



SIA "ExpressCredit"
Reg Nr 40103252854

Terms of the Issue

Security:	Notes
Number of securities:	5,000
Nominal:	EUR 1,000.00
Nominal value of the issue:	EUR 5,000,000
Annual coupon rate:	14%
Maturity:	25 October 2021

Arranger:



www.blueorangebank.com

7 October 2016

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Terms and abbreviations used

Agent	:	A person authorized to represent the Issuer and to perform certain tasks
Arranger	:	AS BlueOrange Bank (former Baltikums Bank AS) (registration number: 40003551060, legal address: Smilšu iela 6, Rīga, LV-1050, Latvia)
Business day	:	Business Day shall mean a day which is not a holiday and non-business day in the Republic of Latvia and LCD securities settlement system and TARGET2 system are open
Custodian	:	Credit institution or investment brokerage company that has obtained the FCMC license or is entitled to do business and to keep securities in accordance with its country of registration laws
Coupon	:	Interest on the Notes calculated in accordance with clause 4.2.7.
EUR	:	Euro (single currency of the member states of the European Monetary System)
First Settlement Date	:	The date when interest on the Notes start to accrue and is 19 October 2016
FCMC	:	Financial and Capital Market Commission
Group	:	Issuer and all its subsidiaries
Issuer or ExpressCredit	:	SIA "ExpressCredit" (registration number 40103252854 with legal address Raunas iela 44 k-1, Rīga, LV-1039, Latvia)
Interest calculation period	:	The period of time between the First Settlement Date and the date of the first payment or between two Coupon payment dates
LCD	:	AS "Latvijas Centrālais depozitārijs" (legal address Vaļņu iela 1, Rīga, LV-1050, Latvia)
Legal acts	:	All legal acts including FCMC, Nasdaq Riga and LCD regulations, which are in force in Latvia at the time of the Notes issue, as well as prior to the maturity date of the Notes
LR	:	The Republic of Latvia
Nasdaq Riga	:	AS "Nasdaq Riga" (legal address: Vaļņu iela 1, Rīga, LV-1050, Latvija)
Nominal or Principal	:	Face value of a Note
Note	:	Debt security that is issued by the Issuer according to the Terms of the Issue
Note holder	:	Private person or legal entity that is an owner of one or more Notes and has a claim against the Issuer as stipulated by the Legal acts
Potential Investor	:	A private person or legal entity that has, according to the terms stated in the Terms of the Issue, expressed interest or is planning to purchase for its own account one or more Notes
Prospectus	:	Document, which is prepared according to the Financial Instrument Market Law of the Republic of Latvia. After its registration with the FCMC, the Issuer is authorized to include the Notes on the regulated market. The information included in the Prospectus cannot be in contradiction to the Terms of the Issue.
Terms of the Issue	:	This document, which entitles the Issuer to execute the Issue and the initial offering of the Notes

1. Summary

Part A. Introduction and Warnings		
Element and Request for the Provision of Information		Information
A.1	Warning to investors	<ul style="list-style-type: none"> • This summary should be read as introduction to the Terms of the Issue; • Any decision to invest in the securities should be based on consideration of the Terms of the Issue as a whole by the Potential Investor; • Where a claim relating to the information contained in the Terms of the Issue is brought before a court, the plaintiff Potential Investor might, under the national legislation of the Member States, have to bear the costs of translating the Terms of the Issue before the legal proceedings are initiated; and • Civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Terms of the Issue, key information in order to aid Potential Investors when considering whether to invest in such securities.
Part B. Issuer and any Guarantor		
B.1	Legal name and commercial name of the Issuer	The Issuer's legal name is Sabiedrība ar ierobežotu atbildību "ExpressCredit".
B.2	The domicile and legal form of the Issuer, the legislation under which the Issuer operates and its country of incorporation	<p>The Issuer is registered in the Republic of Latvia as a Limited Liability Company. It operates under the laws of the Republic of Latvia and has headquarters in Riga, Latvia.</p> <p>The main legal acts of the Republic of Latvia which regulate the operation of the Issuer are:</p> <ul style="list-style-type: none"> • The Commercial Law (<i>Komerclikums</i>); • Consumer Protection Law (<i>Patērētāju tiesību aizsardzības likums</i>); • Cabinet Regulations of Latvia No 245 (Regulations on the special permit (license) for consumer credit services); • Cabinet Regulations of Latvia No 1219 (Regulation prescribes the requirements in respect of the content of consumer credit service advertisements, the procedures by which information shall be provided prior to concluding a consumer credit agreement, and the content of information, the requirements to be set out for the credit agreement and the information to be contained therein, the methodology for the calculation of the annual percentage rate of charge, the procedures for informing consumers during the duration of the credit agreement, the procedures for early repayment of credit and fair reduction of the total costs of the credit, the requirements applicable to individual types of credit agreements and the obligations of credit intermediaries, as well as the legal framework for consumer credit for pledging movable property); • any binding Cabinet Regulations of Latvia (<i>Ministru Kabineta noteikumi</i>)
B.3	A description of, and key factors relating to, the nature of the Issuer's current operations and its principal activities	The main areas of ExpressCredit are consumer financing (pawn loans and consumer loans) and pawn shop services.

