

# FINORA CAPITAL

COMPANY DESCRIPTION

SECURITIES NOTE

APRIL 2015

# EXECUTIVE SUMMARY

- Finora Capital OÜ (the “Issuer”, „Finora“), launched in July 2014, is aiming to become a sizable non-banking financial institution in the Nordic-Baltic region
- Finora started initially with one product - mortgage backed loans to its customers in Estonia. Its next products, hire-purchase for private customers and factoring for SMEs were introduced in Q4-2014 and Q1-2015 respectively
- In parallel to organic growth acquisition of loan portfolios in the Nordic-Baltic region is considered for expansion
- Within the first 8 months since the launch Finora has established all internal routines, developed a comprehensive IT platform and has issued 55 mortgage loans with the aggregate value of 1.4 M EUR. The portfolio of hire-purchase and factoring agreements amounts to 0.2 M EUR as of 31.03.2015
- As the number of loan applications is gathering momentum Finora is currently able to issue 0.2-0.4 M EUR of new loans each month
- Finora targets to reach break-even in H1-2015 by utilising favourable market situation and benefiting from its lean organisation, comprehensive IT platform and innovative marketing
- Finora is raising capital through a bond programme (the „Notes“) to finance expansion of the loan portfolio in Estonia. The proceeds will be used for providing all credit products, whilst keeping the share of mortgage loans at least 65%
- The Notes will be admitted to trading on Nasdaq Tallinn First North
- Key terms of the Notes:
  - Securities: secured notes
  - Collateral: claims pledge, pledge over mortgages, pledge over bank account, pledge over claims acquired under factoring agreement, pledge over credit claims against subsidiaries
  - Maximum Aggregate Value of the Notes: 5 M EUR (first tranche upto 1 M EUR)
  - Maturity date: 15.03.2018
  - Coupon rate: 9.75% p.a.

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# KEY FACTS

- Finora positions to fill the market demand between the small loan providers and banks in terms of loan size, maturity and price
- The key competitive advantage of the Issuer is its ability to offer flexible loan solutions and quick loan decisions without compromising on loan quality
  - The whole process from a loan application to cash transfer takes only 2-3 days for mortgage loans and 10 minutes for hire-purchase
  - Flexibility to serve non-standard cases which do not fit the strict criteria of the banks (micro-entrepreneurs, customers with non-Estonian income etc.)
- Conservative credit policy is applied to achieve a quality credit portfolio
  - All mortgage loan applicants and factoring counterparties undergo thorough quantitative as well as qualitative check. Also, an interview is conducted with mortgage loan applicant before the final approval
  - Mortgage loans are issued at maximum loan-to-value of 0.75, while the average LTV for the portfolio is held below 0.60
  - Well-tested comprehensive scoring models are used for hire-purchase credit decisions
  - On average only ca 30% of applicants get financed
- Finora operates with cost-efficient operating model with only one central office and 2 employees. Its shareholders have taken hands-on approach, supporting the management team in strategic and financing issues

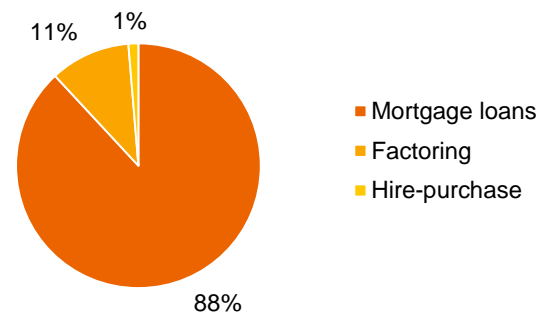
## KEY FINANCIALS

TH EUR	2014*	Q1-15	2015F	2016F	2017F
Interest income	32	52	481	1,453	2,344
Fee & other income**	4	9	18	32	45
Net income	-81	-16	26	161	409
Loan portfolio	851	1,556	4,200	10,390	15,190
Total assets	998	1,767	4,351	10,496	15,755
Owners equity	38	66	84	244	654
ROA	n/a	n/a	0.8%	2.2%	3.1%

\* Audited by Deloitte Audit Eesti AS

\*\* Fee income is deferred and amortized over the expected life of the loan

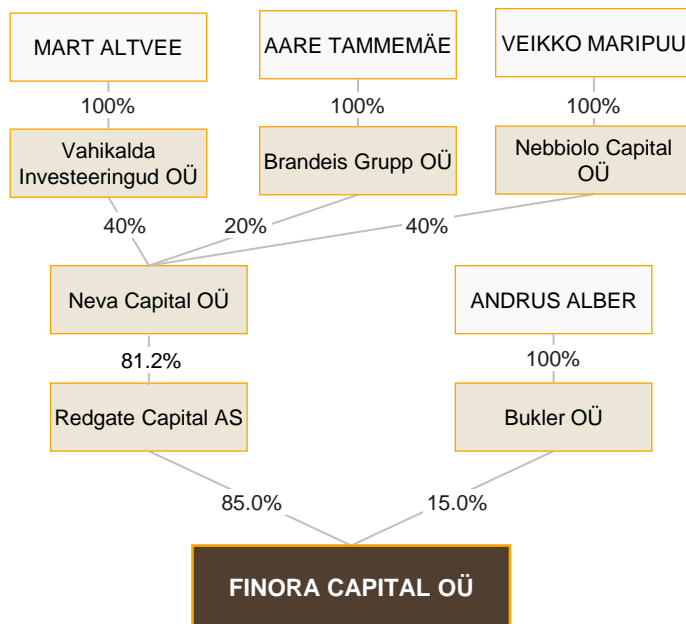
## PRODUCT PORTFOLIO\*\*\*



\*\*\* Total = 1.6 M EUR as of 31.03.2015

# OWNERSHIP AND ORGANISATION STRUCTURE

## OWNERSHIP STRUCTURE\*



Share capital of Finora is 50,000 EUR as of 31.03.2015

Shareholdings in the Issuer held by the Members of Management and Supervisory Boards or Certified Adviser:

