

**COMPANY DESCRIPTION  
SECURITIES NOTE**



**ExpressCredit**

**Banknote**

**MoneyMetro**

March 2018

# 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, 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.

# Responsible persons

Hereby we, members of the board of SIA ExpressCredit (the Issuer), Agris Evertovskis (chairman), Kristaps Bergmanis and Didzis Ādmīdiņš, 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.



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Agris Evertovskis



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Didzis Ādmīdiņš



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Kristaps Bergmanis



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Ivars Lamberts

# Business description as at 31 December 2017



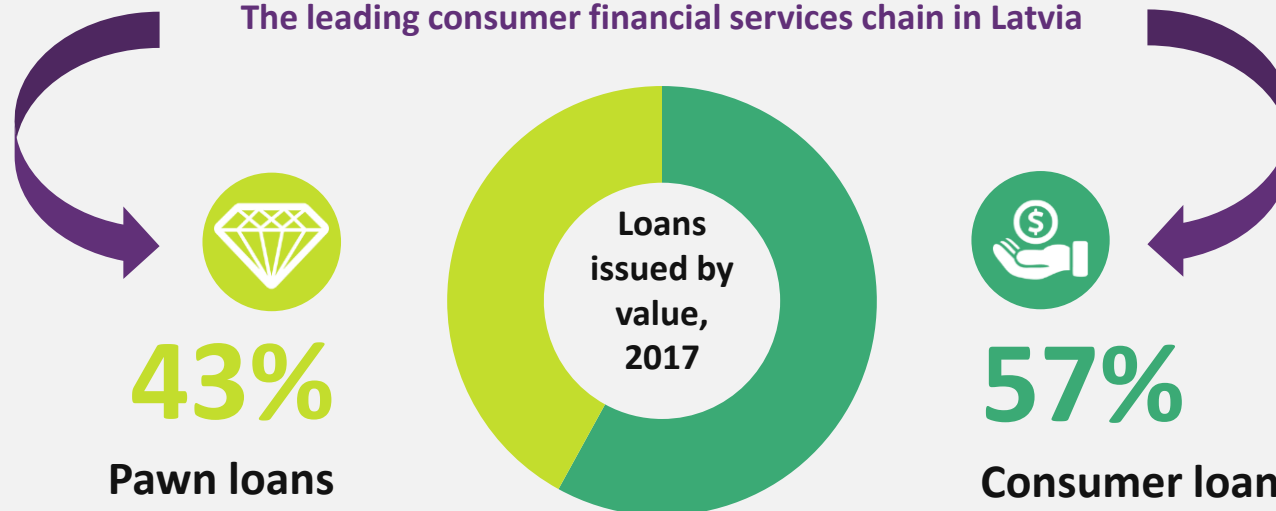
Banknote

MoneyMetro

Originally established in 2009 as a pawn broking chain

The leading consumer financial services chain in Latvia

3<sup>rd</sup> largest non-bank consumer lender in Latvia<sup>1</sup>



**320,000+**

Total unique registered customers



**270**

Employees, 31 December 2017



**EUR 15.8m**

Net loan portfolio, 31 December 2017



**37%**

Growth in net loans y-o-y, 2017Q4



**2,500,000+**

Total number of loans issue transactions



**90**

Branches, 31 December 2017



**EUR 34.9m**

Value of loans issued, 2017



**EUR 5.3m**

EBITDA, 2017

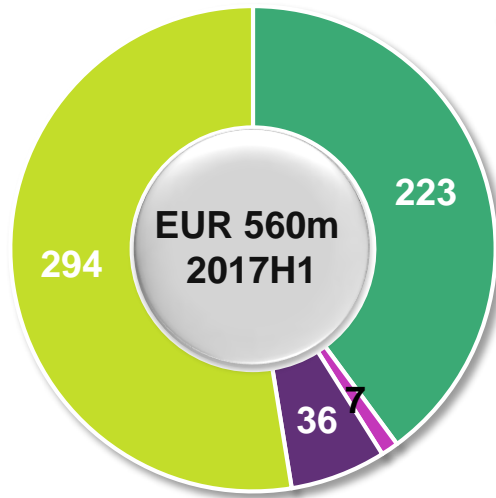


1) Based on reported annual revenue of licenced non-bank consumer lenders in 2016

For other relevant business information please refer to the audited 2016Y and unaudited 2017Y financial reports