B.4a	A description of the most significant recent trends affecting the Issuer and the industries in which it operates	No significant recent trends have occurred since the last audited annual report.																																																																																						
B.4b	A description of any known trends affecting the Issuer and the industries in which it operates	No significant known trends have occurred since the last audited annual report.																																																																																						
B.5	A description of the group and the Issuer's position within the group	The Issuer is an operating company and holds interest in four subsidiaries.																																																																																						
B.6	Main shareholders of the Issuer	<p>The current structure of the Issuer's shareholders is as follows:</p> <table border="1"> <thead> <tr> <th>Name, surname/ Legal name</th> <th>Number of shares</th> <th>% of the total number</th> </tr> </thead> <tbody> <tr> <td>SIA "Lombards24.lv"</td> <td>281,134</td> <td>65.86%</td> </tr> <tr> <td>SIA "AE Consulting"</td> <td>135,055</td> <td>31.64%</td> </tr> <tr> <td>Kristaps Bergmanis</td> <td>4,269</td> <td>1.00%</td> </tr> <tr> <td>Didzis Ādmīdiņš</td> <td>6,403</td> <td>1.50%</td> </tr> <tr> <td>Total:</td> <td>426,861</td> <td>100%</td> </tr> </tbody> </table> <p>Owner of SIA "Lombards24.lv" and SIA "AE Consulting" is a chairman of the board of "ExpressCredit" – Agris Evertovskis.</p> <p>The Issuer has no information at its disposal regarding any agreements, the fulfilment of which might cause changes in the Issuer's control.</p>	Name, surname/ Legal name	Number of shares	% of the total number	SIA "Lombards24.lv"	281,134	65.86%	SIA "AE Consulting"	135,055	31.64%	Kristaps Bergmanis	4,269	1.00%	Didzis Ādmīdiņš	6,403	1.50%	Total:	426,861	100%																																																																				
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B.7	Selected historical key financial information	<p>The Issuer's selected financial figures are as follows:</p> <p>Consolidated income statement</p> <table border="1"> <thead> <tr> <th></th> <th>2014 (audited)</th> <th>2015 (audited)</th> <th>2015 1H (unaudited)</th> <th>2016 1H (unaudited)</th> </tr> </thead> <tbody> <tr> <td>Net sales</td> <td>7,650,686</td> <td>8,124,967</td> <td>4,064,765</td> <td>2,398,301</td> </tr> <tr> <td>Cost of sales</td> <td>(5,596,572)</td> <td>(6,040,951)</td> <td>(3,108,772)</td> <td>(1,998,605)</td> </tr> <tr> <td>Interest income and similar income</td> <td>8,640,133</td> <td>9,974,805</td> <td>4,868,028</td> <td>4,554,603</td> </tr> <tr> <td>Interest expenses and similar expenses</td> <td>(1,216,106)</td> <td>(1,161,962)</td> <td>(599,278)</td> <td>(600,913)</td> </tr> <tr> <td>Gross profit</td> <td>9,478,141</td> <td>10,896,859</td> <td>5,224,743</td> <td>4,353,386</td> </tr> <tr> <td>Selling expenses</td> <td>(4,880,420)</td> <td>(5,326,334)</td> <td>(2,803,681)</td> <td>(2,348,605)</td> </tr> <tr> <td>Administrative expenses</td> <td>(1,883,023)</td> <td>(2,738,289)</td> <td>(1,070,880)</td> <td>(1,039,412)</td> </tr> <tr> <td>Other operating income</td> <td>108,456</td> <td>60,588</td> <td>349,739</td> <td>389,274</td> </tr> <tr> <td>Other operating expenses</td> <td>(1,226,186)</td> <td>(1,185,869)</td> <td>(401,774)</td> <td>(935,954)</td> </tr> <tr> <td>Profit before taxes</td> <td>1,596,968</td> <td>1,706,955</td> <td>1,298,147</td> <td>418,689</td> </tr> <tr> <td>Corporate income tax for the reporting year</td> <td>(206,856)</td> <td>(220,676)</td> <td>(285,914)</td> <td>(83,960)</td> </tr> <tr> <td>Deferred tax</td> <td>90,633</td> <td>26,185</td> <td>-</td> <td>-</td> </tr> <tr> <td>Current year's profit</td> <td>1,401,563</td> <td>1,512,464</td> <td>1,012,233</td> <td>334,729</td> </tr> </tbody> </table> <p>Consolidated balance sheet</p> <table border="1"> <thead> <tr> <th></th> <th>31.12.2014</th> <th>31.12.2015</th> <th>30.06.2016</th> </tr> </thead> <tbody> <tr> <td>Long-term investments</td> <td>2,269,045</td> <td>2,207,736</td> <td>3,010,985</td> </tr> <tr> <td>Current assets</td> <td>8,692,394</td> <td>8,526,411</td> <td>10,595,457</td> </tr> <tr> <td>Total assets</td> <td>10,961,439</td> <td>10,734,147</td> <td>13,606,442</td> </tr> </tbody> </table>		2014 (audited)	2015 (audited)	2015 1H (unaudited)	2016 1H (unaudited)	Net sales	7,650,686	8,124,967	4,064,765	2,398,301	Cost of sales	(5,596,572)	(6,040,951)	(3,108,772)	(1,998,605)	Interest income and similar income	8,640,133	9,974,805	4,868,028	4,554,603	Interest expenses and similar expenses	(1,216,106)	(1,161,962)	(599,278)	(600,913)	Gross profit	9,478,141	10,896,859	5,224,743	4,353,386	Selling expenses	(4,880,420)	(5,326,334)	(2,803,681)	(2,348,605)	Administrative expenses	(1,883,023)	(2,738,289)	(1,070,880)	(1,039,412)	Other operating income	108,456	60,588	349,739	389,274	Other operating expenses	(1,226,186)	(1,185,869)	(401,774)	(935,954)	Profit before taxes	1,596,968	1,706,955	1,298,147	418,689	Corporate income tax for the reporting year	(206,856)	(220,676)	(285,914)	(83,960)	Deferred tax	90,633	26,185	-	-	Current year's profit	1,401,563	1,512,464	1,012,233	334,729		31.12.2014	31.12.2015	30.06.2016	Long-term investments	2,269,045	2,207,736	3,010,985	Current assets	8,692,394	8,526,411	10,595,457	Total assets	10,961,439	10,734,147	13,606,442
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B.8	Selected pro forma financial information	Issuer does not provide pro forma financial information.																
B.9	Profit forecast or evaluation	The profit/loss forecast has not been carried out.																
B.10	Objections in the financial information of the audit report	The reports on the audit of the financial statement for 2014 and 2015 contained no objections.																
B.11	Issuer's equity	The last audited total equity of the Issuer is EUR 2,327,029.																
B.12	Forecasts regarding the Issuer	The forecasts regarding the Issuer contain no crucial negative changes after the publication of the last audited financial statements.																
B.13	A description of any recent events particular to the Issuer which are to a material extent relevant to the evaluation of the Issuer's solvency	No events related to the Issuer, which are crucial for preventing Issuer's insolvency, have been established.																
B.14	Issuer's dependency	The Issuer is the main company in the group and does not significantly depend on other entities.																
B.15	Description of the Issuer's principal activities	The main areas of ExpressCredit are consumer financing and pawn shop services.																
B.16	Control over the Issuer	There is one ultimate shareholder who can exercise significant control over the Issuer.																
B.17	Credit ratings assigned to the Issuer or its debt securities	There is no credit rating assigned neither to the Issuer nor to the Notes issue.																
B.18 – B.50		Not applicable.																
Part C. Securities																		
C.1	Type and category of securities, ISIN	Notes issue ISIN (International Security Identification Number) will be allocated by LCD when the board of LCD will make a decision about Notes issue entry.																
C.2	Currency of the issue of securities	Currency of the Notes issue is euro (EUR).																
C.3 – C.4		Not applicable.																
C.5	Restrictions for free transferability of securities	There are no restrictions regarding transfer, e.g. sale and purchase, of the Notes in the secondary market.																
C.6 – C.7		Not applicable.																
C.8, C.9	Rights arising from the Notes	Note holders have a right to receive Coupon and Principal payments, exercise other rights as stipulated in the Terms of the Issue.																

		<p>The Coupon rate is 14% per annum. The Issuer will withhold taxes according with applicable laws in Latvia.</p> <p>The Coupon starts to accrue on the First Settlement Date - 19 October 2016 and the Coupon is payable each month on 25th date.</p> <p>The Nominal amount (EUR 1,000 per Note) will be repaid on 25 October 2021. The payment of Coupon and Nominal amount will be done through the LCD.</p> <p>Yield on the Notes is calculated applying 360 days in one year / 30 days in one month day count method and it depends on the price, which is paid.</p> <p>There is no representative of the debt security holders. However, each Note holder may represent itself or jointly with other Note holders.</p>
C.10	Interest payment of securities based on derived financial instruments	Not applicable. There is no derivative component embedded in the terms of the Notes.
C.11	Inclusion of Notes in the regulated market	The Issuer may decide to list the Notes on the regulated market.
C.12	Minimum denomination of the issue	The Nominal value of one Note is EUR 1,000 (one thousand euro).
C.13 – C.22		Not applicable.
Part D. Risks		
D.1, D.2	Key information on the key risks that are specific to the Issuer or its industry	When making an investment in Notes, the Noteholder undertakes certain financial risks. The main risk factors that influence the Issuer are changes in regulatory enactments risk, licensing risk, macroeconomics risk, competition risk, refinancing risk, dependence on managing employees risk, ownership of the Issuer risk and operational risk.
D.3	Key information on the key risks that specific to the securities	When investing funds in Notes, investors undertake the following risks related to debt securities: 1) Notes repayment risk; 2) there may be no possibility of selling Notes in the secondary market; 3) up to the moment of repayment of the issue, the price in the secondary market may be lower than the Nominal Value of Notes; 4) regulatory enactments, which regulate tax rates and tax payment procedure and which may negatively affect the profitability of Notes, may change.
D.4 – D.6		Not applicable.
Part E. Offer		
E.1 – E.2a		Not applicable.
E.2b	Reasons for the offer and use of proceeds when different from making profit and/or hedging certain risks	Funds that are raised as a result of the Notes issue will be used in the ordinary course of business of the Issuer.
E.3	A description of the terms and conditions of the offer	Not applicable.
E.4	A description of any interest that is material to the issue/offer including conflicting interests	AS BlueOrange Bank (former Baltikums Bank AS) (the Arranger) is organizing the Notes issue and may have other business transactions with the Issuer.
E.5 – E.6		Not applicable.
E.7	Estimated expenses charged	All the expenses related to the acquisition and custody of Notes are borne by an investor in compliance with the price-list of a credit institution or

