

INVESTOR PRESENTATION FOR FULL YEAR 2016 RESULTS



Banknote

MoneyMetro

April 2017

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- ▶ This Presentation is of selective nature and is made to provide an introduction and overview of the Company’s business. Unless stated otherwise, the information in this Presentation is provided from consolidated perspective, except for customer and loan issuance data which excludes operations under MoneyMetro brand, launched in October 2016.
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Who we are?

► Originally established in 2009 as a pawn broking chain

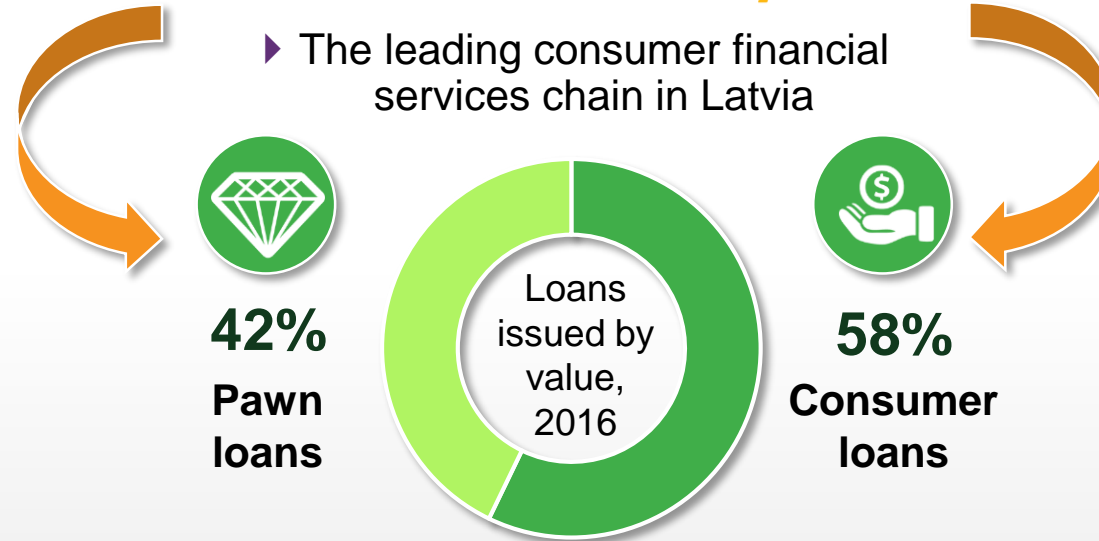


Banknote

MoneyMetro

► 2nd largest non-bank consumer lender in Latvia¹

► The leading consumer financial services chain in Latvia



300,000+
Total unique registered customers

279
Employees, 31.12.2016.

390,000+
Number of loans issued, 2016

65%
Growth in net loans y-o-y, 2016A

2,200,000+
Total number of loans issued

91
Branches, 31.12.2016.

EUR 32.8m
Value of loans issued, 2016

EUR 2.8m
EBITDA, 2016A

What we believe in?