- Mr. Andrus Alber, Member of the Management Board – 15%

## ORGANISATION STRUCTURE

- Management Board** - daily management of the Issuer
  - Mr. Andrus Alber
- Supervisory Board** - none
- Credit Committee** - approval of all major loan decisions
  - Mr. Andrus Alber
  - Mr. Jaak Kütt
  - Mr. Veikko Maripuu
  - Mr. Mart Altvee
- Other employees**
  - Ms. Kristina Šteinle - Credit Analyst, supporting management board in daily management of Issuer
- Short CV-s are presented on the following pages

\* Depicts shareholders that hold at least 5% of the Issuers' voting rights either directly or indirectly

# PERSONNEL

*Andrus has worked over 20 years in the financial sector, including 6 years as the CEO of NASDAQ OMX Tallinn.*

*He has worked also for the Central Bank of Estonia, the IMF and the investment bank Trigon Capital.*

*Andrus has graduated from Tallinn University of Technology and has Masters degree from Fletcher School of Law and Diplomacy in the USA.*



*Kristina has worked for the 3 years in Swedbank with private persons loan projects and client service, including handling loan defaults.*

*Kristina is a graduate of the Economics Faculty of the Tallinn University of Technology.*

*She is fluent in Estonian and Russian, helping the Issuer to reach also Russian speaking clients.*

# CREDIT COMMITTEE

## ANDRUS ALBER

*CV on slide 6*



## VEIKKO MARIPUU

*Founding Senior Partner of Redgate Capital*

*Veikko has been active in business since 1992, running corporate banking, capital markets, asset management teams, managing investments in Russia, CIS and the Baltics, and most recently also private equity portfolio companies of Redgate Private Equity.*



*Before co-founding Redgate Capital in 2008, Veikko acted as Partner of Suprema (Evli), member of Evli Bank International Management Group. Previously, Veikko has been involved in banking as a member of the Management Board of Eesti Krediidipank.*

## MART ALTVEE

*Founding Senior Partner of Redgate Capital*

*Mart has long-term experience in the financial sector serving as CEO of SEB Estonia and a Member of the Management Advisory Group of SEB. At the same time Mart was involved in the management of SEB Baltic and Russian operations acting as member of SEB Supervisory Council in Russia, Latvia, Lithuania.*

*Before that Mart was acted as CEO of SEB Ühisliising.*

*Before his financial career, Mart was the CEO of garment manufacturer Sangar for 6 years.*



## JAAK KÜTT

*Head of Compliance at Redgate Capital.*

*Before joining Redgate he worked 10 years as legal counsel at Swedbank and Evli Bank.*

*Jaak ensures proper legal framework for Finora's loan activity and contracts with clients.*

*Jaak has a law degree from Tartu University.*



# OPERATING STRATEGY

- Finora defines its key competitive advantage as the ability to offer flexible loan solutions and quick decision making process without compromising on the quality of the loan portfolio
- Unlike many of its competitors Finora will not concentrate on one market and one product, but will use active product innovation to exploit unused market opportunities in the consumer and SME financing market and develop a diversified credit portfolio
  - Finora started initially with one product - mortgage backed loans to its customers in Estonia. Its next products, hire-purchase for private customers and factoring for SME-s were introduced in Q4-2014 and Q1 2015 respectively
  - Innovation oriented team is looking at new opportunities in neighbouring markets
  - Strong partner for swift product and IT development
- Management of Finora believes that there are many under-served market segments in the consumer financing market, e.g.:
  - Consumer leasing in healthcare
  - Small-scale property improvement
  - Consumer leasing in travel
  - Expansion of small family businesses
  - Short term factoring for SMEs
- Innovation in distribution
  - Financially motivating partnership structure for distributors as according to a market research many current consumer financing companies do not always motivate partners to offer consumer credit to their clients (according to Finora's interviews with retailers)
  - Partners' network for the sale of mortgage loans while other market participants use only their own channels



# IT PLATFORM

- Finora benefits from sophisticated purpose-built IT platform which ensures:
  - efficient daily operations
  - swift credit decisions
  - reporting
  - proper handling of defaulted loans
  - decrease of operational risks
- The scoring system has been tested and is used by several financial companies in Estonia
- The IT system is built for larger range of financial and banking services enabling us to easily add other modules when expanding our product and geographical range
- The solution includes partner workstation that can be integrated into IT systems of Finora's consumer leasing partners
- The IT platform is developed by experienced partners, Vivalte and Decider Lab



Vivalte has long-term experience IT solutions for financial sector. Its customers included Eurex, Trüb Baltic, NASDAQ, Bank of Estonia



Decider Lab team has cooperation with Danske Bank, Okia (Leading Estonian digital agency), Delfi (largest daily news portal in Baltics), Amserv (leasing solution for Estonian largest car retailer)

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# CURRENT PRODUCT PORTFOLIO

## MORTGAGE LOANS

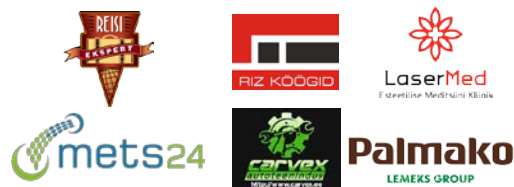
- Client: private person and SME
- Product characteristics:
  - Amount: >2000 EUR
  - Maturity: 1-20 years
  - Schedule: several options, agreed individually
  - Interest rate: fixed rate 15-25% p.a.
  - Collateral: mortgage, LTV <75%
- Distribution: office, web page and partner network
- Loan decision: within 2 days, quantitative and qualitative evaluation
- On average, the Issuer receives 20-30 loan applications each month