	<p>to the investor by the issuer or the offeror</p>	<p>investment service provider, through which the investor purchases and keeps Notes. The Issuer is not obliged to compensate for expenses incurred by the investor.</p> <p>The investor may have additional tax payment obligations related to Notes depending on the investor's country of residence. The Issuer will deduct taxes from Coupon payments in compliance with the applicable legal acts of the Republic of Latvia.</p>
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2. Risk Factors

2.1. Important note

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.

2.2. Changes in regulatory enactments

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.

Currently, the activity of the Issuer and other non-bank credit companies in Latvia is regulated by Cabinet Regulation No. 245, by Cabinet Regulation No. 1219, Personal Data Protection Law, Unfair Commercial Practice Prohibition Law, Law On Extrajudicial Recovery of Debt and Consumer Rights Protection Law.

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.

2.3. Licensing risk

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

The Issuer and its subsidiary (SIA "MoneyMetro") are licensed consumer finance company. The Issuer and SIA "MoneyMetro" has obtained non terminated license.

The Issuer's subsidiary SIA "ExpressInkasso" is a licensed debt collection company. Its license is valid till 17 December 2016. ExpressCredit has supplied documents for annual renewal of the license.

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.

2.4. Macroeconomics

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 Note holders.

2.5. Competition risk

As of the date of signing Terms of the Issue, there were 59 licensed consumer finance companies which operated in the territory of Latvia, offering different credit services; 19 of them offered pawn loans (loans issued against pledge of movable property), 19 of them offered consumer loans (unsecured loans). Licensed consumer finance companies also operate in such areas as distance loans (19 companies), mortgage loans and loans against vehicle. Among the licensed consumer finance companies a large part of lenders operate in a virtual environment, or only in a small geographic area.

Issuer provides services throughout the territory of Latvia - a total of 39 cities and rural areas. 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.

2.6. Refinancing risk

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.

2.7. Dependence on managing employees risk

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.

2.8. Ownership of the Issuer risk

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.

2.9. Operational risk

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 279 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.

2.10. Risks related to Notes

2.10.1. Notes repayment risk

Notes are equivalent to other unsecured loans of the Issuer. In case of Issuer's insolvency, Note holders 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. The Issuer has pledged all of its assets in favor of notes investors (ISIN LV0000801280) with remaining nominal value of EUR 2,250,000.00. The Issuer is not prohibited from pledging assets in favor of other creditors.

2.10.2. Liquidity risk

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.

2.10.3. Price risk

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.

2.10.4. Tax risk

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.

3. Responsible persons

Hereby we, members of the board of SIA ExpressCredit, Agris Evertovskis (chairman), Kristaps Bergmanis and Didzis Ādmīdiņš, certify that, by paying sufficient attention to this purpose, the information included in the Terms of the Issue is true, in accordance with the facts, and no information which may affect its meaning is concealed therein.



Agris Evertovskis



Kristaps Bergmanis

Didzis Ādmīdiņš

4. Information on Notes

4.1. The use of the proceeds

Funds that will be raised as a result of the Notes issue will be used in the ordinary course of business of the Issuer.

It is planned to attract funds in the amount of EUR 5,000,000.

4.2. Information on the offered Notes

4.2.1. General Information

The Notes are bearer and any person or entity that holds the Notes in his securities account has the right to receive Coupon and the Principal payments. It is planned to issue 5,000 Notes with nominal value of EUR 1,000.00 for one Note and total nominal value of EUR 5,000,000.00.

Notes issue ISIN (International Security Identification Number) will be allocated by LCD when the board of LCD will make a decision about Notes Issue entry.

4.2.2. Legal acts that regulate the Notes issue

The Notes issue is arranged in compliance with the Financial Instrument Market Law and other legal acts of the Republic of Latvia that are in force including the FCMC, the LCD and the Nasdaq Riga regulations.

All disputes between Note holders and the Issuer shall be settled in courts of the Republic of Latvia in accordance to the legal acts in force. Terms of the Issue are drafted and signed in English and any translations of the Terms of the Issue into another language are unofficial and made exceptionally for the Investors' convenience. In case of any disputes' settlement, interpretation of the norms of the Terms of the Issue in English holds the priority against an interpretation in any other language.

4.2.3. Form and accounting of the Notes

The Notes are issued in dematerialized form and appear as a book entry in the LCD, which will provide the accounting function for the Notes.

4.2.4. Currency of the Notes

Currency of the notes is EUR.

4.2.5. 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.

The Issuer has pledged all of its assets, and assets of SIA "ExpressInkasso" in favor of notes investors (ISIN LV0000801280) with remaining nominal value of EUR 2,250,000.00. The Issuer is not prohibited from pledging assets in favor of other creditors.

4.2.6. Rights and restrictions connected with the Notes issue

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.

4.2.7. Coupon payment

The Coupon rate for the Notes is 14% per annum and it is fixed until the maturity of the Notes.

Coupon payments are made every calendar month – on 25th date. The first payment is done on 25 November 2016, the last – on 25 October 2021. Coupon calculation date is 5th (fifth) business days before coupon payment date. At the end of the Coupon calculation date Note holders list, who will be eligible for the Coupon payments, will be fixed. Coupon payment shall be made to the Note holders, as per Note holders list, on each Coupon payment date for the preceding Coupon period.

The Issuer pays the Coupon through the intermediary of LCD and in accordance with applicable LCD regulations, which regulate the procedure for paying income from debt securities. LCD regulations applicable on the day of preparation of the Terms of the Issue are LCD regulations No. 8 "On Payment of Dividends, Coupons, Principal and other Cash Proceeds".

If the date of a Coupon payment is a holiday, the Issuer makes the relevant Coupon payment on the first business day after the holiday. However, if the closest business day after the holiday occurs in the next month, the Coupon payment is made on the business day preceding the holiday.

The Coupon payment is determined according to the following formula:

$CPN = F * C / 12$, where

CPN – value of a Coupon in EUR

F – Nominal;

C – Coupon annual interest rate;

D – Actual amount of days during the period of Coupon rate calculation.