Mission

- ▶ Satisfy consumer needs for easily accessible financial services



Vision

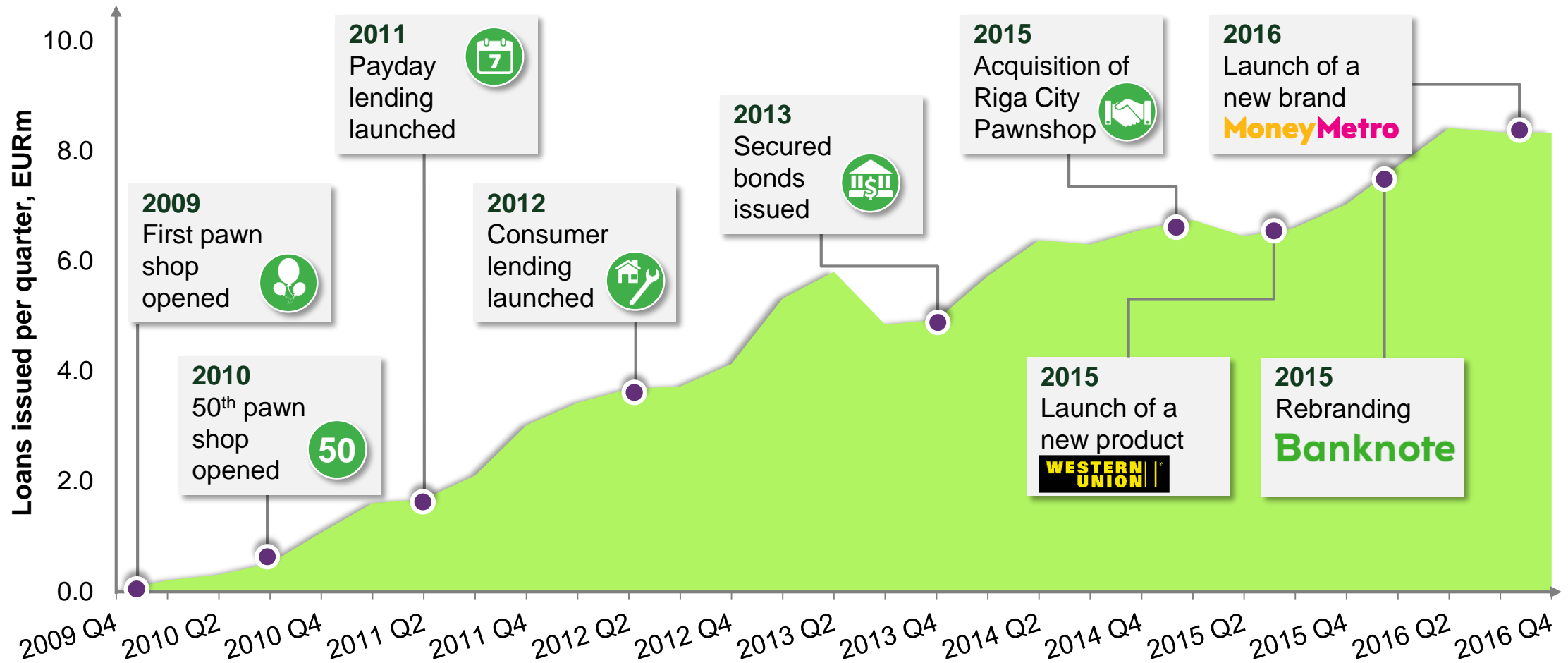
- ▶ To create a new market segment in Latvia, one-stop shop for all consumer financial needs
- ▶ To be the unrivalled leader in this segment by providing excellent customer service and product quality and maintaining perfect reputation



Values

- ▶ Simplicity, Accessibility, Dignity

What is our story?



- Impressive growth on the back of successful positioning, introduction of new products, and rebranding