## HIRE-PURCHASE

- Client: private person
- Product characteristics:
  - Amount: >75 EUR
  - Maturity: 4-48 months
  - Schedule: several options, agreed individually
  - Interest rate: fixed rate from 17% p.a.
  - Collateral: none
- Distribution: partner network; first partners include Reisiexpert, Riz Kõõgid, Lasermed, Carvex, Mets24, Palmako
- Loan decision: within 10 minutes, quantitative evaluation

## FACTORING

- Client: private person and SME
- Product characteristics:
  - Amount: advance payment >85% of the value of the invoice
  - Period: up to 75 days
  - Interest rate: 2-3% per month
  - Other: all agreements are with recourse clause
- Distribution: office, e-mail, phone
- Loan decision: qualitative and quantitative evaluation of the counterparty (buyer)



# TARGET MARKETS

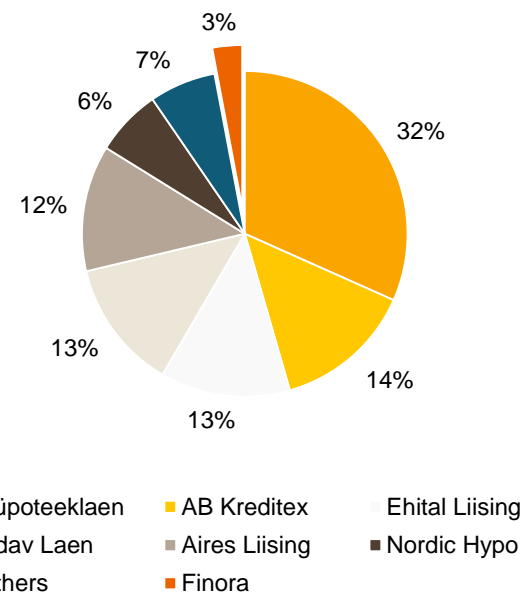
- Currently Finora is operating only in Estonia, but the management of the company is in the process of analysing the next markets for a potential entry
- Company's strategic goal is to build up an international consumer financing brand by leveraging its smart marketing, IT-solutions and debt managing techniques
- Finora will focus on very narrowly defined niche segments in each of its market, avoiding costly competition in „crowded“ markets
- After an initial analysis the Issuer has short-listed the following markets as its potential targets:
  - Lithuania
  - Finland
  - Poland
  - Croatia
  - Latvia
  - Sweden
  - Georgia
- Entry to a new market will be carefully considered, finding the most optimal structure to minimize risks. After the launch of a business in a new market, separate funding will be sought for growth in that market



# COMPETITION IN ESTONIA: MORTGAGE-BACKED LOANS\*

- Mortgage loans are provided to the public by banks as well as non-banking mortgage loan providers
- Banks have become conservative in recent years
  - Only a few banks offer mortgage loans actively
  - Strict qualification criteria has been developed both for the customer and the collateral
  - Consequently, significant part of the market is left unserved by the banks
- In addition to banks there are 4-5 major non-banking mortgage loan providers in Estonia
  - Loans offered by non-bank mortgage loan providers have become similar to the banks in terms of both size of the loan and other conditions
  - At the same time non-banking mortgage loan providers are more flexible with collateral types, sources of income etc.
- Management estimates that the total size of Estonian non-banking mortgage loan market is 40 M EUR and it is growing rapidly
- The market is dominated by local (i.e. Estonian) specialised credit providers
  - Majority of market participants have specialised on mortgage loans only and do not offer other (unsecured) credit products

## NON-BANK MORTGAGE LOAN MARKET




Source: Estimated by Management of Finora based on the annual reports of the companies (2013)

\* Assessment by the management of the Issuer

## COMPETITION IN ESTONIA: HIRE-PURCHASE

- Estimated size of the hire-purchase market in Estonia was ca 50-60 M EUR in 2013
- The competition is not very intense with the market divided between just 4-6 major players. The market is dominated by small local banks and a few independent specialised hire-purchase providers as none of the TOP5 banks is active in the market after withdrawal of Swedbank in 2014
- Durable goods retailers serve the main distribution channel for hire purchase products. Normally the retailers do not grant exclusivity for leasing companies, thus leaving the door open for newcomers to enter the market
- Expansion of hire-purchase market is expected to outpace the growth of consumer spending as the availability of hire-purchase solutions is improving and the cost slowly declining

NAME	BRAND	PORTFOLIO (M EUR)			DESCRIPTION
		2011	2012	2013	
Cofi AS		1.7	5.0	10.4	A specialised provider of hire-purchase solutions, established in 2011 by two former Swedbank executives
Kaupmehe Järelmaks OÜ		4.6	5.1	6.4	Subsidiary of Bigbank, Estonian consumer-lending specialised bank.
Eesti Telekom		N/A	22.4	20.9	Largest telecom operator. Hire-purchase sales only in its own internet sales outlets and internet store
Koduliising OÜ		6.0	10.0	9.8	A specialised provider of hire-purchase solutions, which started operations already 12 years ago
LHV Finance AS		0	0	6.1	Subsidiary of LHV, 6th largest bank in Estonia
Svea Finance AS		1.8**	2.0**	2.1**	Part of Swedish financial group Svea Ekonomi, which operates in 10 different markets and offers factoring and hire-purchase solutions
Swedbank AS		N/A	N/A	N/A	Largest bank in Estonia. Exited hire-purchase market in January 2014

Source: annual financial statements of the companies, Management information

\* Assessment by the management of the Issuer

\*\* Exact information not available. Assumes that 50% of the interest bearing claims recorded in the balance sheets of these companies can be attributed to hire-purchase solutions

# ACQUISITION OF LOAN PORTFOLIOS

- In parallel to organic growth acquisition of loan portfolios in the Nordic-Baltic region is considered
- During the recent years several financing companies and/or loan portfolios have been scrutinised by the team with the aim of acquisition and restructuring. For different reasons none of these portfolios has been acquired, but Finora continues seeking suitable targets
- Few examples of analysed portfolios:

## HIRE-PURCHASE PORTFOLIO (2012)



Description: a well-performing consumer leasing portfolio of former top 3 consumer leasing company in Lithuania. Divested due to financial distress of the parent company  
Size: 25 M EUR (book value 1 M EUR)  
Valuation: 40% discount to book value

## CONSUMER FINANCING PORTFOLIO (2013)



Description: a loan portfolio of a consumer financing bank in Latvia. The bank was about the exit the market  
Size: 54 M EUR  
Valuation: significant discount to book value

## MORTGAGE LOAN PORTFOLIO (2014)



Description: a loan portfolio of a small family business.  
Size: 0,25 M EUR

## MORTGAGE LOAN PORTFOLIO (2013)



Description: a mortgage loan portfolio of a former leading non-banking mortgage bond provider  
Size: 3 M EUR  
Valuation: 50% discount to book value

## MORTGAGE LOAN PORTFOLIO (2014)



Description: a diversified loan portfolio of a well known Estonian market participant, mainly mortgages in Estonia, but noticeable and fast growing portfolio also in Lithuania.  
Size: 5 M EUR

## CONSUMER FINANCING PORTFOLIO (2014)



Description: a loan portfolio of a small family business, mainly mortgages in southern part of Estonia, also fast credit loans and car loans.  
Size: 0,5 M EUR

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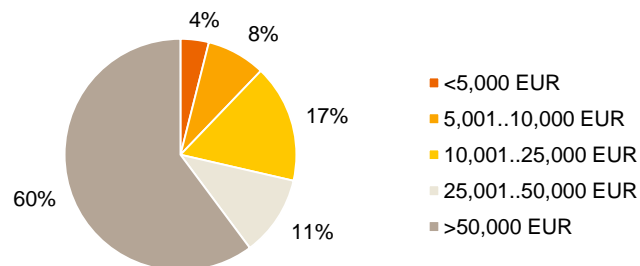
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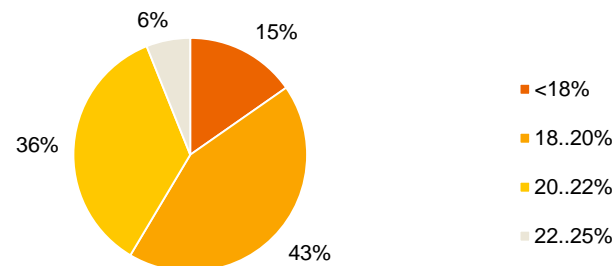
# KEY HIGHLIGHTS\*

## BREAK-DOWN BY LOAN SIZE



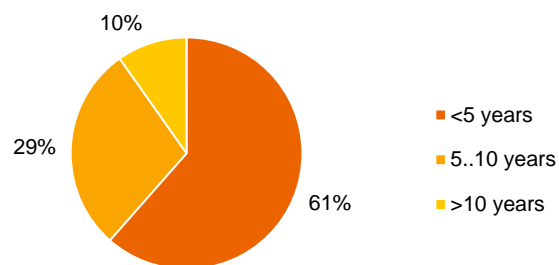
Average size 25,924 EUR. Three largest loans amount to 200,000, 155,000 and 105,000 EUR

## BREAK-DOWN BY INTEREST RATE



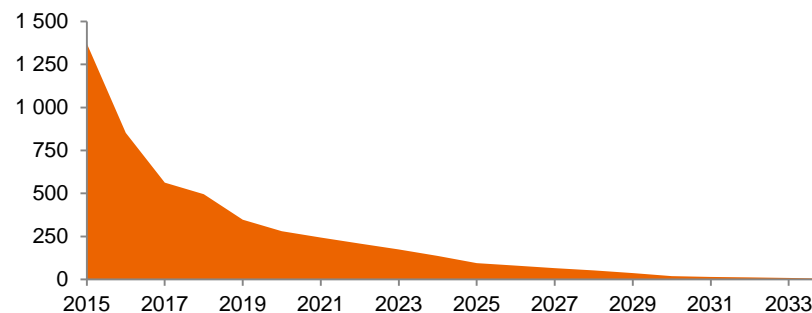
Weighted average interest rate is 19.7%. Majority of the loan agreements have the interest rate in range of 18-20%

## BREAK-DOWN BY LOAN TERM



Weighted average loan term is 5 years, but in this market segment the loans are often refinanced before the maturity

## AMORTISATION OF THE LOAN PORTFOLIO (TH EUR)



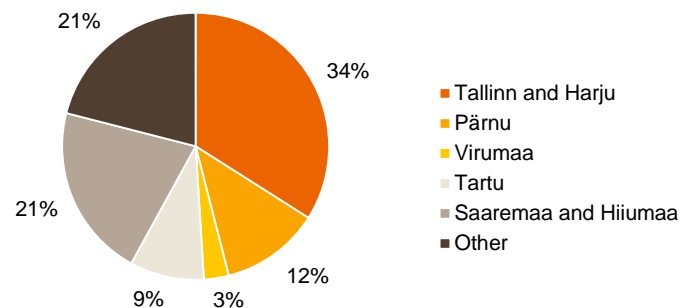
Majority of the loans are short term, ensuring good liquidity of the portfolio

\* As of 31.03.2015; Based on the issue size of only mortgage backed loans i.e. does not include factoring agreements and hire-purchase agreements

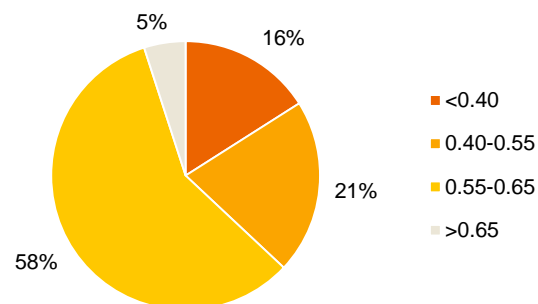
## COLLATERAL: MORTGAGE LENDING

- Finora provides mortgage loans in amount of up to 75% of the value of the collateral
- Currently average LTV of the portfolio stands at 51.7%
- Valuation of the collateral has been done either by Finora or professional real estate evaluators