The first Coupon payment is determined according to the following formula:

$CPN = F * C * 37 / 360$, where

CPN – value of a Coupon in EUR

F – Nominal;

C – Coupon annual interest rate;

If the Issuer has not made Coupon or Principal payments on the dates stated in the Terms of the Issue the Note holders have the right to submit claims for Coupon and Principal repayment no earlier than 5 (five) Business days after the relevant Coupon or Principal payment date.

4.2.8. Procedure of the Notes Repayment

The Principal of the Notes will be repaid as a lump sum at the date of maturity of the Notes. Note holders will receive EUR 1,000.00 for each Note or remaining Principal value, in case of partial call option as per clause 4.2.9. The Notes mature on 25 October 2021. Noteholders list eligible to receive the Principal will be fixed at the end of the previous Business day before maturity date. Principal payment shall be made to the Note holders on the maturity date.

The Issuer will pay the Principal of the Notes on the Notes maturity date through the intermediary of LCD in accordance with LCD intermediary and applicable LCD regulations. LCD regulations applicable on the day of preparation of the Terms of the Issue are LCD regulations No. 8 "On Payment of Dividends, Coupons, Principal and other Cash Proceeds".

If the Notes repayment date is a holiday, the Issuer will repay Principal of the Notes on the first Business day after the holiday observing the terms stated in this section. However, if the nearest Business day after the holiday falls in the next month, Principal of the Notes is to be repaid on the Business day preceding the holiday.

4.2.9. Early redemption

The Issuer has a right to repay Principal prior to maturity (call option) on 25 October 2017, 25 October 2018, 25 October 2019 and 25 October 2020. If the Issuer decides to use call option and repay Principal of the Notes fully or partially, the Issuer will repay Principal amount with 1% premium. Minimum amount of call option is EUR 100.00 (one hundred euro) per one Note with next step of EUR 100.00 (one hundred euro). If the Issuer repays Principal in full amount then the minimum step shall not be considered.

If the Issuer decides to use call option and repay Principal of the Notes fully or partially, the Issuer will inform the investors through LCD at least 10 (ten) Business days before the actual repayment of the Principal. Noteholders list eligible to receive the Principal will be fixed at the end of the previous Business day before principal repayment date.

In case of partial call option, the Principal of the issued Notes (held by Note holders) and registered Notes (held in the Arranger’s initial placement account) would be decreased accordingly.

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.

The Issuer will pay the Principal of the Notes on the Notes date through the intermediary of LCD in accordance with LCD intermediary and applicable LCD regulations. LCD regulations applicable on the day of preparation of the Terms of the Issue are LCD regulations No. 8 “On Payment of Dividends, Coupons, Principal and other Cash Proceeds”.

4.2.10. Accrued interest calculation

The first Coupon starts to accrue on 19 October 2016, which is the First Settlement Date of the Notes issue. The accrued Coupon is calculated presuming that there are 360 days in one year (amount of day convention - “European 30/360”). Accrued interest between Coupon payment dates shall be calculated as follows:

$AI = F * C / 360 * D$, where

AI – accrued interest;

F – face value;

C – Coupon annual interest rate;

D – the amount of days from the beginning of the Coupon accrual period after 30/360 day count method.

4.2.11. 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.

4.2.12. Decisions of the Issuer on the Notes issue

On 7 October 2016, the Issuer's shareholders passed the decision (Nr. Obl-1/2016) to issue debt securities (Notes) in the amount of up to and including EUR 5,000,000 (five million euros). On 7 October 2016 the Issuer's Management Board passed the decision (Nr. Obl-1/2016) to issue the Notes and to authorize the members of the board to sign all the documents related to the execution of the Management Board's decision to issue debt securities.

4.2.13. The First Settlement Date of the Notes issue

The First Settlement Date of the Notes issue is 19 October 2016, on which the Coupon starts to accrue.

4.2.14. Restrictions on free circulation of the Notes

There are no restrictions regarding transfer (sale and purchase) of the Notes in the secondary market.

5. Special Conditions

5.1. Event of Default

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.Covenants.

In the case of non-compliance or inadequate compliance with a payment obligation arising from the Notes, the Note holder in question shall be entitled to require and the Issuer shall be obliged to pay late payment interest which shall accrue on the outstanding amount as of the day following the due date for payment until the day of discharge of the payment obligation at the rate of 0.05% (zero point zero five percent) per day.

In the event of default, 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.

5.2. Covenants

As long as the Notes issue is outstanding the Issuer has to ensure that its operations do not breach any of the following:

- The Issuer and its subsidiaries shall continue business operations in the field of consumer lending, sale of goods and debt collection;
- The Issuer and its subsidiaries (the Group) may not lend to the shareholders (in the form of loans or otherwise) of the Group, as well as any borrowings from the Issuer's shareholders shall be unsecured and without any guarantees by the Group, interest and principal repayment shall be after the Notes maturity date;
- Any transactions with Related Persons shall be at market prices;
- The Issuer or its subsidiaries may invest in share capital of other companies only if the participation share is at least 51% and the Issuer retains full control of a company;
- The Issuer's consolidated net debt (borrowings minus cash) divided by total equity shall be less than 4 to 1;
- Loans to shareholders, management and related entities shall not exceed EUR 1,400,000;
- Dividend amount including any interim dividends shall not exceed 40% of the last audited net profit
- To use dividends exceeding 40% of previous year's profit to repay loans to related entities, shareholders and management in 10 days period after the dividend payout
- To not borrow funds with effective interest rate in excess of the Coupon rate;
- To not sell, lease or otherwise allow to use any registered brand names of the Issuer and its subsidiaries;
- Not to start reorganization, liquidation or decrease of share capital.

5.3. Procedure for Applying for the Waiver

The Issuer may apply for the consent (waiver) of Note holders to alter the terms stated in the Terms of the Issue.

The changes in the Terms of the Issue can attribute to such specifications of the Notes as the currency and the Coupon rate, the Coupon calculation method, the procedure of Coupon payments and of the Notes repayment, the admission of the Notes for trading on other regulated markets, and other terms if only they do not interfere with Latvian legislation in force.

The Issuer can apply for the waiver by itself or through the Agent. To apply for the waiver, the Issuer or its Agent shall submit an application for the waiver to Note holders, with intermediation of LCD, or when Notes are listed via Nasdaq Riga information system and the Central Storage of Regulated Information ORICGS, setting out at least the following information:

- a description of the changes applied for;
- a justification of the necessity of the changes applied for;
- the date when the list of Note holders eligible to grant the waiver will be fixed;
- the term within which a Note holder can grant the waiver to the Bank or refuse to waive;
- instructions concerning notification about the granting of the waiver to the Bank or refusal to grant the waiver, and the questionnaire to be filled in by a Note holder;
- a statement that a Note holder willing to grant the waiver to the Bank shall notify the Bank or its Agent about it within the term specified in the application, which is certified by a postal seal or signature on receipt, and if a Note holder does not notify about the approval to grant the waiver to the Bank or the Agent within the term specified in the application, a Note holder shall be deemed as not having granted the waiver;
- contact details of the Bank and/ or the Agent to be used for notification (telephone number for queries, address for sending filled in and signed questionnaires, and list of representative offices and/ or branches of the Issuer and/ or its Agent where Note holders can submit the questionnaires in person);
- Other information including a fee to Note holders for approving the waiver needed by Note holders for deciding upon granting the consent or refusal to grant the waiver to the Bank.