Our customers¹

Key demand drivers

No emergency funding available

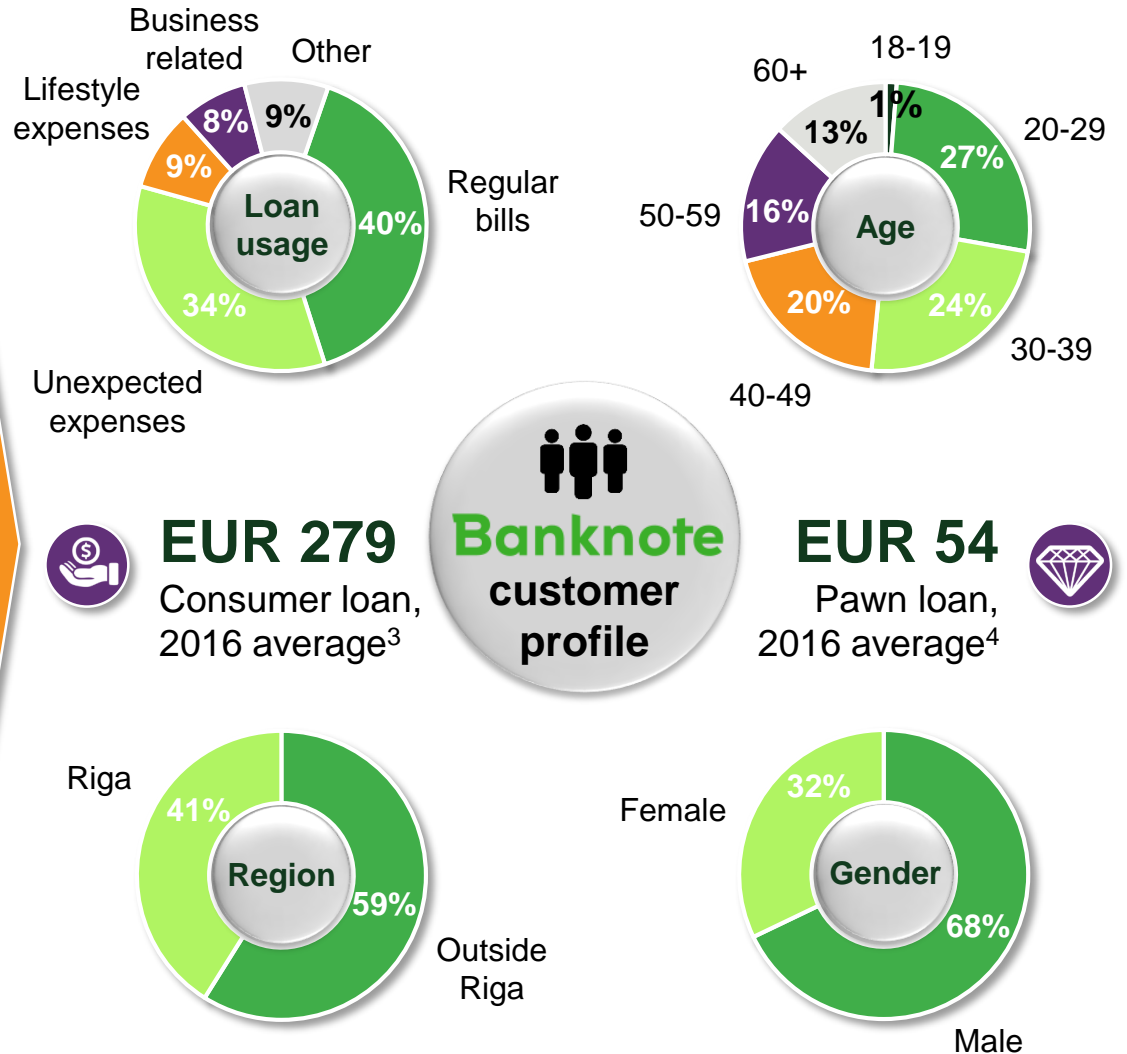
- ▶ Households savings rate **-2%** in Latvia vs. **10%** in the EU for 2015²

Low levels of income

- ▶ **50%** of working population have gross monthly salary < **EUR 700**

Reduced availability of financial services in the regions

- ▶ Number of bank customer service locations in Latvia down from **654** in 2007 to **265** now



1) Data as at 31.12.2016. Customer profile based on active customers as at 31.12.2016., except for loan usage which is based on survey results conducted in Banknote's branches during 21.11.-25.11.2016.
 2) Gross saving divided by gross disposable income. Gross saving is the part of the gross disposable income not spent as final consumption expenditure
 3) Average loan size per customer in the portfolio as at 31.12.2016
 4) Average loan size per issue transaction in 2016

Our customers

Sizable and growing customer base



- ▶ 15.7% of total population in Latvia, growing at c.2,300 per month¹
- ▶ Growth driven by rebranding, use of new marketing channels, and new product launch