# Market overview

## Loan portfolio of Latvian non-bank lenders



- Consumer (incl. online)
- Pawn
- Mortgage
- Leasing, car title

### Consumer loans



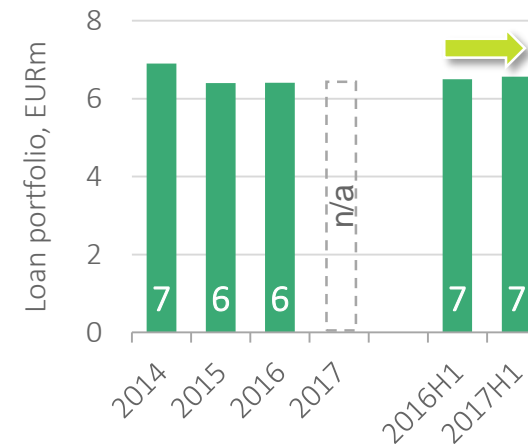
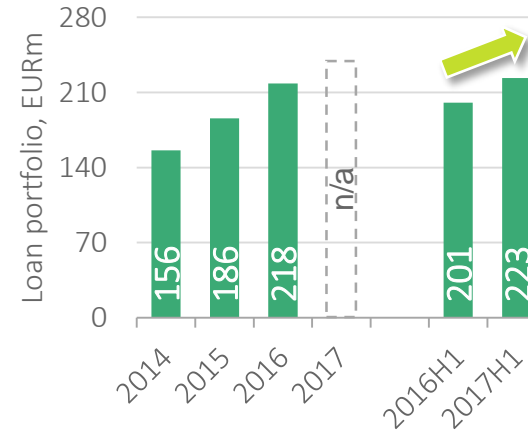
- ◆ Fast-growing segment
- ◆ Banknote grows even faster
- ◆ 6% market share<sup>1</sup>

### Pawn loans

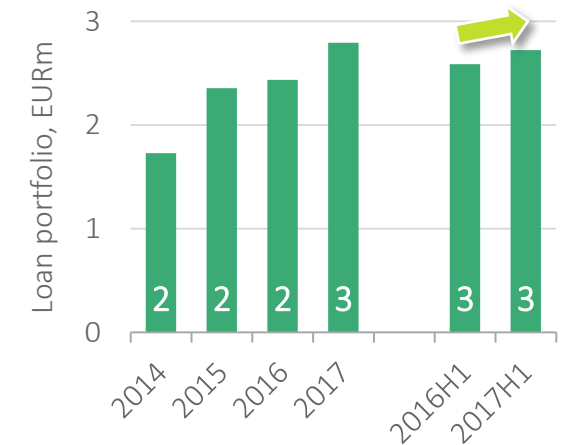
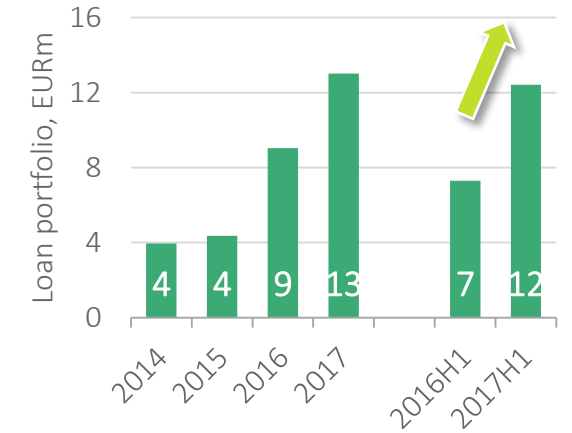


- ◆ Stable segment
- ◆ Banknote is the leading player
- ◆ 41% market share<sup>1</sup>