LOCATION OF THE COLLATERAL (BY VALUE OF LOANS)\*



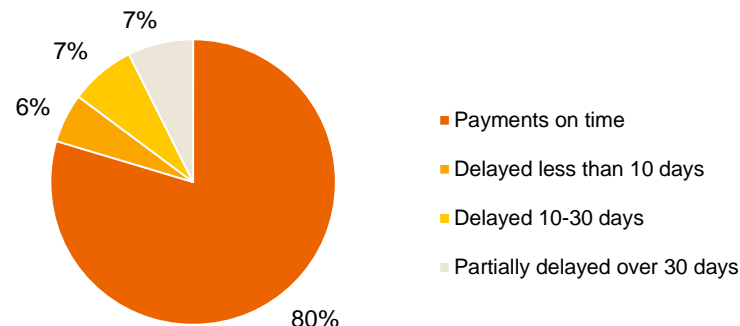
LOAN-TO-VALUE RATIO (BY VALUE OF LOANS)\*



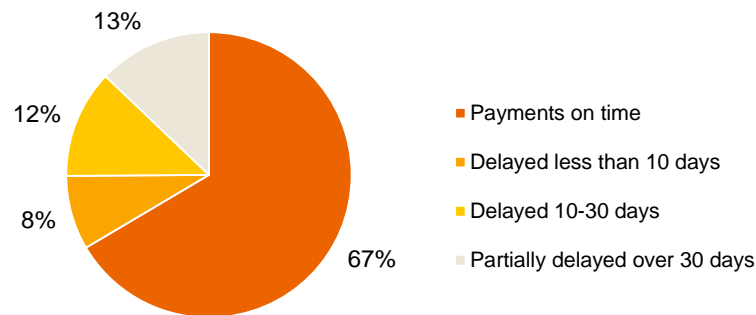
# QUALITY OF THE CREDIT PORTFOLIO

- After 9 months since launch of Finora the portfolio was performing in line with management's expectations
- There has been 1 early recall of a loan as the client has been declared bankrupt. However the loan is secured by a strong mortgage
- As of 31.03.2015 43 loans out of 55 were serviced on time and 12 loans were serviced partially on time
  - Seven loans had partial delays for less than 30 days
  - Five loans were delayed with interest payments for more than 30 days
- There is active communication with all clients who have delays. None of the clients had asked for new payment schedule and had promised to get fully back to proper loan servicing within 1-2 months
- According to the loan terms an increased interest rate was applied to the borrowers who had delays
- **Deloitte Audit Eesti finished its audit of 2014 accounts in February 2015 and did not see need for loan impairments**

PORTFOLIO PERFORMANCE (BY NUMBER OF LOANS)\*



PORTFOLIO PERFORMANCE (BY SIZE OF THE LOANS)\*



\* As of 31.03.2015; The charts exclude the loan agreement which was recalled in April 2015 due to bankruptcy of the client

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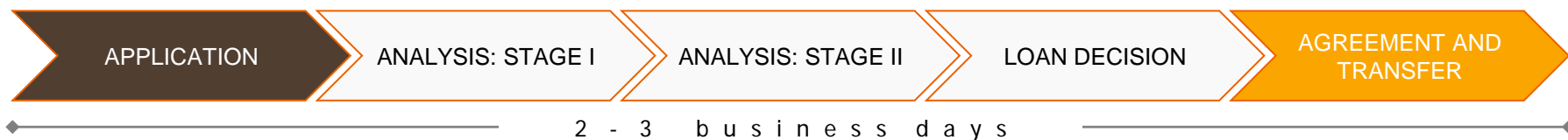
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## COLLATERAL: MORTGAGE LOANS

- All loans issued by Finora are backed by mortgage with LTV at 75% or below
- Finora is more flexible than banks in terms of accepted collateral
  - In addition to traditional residential property, the list of accepted collaterals includes also woodland, arable land, land plots, etc.
  - Also, differently from banks, the loan applicant does not need to be the owner of the property
- Still, certain internal restrictions apply to collaterals
  - The property needs to be located in Estonia
  - Properties with special characteristics which limit their liquidity are not accepted (e.g. land plots with odd placement or restricted access)
  - In order to mitigate the region risk Finora provides only a limited number of loans to some less liquid regions (e.g. small towns or remote regions)
  - Collateral has to be insured by an acceptable insurance company. Finora is cooperating with CHB in insurance issues
- Valuation
  - The Issuer evaluates the collateral using its in-house expertise and public databases
  - Finora has signed a cooperation agreement with LAAM Kinnisvara who provides additional assessment if collateral is located in less liquid region



# LOAN APPROVAL PROCESS: MORTGAGE LOANS



**Loan applications through website, phone, customer office or partners**

**Collecting third-party data and quantitative evaluation of the application**

**Request for additional data from the applicant, qualitative evaluation and interview**

**Loan decision by the Management Board or the Credit Committee**

**Appointment with the applicant in a notary office for signing**

*Received data is compared with public databases, e.g. Krediidiinfo (credit and default registry), real estate registry and other sources*

*Primary valuation of the collateral*

*Rejection of applications which do not require further analysis*

*Stage I of analysis is carried out within 1 hour*

*An interview is held to evaluate applicant's ability to understand the financial obligation (s)he is taking and existence of adequate repayment plan*

*If collateral is located in less liquid regions or is of less liquid nature, the value of the collateral is consulted with LAAM real estate office*

*Stage II of analysis is carried out within 1 working day*

*All applications for loans over 6,000 EUR are decided by the Credit Committee*

*Each loan needs to get approval from at least 2 members of the committee. Loans above 100,000 EUR will require approval from all members*