Exceptional customer loyalty

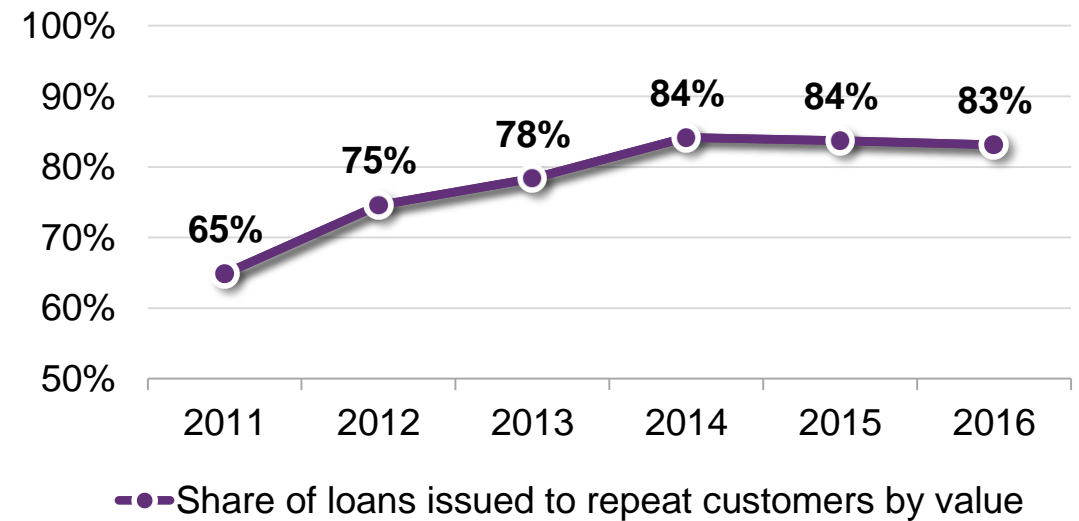
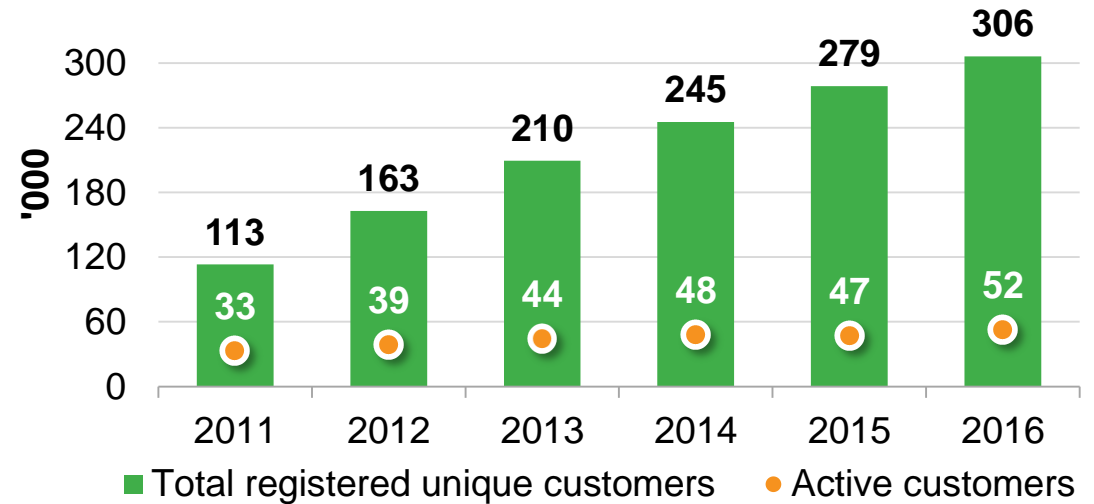


- ▶ More than 80% of loans (by value) issued to repeat customers
- ▶ Loyalty achieved by excellent customer service and attractive product structuring

Significant potential for cross-selling



- ▶ Only less than 25% of registered customers have used both types of loans
- ▶ Potential for cross-selling money transfers and loan products



Regulation of our industry

Consumer loans



Regulatory framework rapidly evolving following industry growth, stabilised in 2016:

- ▶ Minimum capital requirements and strict licensing
- ▶ Cap on total effective loan costs
- ▶ No advertising promoting irresponsible borrowing

Pawn loans



Already well developed and stable regulatory framework, effective since 2011:

- ▶ Minimum capital requirements and strict licensing
- ▶ Advanced security procedures at pawnshop premises
- ▶ Stringent control procedures over pawn item origin

✔ Adjustments to business strategy to **successfully adopt** to a regulatory change

✔ Active **cooperation with the regulator** through industry association

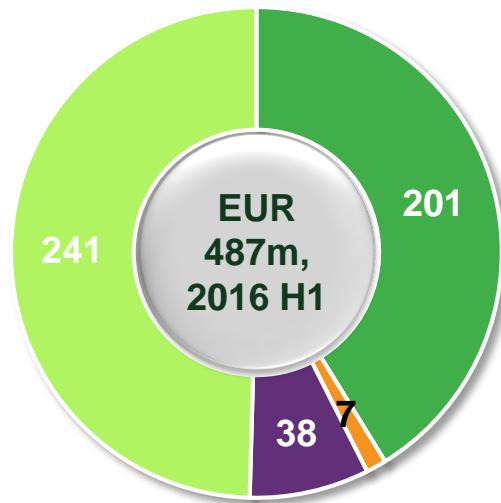
 **ExpressCredit**
welcomes appropriate regulation

✔ **Stringent internal procedures** already in place before required by the regulation

✔ Acting as a **responsible lender** implementing **sustainable** and **transparent** business practices