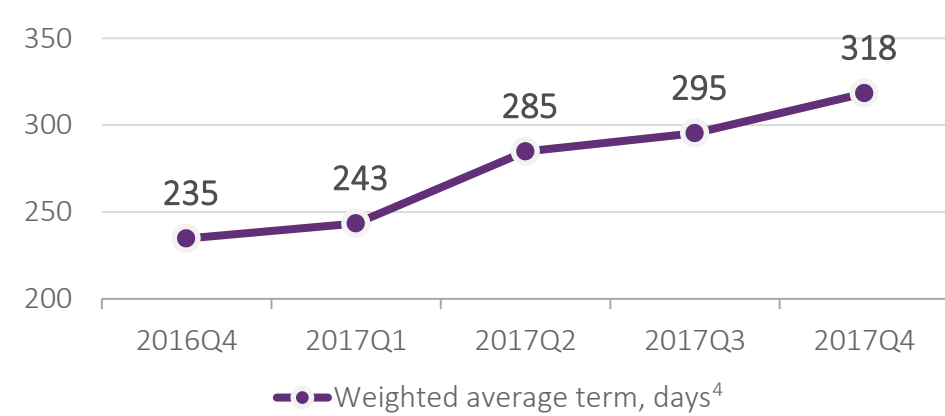
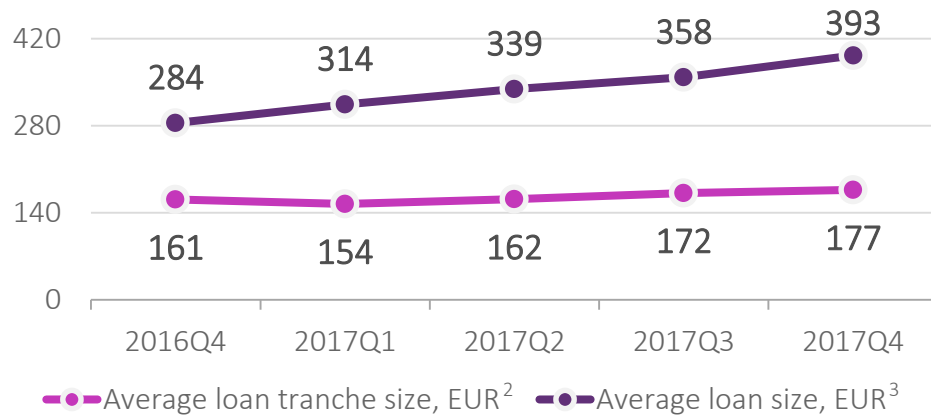
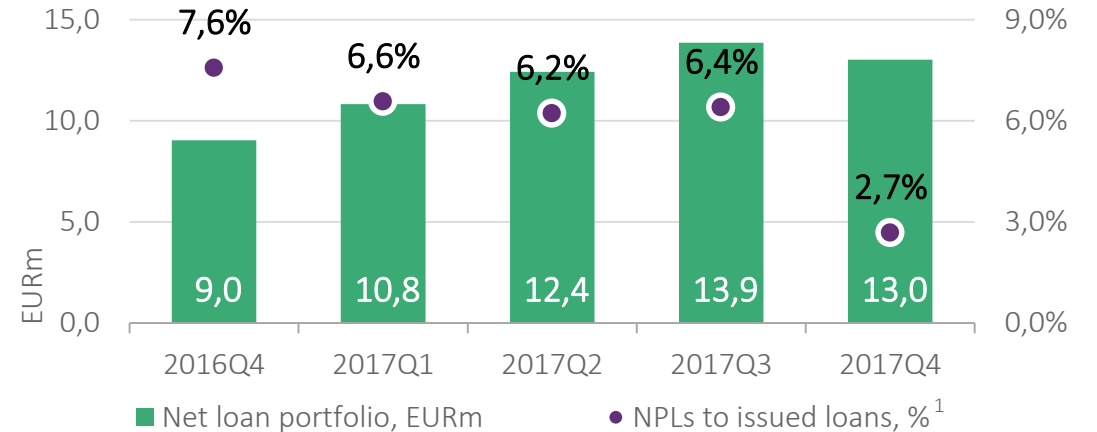
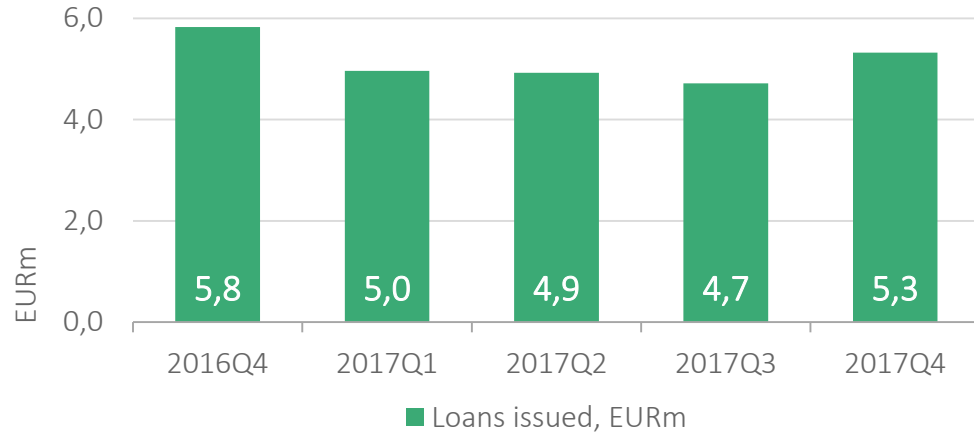
## Industry