The list of Note holders shall be inquired from the LCD as of the date falling to the 5th (fifth) Business day after the placement of the application on the Nasdaq Riga web page or when waiver with intermediation of LCD was sent to LCD participants, who hold the Notes in financial securities' custody accounts or are Note holders. The term allowed to Note holders for deciding upon refusal to grant the waiver to the Issuer may not be shorter than 10 (ten) calendar days after the placement of the application on the Nasdaq Riga web page or when waiver with intermediation of LCD was sent to LCD participants, who hold the Notes in financial securities' custody accounts or are Note holders.

Note holders shall submit signed questionnaires with their decision to the Issuer or its Agent by a deadline set in the application. The waiver is deemed to be approved if Note holders owning at least 75% (seventy five per cent) of the issue have voted for granting the waiver. The Notes owned by the Issuer and / or its affiliated persons (subsidiaries, shareholders, management or employees) are not eligible to participate in the voting.

The Issuer or its Agent shall sum up the received votes and notify the public of the results of the voting within 1 (one) Business day after the deadline for submitting the questionnaires by placing a relevant advertisement on Nasdaq Riga web page and ORICGS or by sending notification to LCD participants, who hold the Notes in financial securities' custody accounts or are Note holders.

If the accepted changes refer to specifications of the Notes and/ or Coupon calculation method, as well as procedure of Coupon payments and/ or repayment of the Principal, the Issuer shall inform the LCD on the mentioned changes according to the regulation determined in the LCD rules.

If the Issuer offers Note holders a fee for approving the waiver and the waiver is granted, the Issuer transfers the fee amount to the account stated by a Note holder in the questionnaire not later than 10 (ten) Business days after the waiver comes into force.

6. Taxes

6.1. Notice

This summary is of general nature and should not be considered a legal or tax advice. This section does not contain full and complete information on all the taxes that relate to investment in the Notes. Tax rates and conditions for paying taxes may change during the life of the Notes. Prospective Note holders should consult with their own tax advisors with respect to their particular circumstances and the effects of the Latvian or foreign tax laws to which they may be subject to.

6.2. Definition of Residents and Non-residents

An individual is considered resident of Latvia for tax purposes if his or her permanent place of residence is Latvia; or he or she stays in Latvia for more than 183 days within any 12-month period; or he or she is a citizen of Latvia and is employed abroad by the government of Latvia. If an individual does not meet any of the above-mentioned criteria, he or she is considered a non-resident for tax purposes.

Any legal entity is considered resident of Latvia for tax purposes if it is or should be established and registered in Latvia according to the Latvian legislation. Other legal entities are considered non-residents for tax purposes.

Table 1 – Tax consequences in Latvia regarding the income derived from Notes that are issued by a legal entity registered in Latvia [not being a credit institution] as at 01 September 2016

Legal status of income beneficiary	Notes that are not in the Public Circulation		Conditions
	Interest tax rate	Capital gains tax rate	
Individual resident of Latvia	10%	10% ¹	10% tax from the interest (coupon) income is withheld and transferred to the State budget by an Issuer of Notes, if it is registered in Latvia. 1 - Capital gains from a sale of Notes are considered equivalent to an interest income and taxed at 10% rate in Latvia. Self-assessment and payment of a tax on capital gains [i.e. profits] in Latvia is performed by a beneficiary of capital gains – a resident individual filing the Annual Income Statement.
Company resident of Latvia	15%	15%	Interest (coupon) income and a capital gain from the Notes not being in the Public Circulation constitute a part of company's overall income and are taxed at regular 15% tax rate filing the Corporate Income Tax Return for a taxation year.

Individual non-resident	10% ^{2,4}	10% ^{3,4}	<p>10% tax from the interest (coupon) income is withheld and transferred to the State budget by an issuer of bonds, if it is registered in Latvia.</p> <p>2 - The reduced 7%, 5%, 2.5% or 0% tax rate on interest (coupon) income can be applicable in Latvia only, if it is stipulated by provisions of the Double Tax Treaty concluded between Latvia and other relevant country.</p> <p>3 - A capital gain from the Notes is considered equivalent to an interest income and taxed at 10% rate. Calculation and withholding of a tax on capital gain [i.e. a profit] is performed by the party paying income, if it is registered in Latvia. If no profit is derived from a sale transaction, the 10% tax is not withheld/paid. The Double Tax Treaty provisions may stipulate a tax exemption in Latvia for a capital gain derived by a non-resident individual.</p> <p>4 - A non-resident individual being a beneficiary of interest (coupon) income or a capital gain could be obliged to assess and pay tax in its country of residence at the tax rate specified in the relevant country, which may or may not be higher than the one applicable in Latvia.</p>
Company non-resident	exempt ^{5,6}	exempt ⁶	<p>Interest (coupon) income and a capital gain derived by a non-resident company (except a company from one of the "black listed countries or territories") are tax exempt in Latvia.</p> <p>5 - An issuer of Notes withholds 15% tax from interest (coupon) payments, if they are made to a company non-resident registered in one of the low tax or non-tax countries or territories specified by the Cabinet Regulations of Latvia (so called "the black listed countries and territories").</p> <p>6 - A non-resident company being a beneficiary of interest (coupon) income or a capital gain could be obliged to assess and pay tax in its country of residence at the tax rate specified in the relevant country, which may or may not be higher than the one applicable in Latvia.</p>

Source: LR legal acts

7. Terms of the Offering

7.1. Subscription to the Notes

7.1.1. Subscription period

The initial offering shall commence on 19 October 2016 and shall end on 1 October 2021 at 17:00.

7.1.2. Subscription terms

Subscription orders to the Notes can be submitted to the Arranger every Business day during normal working hours. More detailed information on the submission of the subscription orders is available by phone +371 67031222.

Subscription order can also be submitted to other Custodians, which in turn shall submit orders to the Arranger. Business relations between Investors and Custodians are regulated by contracts between them and by the applicable legal acts.

The number of demanded Notes should be stated in the order. Potential investors have the right to submit several subscription orders during the offering. Subscription orders to the Notes are irrevocable. The Arranger will register all submitted subscription orders of its clients according to legal requirements and internal procedures.

The minimal subscription size is EUR 1,000.00 (one thousand euro) or 1 (one) Note for a qualified Investor, EUR 100,000.00 (one hundred thousand) or 100 (one hundred) Notes for other investors. The maximum subscription size is EUR 5,000,000 (five million euro) or 5,000 (five thousand) Notes.

7.1.3. Notes price

The Notes can be purchased for the price that equals to 100% of the Nominal value or EUR 1,000.00 for one Note plus accrued interest as per clause 4.2.10. In case of partial call option, as per clause 4.2.9., the Nominal value of the Note can be decreased, therefore the Note's price can be less than EUR 1,000.00 for one Note.

7.1.4. Increase and reduction of the Notes issue size

At any time the Issuer may decide to discontinue offering of the Notes. The total issue size is equal to the actually issued number of the Notes before such decision.

7.1.5. Allocation of the Notes to Investors

The Notes are allocated to Investors in the amount not larger than the amount specified in the subscription form and not less than the minimum size as described in the Section 7.1.2. "Subscription terms".

The Arranger at its sole discretion has a right to refuse to allocate all or part of the subscribed Notes to any Potential Investor.

7.2. Settlement and delivery of the Notes

The settlement date for the Notes can be any Business day which is not earlier than the second Business day and not later than the 20th Business day after subscription order is fully submitted to the Arranger.