*After approval is granted the applicant is informed of the loan terms and the appointment for signing of the loan contract is agreed*

*Agreements are signed and the mortgage is registered*

*Transfer of the funds to the applicant*

# LOAN APPROVAL PROCESS: HIRE-PURCHASE



**Loan applications are received at distribution partners'**

**Automated loan decision based on data provided by the applicant and third-party sources**

**Signing of the agreement and transfer of funds to the partner**

*The scoring model has been developed by Vivalte*

*The process takes less than 1 minute*

# LOAN APPROVAL PROCESS: FACTORING



**Loan applications are received via phone or e-mail**

**Quantitative and qualitative evaluation of the counterparty**

**Limit decision by the Management Board or the Credit Committee**

**Signing of the agreement, factoring of invoices within the set limit**

*Customer can apply for either factoring of definite number of invoices or for a long-term factoring facility*

*Analysis focuses on evaluation of the counterparty („Buyer“) rather than the customer of Finora („Seller“)*

*All credit limits over 6,000 EUR are decided by the Credit Committee*

*The agreement is signed by all three parties – Seller, Buyer and Finora*

*Capital, profitability and liquidity ratios, size and dynamic of the revenue, fulfilment of annual reporting obligation, public credit records and tax debt as well as any other available information are analysed*

*Each credit limit needs to get approval from at least 2 members of the committee. Credit limits above 100,000 EUR require approval from all members*

*After the analysis a credit limit is proposed for the Buyer*

*The analysis is carried out within 1 working day*



# HANDLING DEFAULTED LOANS

- Finora has developed internal procedures for handling defaulted loans which prioritises active liaison with the debtor from the first day of delay
  - Representative of Finora contacts the customer several times after certain number of days since a payment became overdue to remind the payment and offer solutions if the customer has temporary financial difficulties
  - Finora Capital can offer extension of the loan schedule or temporary grace period of loan payments (this solution can be used by the customer maximum once in 6 months)
  - In case of mortgage loan a failure to meet the payment deadline results in 4 pp increase in interest rate for the next 3 months
- In case of a mortgage loan, if the financial difficulties are likely to persist, but the client is cooperative, voluntary realisation of the collateral is recommended
  - Finora can offer 3 months term for the customer to sell the property and repay the loan
  - Voluntary realisation of the collateral is usually more beneficial to the customer than selling the property in enforcement process as the price in the latter is likely to be lower
  - Finora Capital initiates a contact with the broker to follow up the process. If the property is not sold in the voluntary sales process during the given term, enforcement process is initiated
- If the customer has failed to make third consecutive loan payment then the agreement is terminated and the customer is obliged to pay back the full amount of the loan within 30 days
- In case the terminated loan is not repaid Finora initiates enforcement process. The process varies by products:
  - Mortgage loans – forced realisation of the collateral, estimated to take up to 90 days
  - Hire-purchase – enforcement is outsourced to a collection agency
  - Factoring agreements – the invoice is charged back to the customer (recourse)

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## ASSUMPTIONS OF THE FORWARD-LOOKING STATEMENTS

- The next 2 slides provide financial forecast of Finora for the next 3 financial years
- The forecast has been prepared by the management in accordance with the business plan of the Issuer. It presents the base scenario without acquisition of any existing loan portfolios or companies
  - It assumes only organic growth in Estonia and potential expansion to 1-2 foreign markets
  - Foreign markets are assumed to provide only a small fraction of the revenues until 2017 and are expected to operate below break-even until the end of the forecasted period
- Other key assumptions:
  - Interest rates on loans issued: mortgage loans - 19.7%, other loans (including hire-purchase and factoring) - 21%
  - Number of employees as of end of FY: 3 in 2015, 5 in 2016 and 7 in 2017
  - Financing expense: 8.5 to 10% p.a. on different types of financing
  - Loan losses (net after enforcement proceedings): 1.5% to 2% of the loan portfolio
  - Net increase of mortgage loan portfolio: 250-300 thousand EUR/month
  - Net increase of other loans issued: 100 thousand EUR/month

## BALANCE SHEET AND FORECAST

	TH EUR	Q2-14	Q3-14	Q4-14	2014	Q1-15	Q2-15F	Q3-15F	Q4-15F	2015F	2016F	2017F
Cash		11	115	106	106	147	631	13	96	96	60	527
Mortgage loans		0	151	851	851	1,358	2,050	2,700	3,350	3,350	7,540	11,140
Other loans		0	0	0	0	198	450	650	850	850	2,850	4,050
Other receivables		0	1	16	16	39	26	32	38	38	38	38
Tangible fixed assets		0	1	1	1	1	0	0	0	0	0	0
Intangible fixed assets		3	15	24	24	24	20	18	16	16	7	0
<b>TOTAL ASSETS</b>		<b>14</b>	<b>283</b>	<b>998</b>	<b>998</b>	<b>1,767</b>	<b>3,178</b>	<b>3,413</b>	<b>4,351</b>	<b>4,351</b>	<b>10,496</b>	<b>15,755</b>