## ExpressCredit<sup>2</sup>

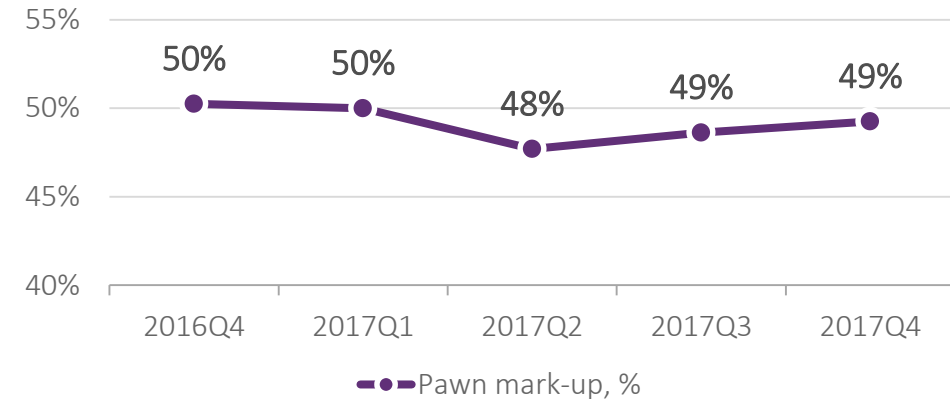
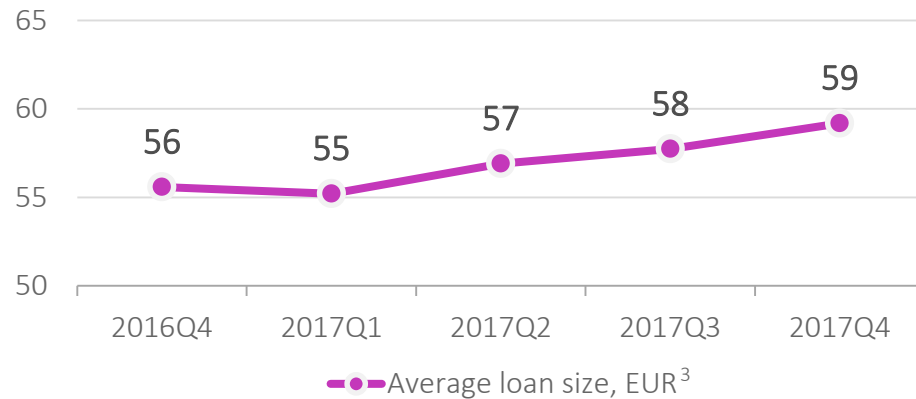
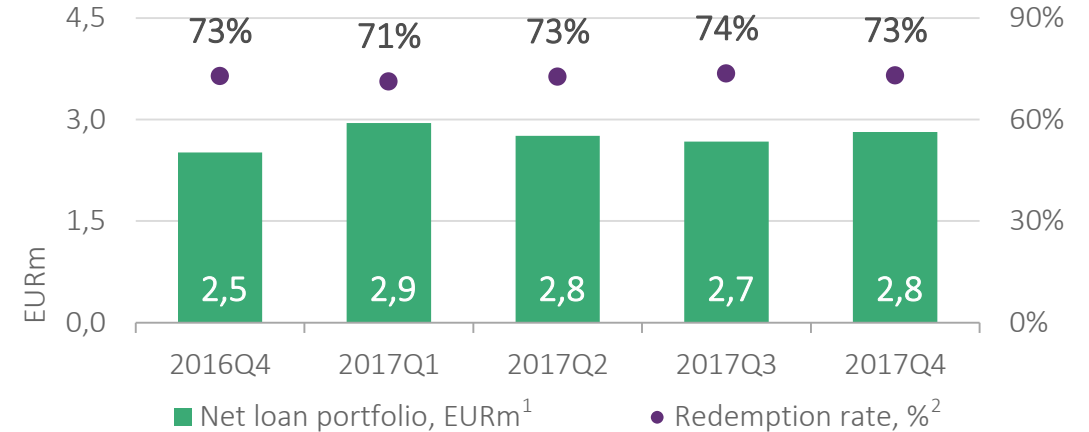
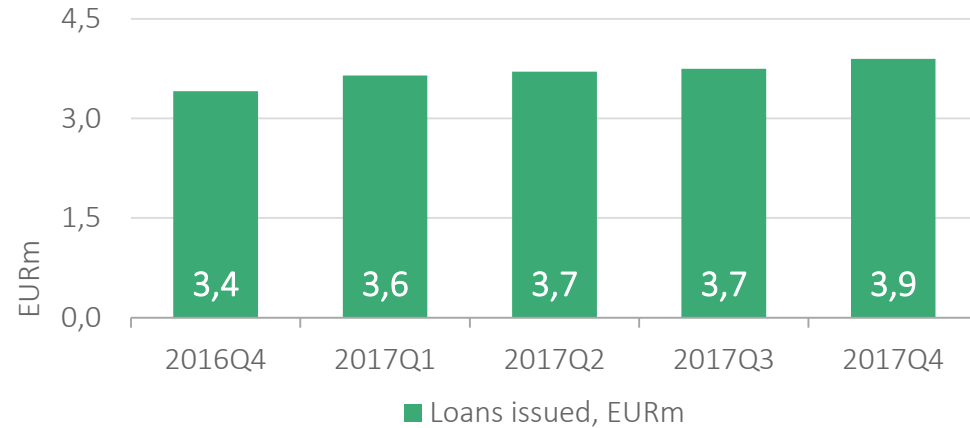