Settlement of the Notes will be executed through the LCD as DVP (delivery versus payment) transactions according to the LCD rules No 5 "On DVP Settlement for OTC Transactions". The Custodians execute payments for the Notes based on the results of the subscription provided by the Arranger. The Notes will be transferred to Investors' financial instrument accounts on the settlement date.

Settlement for the Notes can be executed according to other procedure, which is agreed to by the Arranger and Potential Investor.

7.3. Pre-emptive rights

None of Investors has the rights of pre-emption in respect to acquisition of the Notes in the initial placement.

8. Including of the Notes on the market and trading regulations

The Issuer has two notes issues listed on Nasdaq Riga regulated market. The Issuer may request listing of the Notes after the Notes prospectus is registered with the FCMC. However, the Issuer does not undertake neither to register the Notes prospectus nor list the Notes on any regulated market.

The Issuer has not signed any agreement with any person for Notes liquidity maintenance on the secondary market.

9. Additional Information

9.1. Advisors involved in the Issue

The Issuer has concluded an agreement with the Arranger to organize the Notes issue, to communicate with the LCD, market it to the investors and conduct settlement during the subscription period. The Arranger may provide other services to the Issuer in the future and receive remuneration for it. The Arranger may invest its own funds in the Notes.

9.2. The external audit of the information included in the securities description

The auditors have not verified the information included in the securities description.

9.3. Statements or reports included in the securities description

The securities description does not contain any expert statements or reports.

9.4. Credit ratings

There is no credit rating assigned to the Issuer or to the Notes issue.

10. The Issuer

10.1. General Information on the Issuer

The Issuer is sabiedrība ar ierobežotu atbildību ExpressCredit.

The Issuer was founded on 12 October 2009 and its registration number is 40103252854.

The term of the Issuer's activities is indefinite.

Legal address and location of management is Raunas iela 44 k-1, LV-1039, Riga, Latvia.

Legal form – Limited Liability Company, legal status – Legal person.

The place of foundation is the Republic of Latvia. The Issuer carries out its activities in accordance with the legal acts of the Republic of Latvia.

The Issuer is a licensed consumer finance company (license Nr.NK-2016-028). The Issuer's subsidiaries SIA "MoneyMetro" is a licensed consumer finance company (license Nr. NK-2016-019) and SIA "ExpressInkasso" is a licensed debt collection company (license Nr.PA-2013-021, valid till 17.12.2016).

10.2. Auditor

The auditor of the Issuer's financial statements for 2015 is SIA "Potapoviča un Andersone" (Riga, Latvia). Full audited financial reports and interim reports are available on Nasdaq Riga web-page.

Auditors have not verified the information included in the Terms of the Issue.

11. Business review

11.1. Brief summary

ExpressCredit is among leading non-bank consumer finance services providers in Latvia. ExpressCredit has four subsidiaries and provides pawn loans (loans issued against pledge of movable property), consumer loans (unsecured loans), sells new and second hand goods, offers money transfer services through Western Union network. ExpressCredit services its clients in 92 branches allocated in 39 cities and rural areas. All branches operate under Banknote brand name and web-page banknote.lv is used as sales channel for offered services. As of 30 June 2016 the company had about 330 thousand registered clients.

11.2. Mission, Vision and Values

Mission – To provide people with necessary financial services.

Vision - To create a new financial service category in Latvia – all the financial services that people need in one place. To lead this category by providing excellent quality of services and products, and maintaining perfect reputation. To become the leading non-bank financial institution in Eastern Europe.

Values - Simplicity, availability, dignity.

11.3. Operating environment

The Group operates in Latvia where it has the leading position in off-line consumer lending segment among consumer finance companies. Except for banks, private persons have wide range of finance products and consumer finance companies to choose while making finance decisions. However, such services are often limited to one or several products such as mortgage loans, car leases, money transfers, and others. ExpressCredit operates in several products thus offering broader range of services for customers and building long term cooperation as full product range non-bank consumer finance company.

11.4. Competition

Any consumer finance company must have a special license and is supervised by Consumer Rights Protection Centre (CRPC). As of 12 September 2016 there were 59 licensed companies operating in Latvia.

Majority of the Issuer's revenues are generated by pawn loans (loans secured by movable property) and consumer loans (unsecured loans). In pawn loan segment there are 19 legal entities in total. ExpressCredit and SIA "MoneyMetro" comprise a single group of companies.

Table 2 - Licensed pawn loan providers in Latvia

AS „Liepājas lombards”	SIA „FRESHCASH LATVIJA LTD”
AS „UNIONS”	SIA „VITA CREDIT”
AS „GARANTS PLUS”	SIA „Ātrais Kredīts”
AS „Dagne”	SIA „DSA INVEST”
SIA „Laredo 5”	SIA „E Lats”
SIA „Ozerings Grupa”	AS „Margerds”
AS „Orbīta”	SIA „Money Express Credit”
AS „Moda Kapitāls”	SIA „ExpressCredit”
SIA „Ātra Finansu Palīdzība „AVOTS””	SIA „Finance 360”

Source: CRPC 2015 market review

Consumer loans are offered by 19 companies, which excludes entities that offer loans online.

Table 3 - Licensed consumer loan providers in Latvia

SIA „LAFIKO.LV”	SIA „ExpressCredit”
SIA „BEST LĪZINGS”	SIA „Aizdevums.lv”
AS „Lateko Līzings”	SIA „Ātrais Kredīts”
SIA „Nordic Finance”	SIA „DSA INVEST”
AS „Orbīta”	SIA „E Lats”
SIA „InCREDIT GROUP”	SIA „Baltic Finance Fund”

AS „Moda Kapitāls”	SIA „VITA CREDIT”
SIA “MoneyMetro”	SIA “Inbank Līzings”
AS “Dagne”	SIA “Finance 360”
UAB “Mokilizingas” filiāle Latvijā	

Source: CRPC 2015 market review

According to the Issuer’s management opinion the closest competitors are SIA “E Lats” and AS “Moda Kapitāls” that have large number of branches throughout the country and offer similar services.

11.5. Main advantages

Accessibility – branches are located in visible and easily accessible places for a large number of clients. Branch premises are clean, safe, modern and convenient. Banknote brand is well recognized and is associated with high quality of service.

Personnel – employees are trained and motivated to kindly service clients, to precisely assess collateral, to actively sell goods, and to find an appropriate loan solution for every client.

Size advantage – goods are moved across branches which allows to improve sales timing with sufficient margin.

11.6. Main activities

ExpressCredit core products are pawn loans, retail sale of goods, consumer loans and money transfers.

a) Pawn loans

According to CRPC data the total outstanding volume for pawn loans in Latvia at the end of 2015 was EUR 6.41 million.

ExpressCredit pawn loan portfolio at the end of 2015 was EUR 2.69 million which translates into 42% market share. The accepted pledges are jewelry, mobile phones, electronics, power tools etc. Typical terms are 0 - 30 days (interest rates 9.9% - 28% per month) and 2 - 24 months (interest rates 9.9% - 22% per month). All pledges which are not redeemed by a client are sold in branches with a turnover speed of about 30% a month. ExpressCredit segments pawn loan clients in three loyalty groups. Loyalty level represents client long term cooperation with the Issuer, which is rewarded in terms of better interest rate offerings.

b) Consumer loans

Consumer loans for 7, 14, 30 days maturity are offered in the range of EUR 10 - 420 with interest rates of about 6% -8.8% per month. Consumer loans for 4, 6, 12, 24, 36 months are offered in the amount of EUR 10 - 1600 with interest rates about 6% - 10% per month with monthly installments. ExpressCredit segments consumer loan clients in two groups: Standard – age 20 - 59 years (interest rates about 8,8% - 10% per month) and Seniors – age 60 - 80 years (interest rates about 6% per month).