	TH EUR	Q2-14	Q3-14	Q4-14	2014	Q1-15	Q2-15F	Q3-15F	Q4-15F	2015F	2016F	2017F
Bonds		0	0	0	0	563	2,000	2,000	4,000	4,000	10,000	15,000
Bank loans		0	0	0	0	0	0	0	0	0	0	0
Other loans		0	250	922	922	1,022	1,025	1,200	150	150	150	0
Shareholders' loans		11	47	0	0	29	10	42	0	0	0	0
Interest payables		0	6	27	27	22	72	88	106	106	90	90
Other payables		5	10	11	11	65	11	11	11	11	11	11
<b>Total liabilities</b>		<b>16</b>	<b>313</b>	<b>960</b>	<b>960</b>	<b>1,701</b>	<b>3,119</b>	<b>3,341</b>	<b>4,267</b>	<b>4,267</b>	<b>10,251</b>	<b>15,101</b>
Share capital		3	20	20	20	50	50	50	50	50	50	50
Reserve capital		0	0	98	98	113	113	113	88	88	88	88
Retained earnings		0	0	0	0	-81	-81	-81	-81	-81	-55	106
Net profit for the year		-4	-51	-81	-81	-16	-24	-11	26	26	161	409
<b>Total equity</b>		<b>-2</b>	<b>-31</b>	<b>38</b>	<b>38</b>	<b>66</b>	<b>59</b>	<b>72</b>	<b>84</b>	<b>84</b>	<b>244</b>	<b>654</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>14</b>	<b>283</b>	<b>998</b>	<b>998</b>	<b>1,767</b>	<b>3,178</b>	<b>3,413</b>	<b>4,351</b>	<b>4,351</b>	<b>10,496</b>	<b>15,755</b>

## INCOME STATEMENT AND FORECAST

	TH EUR	Q2-14	Q3-14	Q4-14	2014	Q1-15	Q2-15F	Q3-15F	Q4-15F	2015F	2016F	2017F
Fee income		0	2	1	4	9	3	3	3	18	29	42
Interest income (mortgage loans)		0	2	30	32	52	80	111	147	390	1,101	1,810
Interest income (other loans)		0	0	0	0	0	15	32	44	91	352	534
Other income		0	0	1	1	0	1	1	1	3	3	3
<b>TOTAL INCOME</b>		<b>0</b>	<b>4</b>	<b>32</b>	<b>37</b>	<b>61</b>	<b>98</b>	<b>147</b>	<b>194</b>	<b>501</b>	<b>1,485</b>	<b>2,390</b>
Interest expense		0	-6	-22	-28	-33	-50	-79	-95	-257	-797	-1,229
Operating expenses												
Personnel expense		-3	-15	-20	-38	-20	-20	-24	-26	-89	-180	-252
IT expenses		0	0	-3	-3	-7	-11	-11	-11	-40	-60	-72
Marketing expenses		0	-16	-13	-30	-7	-11	-11	-11	-40	-84	-84
Other expenses		-1	-13	-4	-18	-9	-10	-9	-15	-42	-71	-87
Depreciation and impairment		0	0	0	0	-1	-2	-2	-2	-6	-18	-24
<b>EBT</b>		<b>-4</b>	<b>-47</b>	<b>-30</b>	<b>-81</b>	<b>-16</b>	<b>-5</b>	<b>13</b>	<b>37</b>	<b>26</b>	<b>161</b>	<b>409</b>
Income tax		0	0	0	0	0	0	0	0	0	0	0
<b>Net income</b>		<b>-4</b>	<b>-47</b>	<b>-30</b>	<b>-81</b>	<b>-16</b>	<b>-5</b>	<b>13</b>	<b>37</b>	<b>26</b>	<b>161</b>	<b>409</b>

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## MOST SIGNIFICANT RISK FACTORS: ISSUER

The Issuer's risk management focuses on the following main categories of risks, any of which could materially adversely affect the Issuer's business, results of operations and financial condition:

<b>MACROECONOMIC RISK</b>	Significant economic downturn may increase the level of non-performing loans, decrease the value of collaterals and eventually cause losses to the Issuer
<b>INDUSTRY RISK</b>	Risks stemming from changes in the market situation, e.g. increase in competition, substitute products etc. Realisation of the risk may decrease the Issuers revenue and profitability
<b>REGULATORY RISK</b>	Losses stemming from adverse changes in the legislation may increase costs of operating the business, change the competitive landscape, decrease revenues etc. Consumer finance industry in Estonia will face significant regulatory changes in 2015, most importantly introduction of license requirement since March 2016 and FSA supervision. Finora has started preparations for license application
<b>REPUTATIONAL RISK</b>	Losses stemming from damages to the Issuer's reputation. Such damage may result in lost revenue, increased operating or capital expenses
<b>OPERATIONAL RISK</b>	Inadequate or failed internal processes, procedures, policies, people and systems may lead to financial or reputational losses, increase cost of financing
<b>DEFAULT RISK OF CLIENTS</b>	Losses stemming from violated contractual obligations, client bankruptcies
<b>MARKET RISK</b>	Potential losses stemming from adverse movements in market prices of assets that are used as collateral for the Issuer's loan portfolio
<b>FINANCING RISK</b>	The Issuer's future growth as well as its ability to duly serve its debt liabilities depends on its ability to attract financing. Poor investor relationships or failure to attract new sources of financing may damage growth prospects or lead to violation of its financial liabilities

## TRANSACTIONS WITH RELATED PARTIES

- Related Parties shall mean the Issuer's shareholders, members of the Issuer's management and supervisory board (if relevant) and legal entities owned by them
- Payments related to the principal outstanding on the Notes held by the Issuer or the Issuer's Related Parties shall be subordinated to the payments of principal due on Notes held by other Investors and shall be paid out only after all due and payable principal payments have been made in full to the other Investors. The Related Parties shall not take steps to demand payment of the principal outstanding on the Notes on any grounds (including in insolvency proceedings) before all due and payable principal payments to other Investors have been made
- Loans from or debt securities held by Related Parties should be unsecured and mature after the Notes
- The Issuer may make the following payments to its shareholders before the Maturity Date:
  - Management fees: up to 150,000 EUR or not more than 3% of total revenues during 2015-2017, whichever is greater
  - Fees under management or employment agreements
  - Corporate finance fees in relation to raising additional capital on an arm-length basis
- No distribution of dividends, payments for share repurchase or granting loans to shareholders should occur during any of the Notes are outstanding except dividend payments that do not exceed 40% of the net profit of the last audited financial year
- As an exception the loans taken by the Issuer from its shareholders before the Issue Date in a sum of up to 100,000 EUR may be repaid before the Maturity Date