# Consumer loans



- 1) Share of loans issued (by value) during the two preceding quarters which are more than 90 days overdue as at the end of the respective quarter; Changed approach and cooperation with debt recovery companies improving **non-performing loans ratio** in portfolio
- 2) Average loan tranche size per issue transaction during the period
- 3) Average loan size per customer in the portfolio as at the end of the period
- 4) Weighted average term of loans issued during the period

# Pawn loans



- 1) Includes car title loan and mortgage loan legacy portfolios
- 2) Items being redeemed or extended within 3 months since issuance, by value of loans issued excl. item purchasing
- 3) Average loan size per issue transaction during the period

# Management of the company and Supervisory Board

## Management of the company



### **Agris Evertovskis, Co-founder, Chairman of the Board**

Bachelor's degree in Economics and Business Administration from the Stockholm School of Economics in Riga; Master's degree in Philosophy from the University of Latvia (not completed)  
Previous experience in leading several commercial real estate development projects and companies (2006-2009)



### **Didzis Ādmīdiņš, Member of the Board, Head of Unsecured Lending**

Master's degree in Economics and Business Administration from the Riga Technical University;  
Previous experience as Chief Operating Officer at several real estate companies (2008-2010); Retail credit specialist at Swedbank (2007-2008)



### **Kristaps Bergmanis, Member of the Board, Chief Financial Officer**

Bachelor's degree in Economics and Business Administration from the Stockholm School of Economics in Riga; Bachelor's degree in International Economics from the University of Latvia; Master's degree in Quality Management from the University of Latvia (pending); ACCA candidate (passed 12 of 14 examinations)  
Previous experience as Member of the Board and Chief Financial Officer at Vision Express Baltija (2005-2012); Business Controller at Rimi Latvija (2003-2005)



### **Ivars Lamberts, Chief Operational Officer**

Bachelor's degree in Business Administration from the Riga International School of Economics and Business Administration; Executive MBA from the Riga Business School (pending)  
Previous experience in leading global loyalty program Lyoness Latvia (2012-2015); Member of board at Lafiko.lv payday lender (2010-2012), Deputy director at Riga State Technical College (2009-2010)

## Supervisory Board

### **Ieva Judinska-Bandeniece (Chairman)**

Ieva is Attorney at Law and partner in law office «FORT». Ieva gained her first experience in the Patent Office of the Republic of Latvia and later successfully combined knowledge and understanding of intellectual property right protection acquired in the Patent Office and experience in commercial law and civil law gained while working in one of the largest law firms in Latvia.

### **Uldis Judinskis**

Uldis is Attorney at Law and associated partner in law office «FORT». Uldis gained experience in commercial law while he worked in the Legal Department, Register of Enterprises of Latvia, as that was the time of enactment of the Commercial Law and related laws and regulations. While practicing in Law Firm Krodere & Judinska, Uldis acquired extensive experience ranging from drafting routine documents to complicated restructuring process registrations.

### **Ramona Miglāne**

Ramona is Attorney at Law and associated partner in law office «FORT». Ramona's experience stems from her employment with Swedbank AS, one of leading banks in the Baltics. While working in Swedbank AS, Ramona specialized in diverse corporate finance matters and stock and trade financing. Besides, she assisted in formation of the vessel financing section and specialized in vessel financing. This knowledge is in high demand when Ramona gives legal advice to the clients and drafts opinions for various banks in Latvia.



# Shareholders of the Issuer

Name, surname/ Legal name	Number of shares	%
◆ SIA «Lombards24.lv» (reg.no. 40103718685)	989,913	66%
◆ SIA «EC finance» (reg.no. 40103950614)	322,587	21.5%
◆ SIA «AE Consulting» (reg.no. 40003870736)	150,000	10%
◆ Didzis Ādmīdiņš	22,500	1.50%
◆ Kristaps Bergmanis	15,000	1.00%
<b>TOTAL</b>	<b>1,500,000</b>	<b>100%</b>

- ◆ Chairman of the board of «ExpressCredit» Agris Evertovskis is shareholder of SIA «Lombards24.lv», SIA «AE Consulting» and SIA «EC finance». Members of the Board, Didzis Ādmīdiņš and Kristaps Bergmanis, hold shares of «ExpressCredit» directly.
- ◆ Other members of the board, members of the supervisory board and Certified Adviser both directly and indirectly do not hold any shares of the Issuer.
- ◆ The Issuer has no knowledge of any agreements, execution of which could lead to changes in the Issuer's shareholders' structure.