Table 4 - Key statistics for loan portfolio

Loans		2013	2014	2015
Pawn loans	Number of loans	315 578	325 062	306 290
	Amount, EUR	11 713 736	13 374 501	14 614 124
	Average loan, EUR	37.1	41.1	47.7
	Portfolio, EUR	1 242 169	1 534 647	1 736 799
Consumer loans	Number of loans	99 879	101 334	106 295
	Amount, EUR	8 628 633	10 981 815	11 873 152
	Average loan, EUR	86.4	108.4	111.7
	Gross portfolio, EUR	4 306 925	5 226 131	6 123 798

Source: ExpressCredit management

c) Money transfers

In 2015, ExpressCredit signed cooperation agreement with Western Union on money transfer services. Clients can receive and send funds to people around the world through Western Union network without opening a bank account. The funds are paid in and withdrawn in cash at any ExpressCredit branch. Money transfer services broadens service range of the company and contributes to market positioning and brand awareness.

11.6.1. Loan issuance and repayment process

ExpressCredit has approved loan issuance policies which include instructions for pledge appraisal and evaluation of client's creditworthiness.

A loan can be issued to an individual who has personally visited any ExpressCredit branch. A client has to provide basic information about him or herself and present personal identification document. A loan application can be filed online at banknote.lv.

For all consumer loans it is important to assess a client's ability to repay a loan. ExpressCredit checks and assesses a client's solvency in overdue debt registries as well as by analyzing a client's income based on bank's account statement or on other proof. For pawn loans the main focus is on the quality and liquidity of the collateral.

In case of positive credit risk or collateral assessment results a client signs loan agreement at the branch and receives a loan in cash or may choose to use bank transfer option for the consumer loan disbursement. The overall loan issuance time depends on a loan type and whether a client is registered or unregistered in the company's client database. Pawn loans issuance can be processed in the shortest possible time frame which is several minutes. Consumer loan issuance can be processed in up to fifteen minutes.

Pawn loan or consumer loan can be repaid or extended by money transfer to ExpressCredit bank account or repaid in cash at any ExpressCredit branch.

11.6.2. Overdue debt collection

ExpressCredit has a right to sell collateral if a client is eight days overdue for a pawn loan. Normally collateral is sold in the company's branch office. Jewelry can be sold as a gold scrap in bulk.

ExpressCredit has established an internal Loan Monitoring Department which handles all overdue consumer loan debt collection.

UConsumer loans recovery process starts after a loan is three days overdue. The collection process consists of several stages:

- Phone calls;
- SMS;
- E-mail;
- Letters by mail;
- Proceedings in court;
- Cooperation with debt collection companies.

Consumer loans after 120 days overdue are sold to ExpressCredit subsidiary for extensive stage collection process. Consumer loans at final stage of collection are sold to collection companies via tender.

11.7. Employees

Employees are one of the key advantages of the Group. Since 2009 a number of employees steadily increased together with development of the branch network. Currently there are 279 employees (194 in branches, 85 in the head office).

In order to provide high quality financial services the Group has established Banknote Academy which is an internal Training and Development unit. The unit employs three employees and their main tasks are:

- **On-site and remote trainings** – more than ten courses, including customer service, new products, gold practice etc.
- **Special course for new employees** – five days on-site training and five days practice in branch
- **Implementation of new product is followed by a new training** – e.g. Western Union, new offering for consumer loans etc.

11.8. Membership in other organizations

ExpressCredit is a member of Latvian Association of alternative financial services (LAFPA) – the association represents online finance companies, consumer finance companies, real estate finance companies, pawn shops, peer-to-peer platforms.

ExpressCredit is an active participant of LAFPA and holds council member position at association. The membership in the associations helps to influence the legal framework for the industry, as well as increase legislators' understanding of the industry and current affairs.

12. Group

ExpressCredit owns 100% of share capital in each of four subsidiaries: SIA "MoneyMetro" (Reg. nr. 40003040217), SIA "ExpressInkasso" (Reg. nr. 40103211998), SIA "EC Investments" (Reg. nr. 40103944745), SIA "EC Finance" (Reg. nr. 40103950614).

SIA "MoneyMetro" is a licensed consumer lending company which was acquired from Riga city in 2015. SIA "ExpressInkasso" is a license debt collection company. SIA "EC Investments" and SIA "EC Finance" is a holding company.

The management of ExpressCredit is in process to sell the SIA EC Finance and SIA EC Investment at initial investment cost and concentrate on ExpressCredit core activities.

13. Management Bodies of the Issuer

The main management bodies of the Issuer are the General Shareholders' meeting, the Council and the Board. Each member of the Board is responsible for certain structural units of the company – divisions and departments.

13.1. Council

The Council of Issuer consists of three members:

- Ieva Judinska-Bandeniece, chairperson
- Uldis Judinskis, deputy chairperson
- Ramona Tiltina

13.2. Board and management team

The Board of Issuer consists of three members:

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)

Edgars Caune, Marketing director

- Bachelor's degree in Business Management from the Riga Technical University
- Previous experience in media and advertising agencies (2006-2015); Skills: media buying and planning, digital marketing

13.3. Conflicts of interests of administration, management and supervision bodies

The persons mentioned in this section have no conflict of interests between their obligations against the Issuer and their private benefit or any other obligations.

All the transactions between the Issuer and its related parties are disclosed in the financial reports.

14. Shareholders of the Issuer

ExpressCredit share capital consists of 426,861 shares each with EUR 1.00 nominal value. The current structure of the Issuer's shareholders is as follows:

Table 5 – Shareholders of ExpressCredit

Name, surname/ Legal name	Number of shares	% of the total number
SIA "Lombards24.lv", reg.nr. 40103718685 (beneficiary owner is Agris Evertovskis)	281,134	65.86%
SIA "AE Consulting", reg.nr. 40003870736 (beneficiary owner is Agris Evertovskis)	135,055	31.64%
Kristaps Bergmanis	4,269	1.00%
Didzis Ādmīdiņš	6,403	1.50%
Total:	426,861	100%

The Issuer has no knowledge of any agreements, execution of which could lead to changes in the Issuer's shareholders' structure.

15. Financial information

Information, which is disclosed in this section of the Terms of the Issue, is taken from the Issuer's consolidated financial reports that are audited and approved by the Issuer's management as well as unaudited financial statements of the Issuer. The audited annual reports and interim reports are prepared according to the International Financial Reporting Standards (IFRS) which are adopted in the European Union.

