result in a loss to Investors when the return on such Notes is translated into the currency by reference to which the Investors measure the return on their investments.

1.2.6 Repurchase or redemption risk

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

1.2.7 Tax risk

Tax rates and tax payment procedure applicable at the moment of purchase of the Notes to the tax residents, non-residents of Latvia, and residents of other countries may change. The Issuer will not compensate the Investors for any increases in taxes. Therefore, the Investors may receive smaller payments related to the Notes.

1.2.8 Resolutions of the Investors risk

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

Agenda

DelfinGroup at glance

Business overview

Financial highlights

Transaction overview

Nasdaq First North listing disclosures



Related parties' transactions*

Group's transactions with:	Q1 2022**	2021***
Shareholding companies		
Interest received	-	9,865
Services delivered	-	75
Goods sold	-	1,761
Companies and individuals under common control or significant influence		
Services delivered	-	153
Other related companies		
Services delivered	-	8,072

*Related parties include the shareholders, members of the Management Board and Supervisory Board of the Group, Supervisory Board their close family members and companies in which the said persons have control or significant influence.

** As per Unaudited interim condensed consolidated financial statements for the three-month period ended 31 March 2022.

*** As per Consolidated Annual accounts for the year ended 31 December 2021.

Other statements

LEGAL PROCEEDINGS

At the moment of preparing the Company Description and Securities Note, none of the Group companies is involved in:

- any ongoing legal proceedings or any historical legal proceedings from the previous reporting periods against the Issuer or any Group company,
- any insolvency applications, insolvency proceedings or legal protection proceedings,
- any legal proceedings in connection with fraud or other economic violation in which management board members or supervisory board members of the Group or directors of the Issuer have been involved

SIGNIFICANT CONTRACTS

To retain and motivate its employees, the Company has an approved employee stock options program to its personnel. At the moment of preparing the Company Description Stock options program has been approved by the shareholders of the Company but is not yet implemented.

IMPORTANT AGREEMENTS

The Issuer has no knowledge of any other important agreements or internal decisions that could have been concluded within the company or between the Issuer and any related company and that could affect the Issuer's capability to fulfil its liabilities due to Noteholders regarding the securities to be issued.

SUBSTANTIAL CHANGES IN FINANCIAL SITUATION OF THE ISSUER

As of the publication of the last financial statement, the financial situation or performance of the Issuer has not worsened. The Issuer is unaware of any factors, claims, obligations, or events which would negatively affect the financial situation or performance of the Issuer in future.

Appendix

- **Terms of the Notes Issue signed on 23 November 2021.**
- **AS “DelfinGroup” Annual accounts for the year ended 31 December 2021 and Consolidated Annual accounts for the year ended 31 December 2021.**
- **AS “DelfinGroup” Unaudited interim condensed consolidated financial statements for the three-month period ended 31 March 2022**

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