# Key financials

Income statement, EUR'000	2016Q4 <sup>1</sup>	2017Q4 <sup>1</sup>	%, y-o-y
Interest and similar income	3,106	3,246	4.5%
Gross profit from sale of goods <sup>2</sup>	835	611	(26.8%)
<b>Gross profit</b>	<b>3,941</b>	<b>3,858</b>	<b>(2.1%)</b>
Selling expense	(1,896)	(1,213)	(36.0%)
Administrative expense	(406)	(613)	50.9%
Net other income / (expense)	(751)	(919)	22.3%
<b>EBITDA</b>	<b>887</b>	<b>1,112</b>	<b>25.3%</b>
Depreciation	(32)	276	(972.8%)
Interest and similar expense	(455)	(523)	14.9%
Taxes	(98)	(140)	43.2%
<b>NET PROFIT</b>	<b>303</b>	<b>725</b>	<b>139.0%</b>

Balance sheet, EUR'000	2016Q4	2017Q4	%, y-o-y
Fixed and intangible assets	582	618	6.2%
Loans to related parties	1,386	1,302	(6.0%)
Net loan portfolio	11,555	15,844	37.1%
Inventory and scrap	701	683	(2.6%)
Other assets	489	667	36.4%
Cash	1,279	2,220	73.5%
<b>TOTAL ASSETS</b>	<b>15,992</b>	<b>21,333</b>	<b>33.4%</b>
Share capital and reserves	1,500	1,500	-
Retained earnings	345	233	(32.6%)
Profit/loss for the current year	961	1,969	105.0%
<b>Equity</b>	<b>2,806</b>	<b>3,702</b>	<b>31.9%</b>
Interest-bearing debt	12,372	16,346	32.1%
Trade payables and other liabilities	815	1,285	57.7%
<b>Liabilities</b>	<b>13,186</b>	<b>17,631</b>	<b>33.7%</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>15,992</b>	<b>21,333</b>	<b>33.4%</b>

1) Part of Interest income reclassified as Gross profit from sale of foreclosed items for comparability with historic data

2) Sale of foreclosed items

# Financing structure

Interest-bearing debt	2017Q3 <sup>1</sup> , EUR'000	2017Q4 <sup>1</sup> , EUR'000	Interest rate, %	Maturity
◆ Secured bonds	1,250	1,000	14.0%	11.2018
◆ Unsecured bonds	3,423	3,490	15.0%	12.2020
◆ Unsecured notes	2,326	3,573	14.0%	10.2021
◆ Peer-to-peer lending platform	7,770	8,105	11.0%-13.5%	Mimicking term structure of underlying loans
◆ Private loans	1,500	0	12.9%-14.0%	Up to 05.2018
◆ Leases	126	175	3.5%+EURIBOR	Up to 3 years
◆ Accrued interest and bonds commissions	0	4		
<b>TOTAL</b>	<b>16,396</b>	<b>16,346</b>		

# Transactions with related parties (1)

As per the last audited report for the year ended 31 December 2016 Issuer had transactions with the following related parties:

Related party:	
◆ <b>Parent company's owners:</b>	"Lombards24.lv", SIA (reg.no. 40103718685)
	"AE Consulting", SIA (reg.no. 40003870736)
	Didzis Ādmīdiņš, p.c. 051084-11569
	Kristaps Bergamanis, p.c. 040578-13052
◆ <b>Companies and individuals under common control or significant influence:</b>	Agris Evertovskis, p.c. 081084-10631
◆ <b>Subsidiary:</b>	"ExpressInkasso", SIA (reg.no. 40103211998)
	"MoneyMetro", SIA (reg.no. 40003040217)
	"EC Investments", SIA (reg.no. 40103944745) till 01.02.2016.
	"EC finance", SIA (reg.no. 40103950614)
◆ <b>Other related companies:</b>	"Naudasklubs", SIA, reg.no. 401033053597)
	"Banknote", SIA (reg.no. 40103501494)
	"ExpressCreditEesti" OU, reg.no. 12344733 till 27.10.2016.

## Transactions with related parties (2)

As per the last audited report for the year ended 31 December 2016 Issuer had the following balances and transactions with related parties:

### Balances:

	31.12.2016			
	Issuer		Group	
	Accounts payable (EUR)	Accounts receivable (EUR)	Accounts payable (EUR)	Accounts receivable (EUR)
Parent company's owners	-	1,216,601	181	1,216,601
Companies and individuals under common control or significant influence	-	18,426	-	18,426
Subsidiaries	7,376	161,675	-	-
Other related companies	-	150,720	-	150,720

### Transactions:

	2016			
	Issuer		Group	
	Inbound (EUR)	Outbound (EUR)	Inbound (EUR)	Outbound (EUR)
Parent company's owners	666,506	1,007,840	668,684	1,011,125
Companies and individuals under common control or significant influence	251,000	269,426	251,000	269,426
Subsidiaries	239,012	393,311	-	-
Other related companies	48,405	94,676	48,405	94,679

All the transactions have been performed at market rates

# Other statements

## ◆ Legal proceedings

Currently there are no government interventions, lawsuits or arbitration processes, which could affect or have affected substantially financial situation of the Issuer.