15.1. Consolidated Income Statement

Table 6 – Issuer's consolidated income statement 2013-2015 and 1H 2016, EUR

	2013	2014	2015	2015 1H (unaudited)	2016 1H (unaudited)
Net sales	6,395,631	7,650,686	8,124,967	4,064,765	2,398,301
Cost of sales	(4,678,868)	(5,596,572)	(6,040,951)	(3,108,772)	(1,998,605)
Interest income and similar income	7,278,436	8,640,133	9,974,805	4,868,028	4,554,603
Interest expenses and similar expenses	(1,422,860)	(1,216,106)	(1,161,962)	(599,278)	(600,913)
Gross profit	7,572,339	9,478,141	10,896,859	5,224,743	4,353,386
Selling expenses	(4,397,795)	(4,880,420)	(5,326,334)	(2,803,681)	(2,348,605)
Administrative expenses	(1,329,204)	(1,883,023)	(2,738,289)	(1,070,880)	(1,039,412)
Other operating income	32,378	108,456	60,588	349,739	389,274
Other operating expenses	(1,309,495)	(1,226,186)	(1,185,869)	(401,774)	(935,954)
Profit before taxes	568,223	1,596,968	1,706,955	1,298,147	418,689
Corporate income tax for the reporting year	(224,730)	(206,856)	(220,676)	(285,914)	(83,960)
Deferred tax	26,787	90,633	26,185	-	-
Current year's profit	370,280	1,401,563	1,512,464	1,012,233	334,729

15.2. Balance Sheet

Table 7 – Issuer's consolidated balance sheet at the end of period 2013-2015 and 1H 2016, EUR

	31.12.2013	31.12.2014	31.12.2015	30.06.2016 (unaudited)
ASSETS				
Long-term investments				
Fixed assets and intangible assets	449,822	393,949	643,796	526,962
Loans and receivables	297,709	462,610	545,068	1,441,586
Loans to shareholders and management	1,942,057	1,295,066	875,267	898,832
Participating interest in subsidiaries	-	-	-	-
Deferred tax asset	26,787	117,420	143,605	143,605
Total long-term investments	2,716,375	2,269,045	2,207,736	3,010,985
Current assets				
Finished goods and goods for sales	1,012,380	1,345,338	1,138,410	1,708,918
Loans and receivables	4,605,466	5,829,700	6,455,956	7,762,198
Receivables from affiliated companies	512,979	208,873	105,855	236,026
Other debtors	755,229	80,676	297,436	160,374
Deferred expenses	29,094	30,089	35,163	37,600
Cash and bank	790,889	1,197,718	493,591	690,341
Total current assets	7,703,037	8,692,394	8,526,411	10,595,457
Total assets	10,419,412	10,961,439	10,734,147	13,606,442
SHAREHOLDERS' FUNDS				
Share capital	426,862	426,861	426,861	426,861
Prior years' retained earnings	1,016,585	295,703	387,704	1,900,168
Current year's profit	379,117	1,401,563	1,512,464	334,729
Total shareholders' funds	1,822,564	2,124,127	2,327,029	2,661,758
LIABILITIES				
Long-term creditors				
Bonds issued	3,108,191	6,471,466	5,489,648	4,996,232
Other borrowings	753,094	596,676	666,741	1,445,624
Total long-term creditors	3,861,285	7,068,142	6,156,389	6,441,856
Short-term creditors				
Bonds issued	984,967	992,436	1,016,271	1,017,035
Other borrowings	894,130	30,341	384,846	2,868,801
Accounts payable to affiliated companies	2,091,469	-	18,985	175
Trade creditors and accrued liabilities	407,220	454,441	681,271	616,817
Taxes and social insurance	357,777	291,952	149,356	-

Total short-term creditors	4,735,563	1,769,170	2,250,729	4,502,828
Total liabilities and shareholders' funds	10,419,412	10,961,439	10,734,147	13,606,442

15.3. Consolidated statement of cash flow

Table 8 – Issuer's consolidated statement of cash flow 2014-2015 and 1H 2016, EUR

	2014	2015	30.06.2015 (unaudited)	30.06.2016 (unaudited)
Cash flow from operating activities				
Profit before extraordinary items and taxes	1,596,968	1,706,955	1,298,147	418,689
Adjustments for:				
a) fixed assets depreciation	249,346	245,730	121,407	98,615
b) accruals and provisions	82,313	238,706	100,154	65,173
c) write-off of provisions	-	-	-	(78,452)
d) cessation results	-	-	(29,560)	1,451,394
e) interest income	(8,640,133)	(9,272,220)	(4,868,028)	(4,389,399)
f) interest and similar expense	1,216,106	1,165,893	585,183	600,913
g) (profit)/ loss on fixed assets disposal	(15,723)	35,811	(1,347)	-
h) other adjustments	13,441	24,867	290,418	-
Loss before adjustments of working capital and short-term liabilities	5,497,682	(5,854,258)	(2,503,626)	(1,833,067)
Adjustments for:				
a) (increase)/ decrease in consumer loans issued (core business) and other debtors	(575,657)	11,753	83,738	(2,065,698)
b) stock increase	(381,806)	(235,253)	(618,533)	(675,365)
c) trade creditors' (decrease)/ increase	(87,205)	83,607	578,156	(32,580)
Gross cash flow from operating activities	(6,542,350)	(5,994,151)	(2,460,265)	(4,606,710)
Corporate income tax payments	(249,243)	(394,407)	(153,494)	(151,206)
Interest income	8,500,946	9,368,570	4,742,385	4,336,633
Interest paid	(1,238,207)	(1,148,743)	(540,235)	(601,040)
Net cash flows from operating activities	471,146	1,831,269	1,588,391	(1,022,323)
Cash flow from investing activities				
Acquisition of affiliated or associated companies shares or parts	-	(849,233)	(310,852)	-
Acquisition of fixed assets and intangibles	(109,720)	(267,655)	(480,995)	(67,175)
Proceeds from sales of fixed assets and intangibles	54,656	10,631	5,843	65
Loans issued/repaid (other than core business of the company) (net)	945,706	278,599	(531,387)	(1,969,886)
Net cash flow from investing activities	890,642	(827,658)	(1,317,391)	(2,036,996)
Cash flow from financing activities				
Loans received and bonds issued (net)	4,340,000	3,884,400	-	2,235,866
Redemption of bonds	(1,000,000)	(1,000,000)	(500,000)	(500,000)
Loans repaid	(3,136,154)	(3,222,728)	182,900	911,278
Finance lease payments	(58,805)	(59,848)	(21,923)	(27,179)
Dividends paid	(1,100,000)	(1,309,562)	-	-
Net cash flows from financing activities	(954,959)	(1,707,738)	(339,023)	2,619,965
Net cash flow of the reporting year	406,829	(704,127)	(68,023)	(439,354)
Cash and cash equivalents at the beginning of reporting year	790,889	1,197,718	1,197,718	1,129,695
Cash and cash equivalents at the end of reporting year	1,197,718	493,591	1,129,695	690,341

16. Legal proceedings and arbitration

At the moment of signing the Terms of the Issue, 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.

17. Substantial changes in financial situation of the Issuer

The last published financial data are audited financial statement of the Issuer is as of 31 December 2015 and unaudited interim financial statements for the period 01.01.2016.-30.06.2016. Since the last published financial data, there are no significant changes to the financial position of the Issuer.

18. Important agreements

The Issuer has no knowledge of any important agreements 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 regarding the securities to be issued.

19. Documents available to the public

All the interested parties have the possibility to be acquainted with the following documents:

- Registration documents and articles of association of the Issuer;
- Terms of the Issue;
- Financial reports, operating results and other information are published by the Issuer and available on Nasdaq Riga website - www.nasdaqomxbaltic.com.

Documents can be requested in writing to Raunas iela 44 k-1, Riga, LV-1039.