## OTHER STATEMENTS

- Legal proceedings
  - Finora has no ongoing legal proceedings nor has there been any legal proceedings against the Issuer during previous reporting periods
  - There are no insolvency applications nor instituted insolvency proceedings
  - Management of Finora is not aware of any legal proceedings in connection with fraud or other economic violations in which Management Board Members or Supervisory Board Members or other employees of the Issuer have been involved
  
- Share incentive programmes
  - There are no share-based incentive programmes or extraordinary bonus programs in place in Finora
  
- Significant contracts, patents and subsidiaries
  - As of 31.03.2015 Finora has 55 mortgage loan agreements and several hire-purchase and factoring agreements which exceed the threshold of 10% of net assets of the Issuer and shall therefore be considered as significant contracts. The aggregate balance of such agreements amounts to 1.6 M EUR
  - The Issuer does not hold any patents
  - Finora does not have any subsidiaries

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## SECURITIES NOTES

# KEY TERMS OF THE NOTES (1)

ISSUER	Finora Capital OÜ
ARRANGER	Finora Capital OÜ
PAYING AGENT	Finora Capital OÜ
SECURITIES	Secured Notes
ISIN	EE3300110659
CURRENCY OF DENOMINATION	EUR
NOMINAL VALUE OF A NOTE	1,000 EUR
MAXIMUM NUMBER OF NOTES	5,000 (660 at the moment of admission to trading)
MAXIMUM AGGREGATE VALUE	5,000,000 EUR (nominal value; 660,000 EUR at the moment of admission to trading)
ISSUE DATE	10 March 2015
ISSUE PRICE OF A NOTE	EUR 1,000 if the Note is issued on the Issue Date or any sum determined by the Issuer and marked in the Purchase Offer form provided by the Issuer if Notes are issued after the Issue Date
INTEREST RATE	9.75% per annum, 30E/360
INTEREST PAYMENT DATES	15 March, 15 June, 15 September and 15 December of every year, except for 15 March 2015

## KEY TERMS OF THE NOTES (2)

MATURITY DATE	15 March 2018
REDEMPTION PRICE OF A NOTE	The sum of the Nominal Value of the Note and the accrued interest
EARLY REDEMPTION DATE	On 15 March 2017 the Issuer has the right to redeem the Notes by paying the Investors sum of 1,010 EUR per Note plus accrued interest. The Investors shall be notified of such a wish at least 1 month before the Early Redemption Date
PUT OPTIONS	On 15 March 2017 the Investors have the right to sell back the Notes to the Issuer for consideration in the amount of 975 EUR plus accrued interest. The Investors shall notify the Arranger of such a wish at least 6 months before the Put Option Date
REPAYMENT DATE OF PRINCIPAL	Maturity Date
COLLATERAL	<p>Claims pledge, pledge over mortgages, pledge over bank account, pledge over claims acquired under factoring agreement, pledge over credit claims against subsidiaries (exact composition of collateral is determined by the Issuer in accordance with the Terms)</p> <p>The exact composition of the collateral changes in time. The Issuer will provide quarterly reports about the value of the collateral and fulfilment of the collateral related covenants</p>
COLLATERAL AGENT	FC Tagatisagent OÜ (a SPV of Law Firm VARUL)
SUBSCRIPTION OF THE NOTES	Subscription period for the first two tranches of the Notes was in March 2015. There will be several additional placements in Q2 and Q3 2015. The exact timing of the placements is yet to be decided

# INVESTOR RIGHTS IF THE ISSUER BREACHES ITS OBLIGATIONS\*

- Investor has the right to demand immediate redemption of the Notes upon occurrence of any of the following circumstances:
  - The Issuer has not paid the interest payments in full amount for more than 5 Banking Days
  - The Issuer has submitted an insolvency claim or claim in effect similar to insolvency claim
  - A third party has submitted an insolvency claim regarding the Issuer and an interim trustee has been appointed by Estonian courts
  - The Issuer breaches any of the covenants set forth in Section 3.4 of the Terms of the Issue, except for covenants set forth in Sections 3.4.6 and 3.4.7 provided that the breach of covenants set forth in Sections 3.4.6 and 3.4.7 is remedied by the end of the next Reporting Period
  - The Issuer has filed for liquidation with the appropriate state authorities of Estonia
  - The Issuer or the Collateral Provider fails to enter into the Collateral Agreement with the Collateral Agent within the term specified in Section 12.1 of the Terms.
- The Collateral Agent shall realise the Collateral upon written request from majority investors if the Issuer's payment obligations toward investors are not performed in accordance with their terms
- Investors can exercise their rights in relation to the Collateral only through the Collateral Agent.
- The Collateral Agent shall withhold and deduct the proceeds necessary for satisfying the fees, costs, expenses, damages and claims of the Collateral Agent and transfer the remaining proceeds to the Investors for satisfying their claims

\* The slide presents a short and fractional summary of certain sections of the Terms and Conditions of the bond issue. For full overview please refer to the Terms and Conditions

## MOST SIGNIFICANT RISK FACTORS: NOTES

PRICE RISK	Losses stemming from adverse movement in the market price of the Notes
REGULATORY RISK	Losses stemming from changes in the current legislation, e.g. changes in tax rates or imposing extra costs to Investors, thus altering Investor's potential total returns
EARLY REDEMPTION RISK	Risk the Notes will be redeemed before maturity in a falling rate environment, as a result the Investors might have to reinvest the proceeds at a lower rate of return
LIQUIDITY RISK	The risk that the Investor will not be able to find a buyer for its bonds, or will have to sell it at a substantial discount to attract a buyer
INTEREST RATE RISK	Potential decrease in investment's value due to a change in the market level of interest rates
CREDIT RISK	Potential loss in case the Issuer is unable to make the required payments on its debt obligations

Law firm Sorainen acts as the First North Certified Adviser for Finora Capital

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Duration of the agreement with Certified Advisor: until 31.07.2015

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