The Issuer is involved in a number of cases as a plaintiff against some clients that have not paid invoices for delivered products.

## ◆ Significant contracts

The Issuer has no knowledge of any significant contracts that could have been concluded between the Issuer and any related company and that could affect the Issuer's capability to fulfil its liabilities due to investors.

# Issue Terms of the Notes\*

Issuer	SIA «ExpressCredit»
◆ Security type:	Unsecured Notes
◆ ISIN:	LV0000802213
◆ Issue size:	EUR 5,000,000
◆ Total number of Notes:	5,000
◆ Nominal value:	EUR 1,000
◆ Initial issue price of the bond:	EUR 1,000 (minimum investment EUR 100,000)
◆ Currency:	EUR
◆ Annual coupon rate:	14%
◆ Coupon frequency:	Every calendar month – on 25th date
◆ Day count convention:	European 30/360
◆ First settlement date:	19 October 2016
◆ Maturity date:	25 October 2021
◆ Repayment date of principal:	Maturity date
◆ Call Option (early redemption):	25 October 2018; 25 October 2019; 25 October 2020 (subject to 10 business days notice). In case of Call Option, Issuer will repay principal amount with 1% premium.
◆ Put Option (early redemption):	25 October 2019 (subject to 30 calendar days notice)
◆ Admission to trading:	First North Nasdaq Riga
◆ Reason for admission to trading:	To provide liquidity for current bondholders
◆ Use of proceeds:	Funds raised through the Notes issue are used in the ordinary course of business of the Issuer
◆ Arranger:	BlueOrange Bank AS
◆ Certified Adviser:	BlueOrange Bank AS

\* for full overview please refer to the Terms of the Issue

# Investor rights\*

## ◆ Investor rights

Any Note holder has the right to receive Coupon and the Principal payments in accordance with the 4.2.7. and 4.2.8. section of the Terms of the Issue, as well as exercise other rights fixed in the terms and legislation of the Republic of Latvia.

Subordination of the Notes: The Notes rank pari passu with other unsecured obligations of the Issuer. In case of the insolvency of the Issuer, the Note holders 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. There are no contracts or other transaction documents that would subordinate the claims of the Note holders to other unsecured liabilities of the Issuer.

Early redemption: Each Note holder has a right to demand early repayment of the Principal (exercise put option) on 25 October 2019. In order to exercise the put option the Note holders have to submit an application to the Issuer or to its appointed agent not earlier than 45 days prior but not later than 30 days prior the put option date.

Restrictions on free circulation of the Notes: There are no restrictions regarding transfer (sale and purchase) of the Notes in the secondary market.

Representation of the Note holders: It is not envisaged but it is not forbidden to create any organization or trustee that would represent the Note holders jointly. In case of the insolvency of the Issuer, every Note holder has the right to represent his own interests in creditors' meetings. The Note holders will have equal rights for satisfaction of their claims with other creditors in the same claims' group.

## ◆ Significant investor rights if Issuer breaches its obligations

In the event of default in accordance with the 5.1. section of the Terms of the Issue, a Note holder has the right to demand repayment of the Principal and the accrued interest from the Issuer. The Issuer undertakes within 5 (five) Business days to offer the Note holder to redeem the Notes at the Principal value plus all accrued interest.

The Issuer is in default if at least one of the following occurs and as long as it has not been rectified:

- ◆ the Issuer has not paid the Coupon in full amount for more than 5 Business days including a case when changes in tax legislation may limit the Issuer's ability to make the full Coupon payment;
- ◆ the Issuer has not paid the Principal in full amount for more than 5 Business days including a case when changes in tax legislation may limit the Issuer's ability to make the full Principal payment;
- ◆ the Issuer or any of its subsidiaries have failed to perform other liabilities in the amount of over EUR 100,000 for more than 5 (five) Business days;
- ◆ the Issuer is in breach of one or several covenants as defined in section 5.3. of the Terms of the Issue

*\* for full overview please refer to the Terms of the Issue*



# Risk factors related to the Issuer

*The risks indicated in this section may reduce Issuer's ability to fulfil its obligations and cause its insolvency in the worst-case scenario. Noteholders have to take into account that Notes are not secured with collateral and third parties have not guaranteed Notes and coupon payments related thereto. This section may not feature all the potential risks, which may affect the Issuer.*

## Risks related to the Issuer

◆ <b>Changes in regulatory enactments</b>	The Issuer carries out its activity in Latvia and most of the risks, which affect it, are related to the general economic situation in the country and regulatory enactments adopted by the Saeima of the Republic of Latvia or Cabinet of Ministers of the Republic of Latvia. Significant changes in existing regulatory enactments or implementation of new regulations in the Republic of Latvia might negatively affect the business and solvency of the Issuer.
◆ <b>Licensing risk</b>	Consumer Rights Protection Centre (CRPC) carries out supervisory functions for consumer finance and debt collection companies. CRPC issues licenses for companies in these sectors. Licensed activities represent significant part of business operations. CRPC is entitled to withdraw licenses in case there are breach of regulations set forth by legal acts of the Republic of Latvia. The risk is managed at higher management level by following regulations and recommendations.
◆ <b>Macroeconomics</b>	Current economic development of Latvia, where the Issuer is established, is considered as stable. Such macroeconomic indicators as unemployment, inflation and income level, and the international rating agency credit ratings indicate a positive economic development. If the disposable income of population declines rapidly, it can adversely affect clients' ability to return the loans to the Issuer, which in turn may reduce its ability to meet obligations to the noteholders.
◆ <b>Competition risk</b>	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.
◆ <b>Refinancing risk</b>	Principal of Notes will be repaid as a lump sum at maturity date, therefore the Issuer has increased refinancing risk. The Issuer will seek to refinance Bond issue or look for other funding sources in order to decrease refinancing risk.
◆ <b>Dependence on managing employees risk</b>	In future, Issuer's duties will be affected by its ability to attract, preserve, and motivate highly qualified and experienced personnel. There is competition for personnel with the relevant skills and experience in Latvia, and it is comparatively high; however, the Issuer has successful experience in the field of personnel management, offering education, professional growth, and development possibilities, as well as different motivation programs to the employees.
◆ <b>Ownership of the Issuer risk</b>	Shareholders structure of the Issuer consists of two companies that are controlled by the chairman of the board of the Issuer and two members of the board of the Issuer. Taking into account such shareholders' structure, shareholders can significantly influence operational matters of the company and its subsidiaries. In a situation that is not described in the Terms of the Issue and interests of the shareholders will not match with interests of Note holders, the interests of Note holders might not be taken into consideration, since shareholders are able to make decisions contrary to Note holders' interests.
◆ <b>Operational risk</b>	Operational risk is a possibility of experiencing losses due to insufficient or unsuccessful inner processes, personnel management, systems, or external circumstances. The number of Issuer's employees reaches 270 persons; therefore, thorough personnel selection is carried out, accurate descriptions of job duties are compiled, division of duties is coordinated, constant investments are made within the IT system, which allows the Issuer to reduce operational risks.

# Risk factors related to Notes

*The risks indicated in this section may reduce Issuer's ability to fulfil its obligations and cause its insolvency in the worst-case scenario. Noteholders have to take into account that Notes are not secured with collateral and third parties have not guaranteed Notes and coupon payments related thereto. This section may not feature all the potential risks, which may affect the Issuer.*

## Risks related to Notes

◆ <b>Notes repayment risk</b>	<p>Notes are equivalent to other unsecured loans of the Issuer. In case of Issuer's insolvency, noteholders have the same right to receive their investment as other creditors of the relevant group in accordance with applicable regulatory enactments. There are no contracts or other transaction documents, which would subordinate the claims of Noteholders to other unsecured obligations of the Issuer.</p> <p>The Issuer has pledged all of its assets in favor of notes investors (ISIN LV0000801280). The Issuer is not prohibited from pledging assets in favor of other creditors.</p>
◆ <b>Liquidity risk</b>	<p>Neither the Issuer, nor any other person guarantees the minimum liquidity of Notes. Noteholders should take into account that there may be difficulties in selling Notes in the secondary market.</p>
◆ <b>Price risk</b>	<p>Notes will be repaid for their Nominal Value, yet the price in the secondary market may change significantly. Neither the Issuer, nor any other person undertakes to maintain a certain price level of Notes.</p>
◆ <b>Tax risk</b>	<p>Tax rates and tax payment procedure applicable at the moment of purchase of Notes to the tax residents, non-residents of Latvia, and residents of other countries may change. The Issuer will not compensate for the increase in taxes to Noteholders, therefore Noteholders may receive smaller payments related to Notes.</p>

# Certified Adviser

## «BlueOrange Bank» acts as the First North Certified Adviser for «ExpressCredit»

- ◆ Official name: AS BlueOrange Bank
- ◆ Registration number: 40003551060
- ◆ Main field of activity: Banking services
- ◆ Address: Smilšu iela 6, Riga, LV-1050, Latvia
- ◆ Web page: <https://blueorangebank.com/en>



### Representative:

- ◆ Edmunds Antufjevs
- ◆ E-mail: [edmunds.antufjevs@blueorangebank.com](mailto:edmunds.antufjevs@blueorangebank.com)
- ◆ Phone: +371 67034267

«BlueOrange Bank» is advising «ExpressCredit» 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.