Our market

Loan portfolio of Latvian non-bank lenders



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

Consumer loans



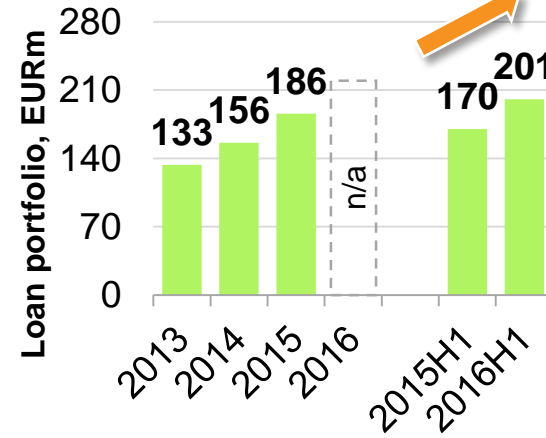
- ▶ Fast-growing segment
- ▶ Banknote grows even faster
- ▶ **3% market share¹**

Pawn loans

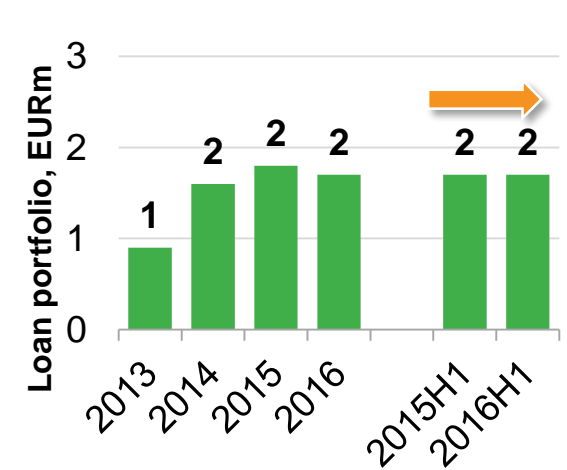
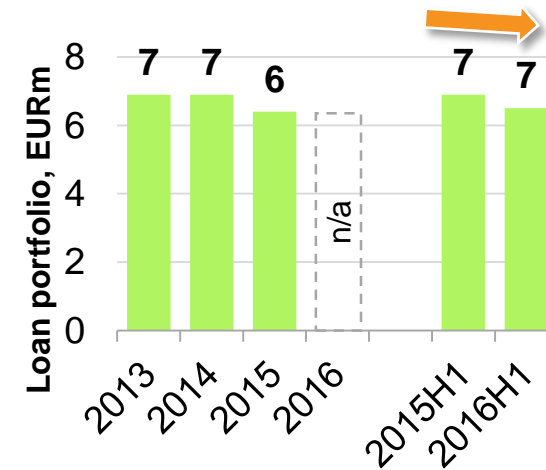
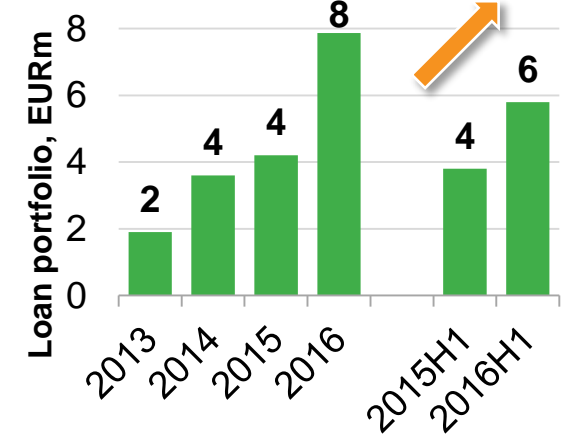


- ▶ Stable segment
- ▶ Banknote is the leading player
- ▶ **26% market share¹**




Industry



Banknote²



Our product

	1 Consumer loans ¹ 	2 Pawn loans 
▶ Share from loans issued, 2016	58%	42%
▶ Loan size	EUR 50-1,600	Up to 95% of the pawn value (jewellery, mobile phones, other electronics etc.)
▶ Average loan size, 2016	EUR 279 ²	EUR 54 ³
▶ Term	Up to 30 days (single payment loan) 4-36 months (instalment loan)	Up to 30 days (single payment loan) 2-24 months (instalment loan)
▶ Weighted average term, 31.12.2016.	369 days	47 days
▶ Interest rate per month	6.0%-11.8%	9.9%-28.0%
▶ Process	Application and signing in the branch, online application possible	Application and signing in the branch
	3 Money transfers with 	

Operations: Process



- ▶ Extensive branch network as outdoor advertising
- ▶ Data-driven marketing strategy on the back of internal CRM system
- ▶ Targeted TV marketing campaigns



- ▶ Fast and effective application process on-spot in the branch
- ▶ Professional advice to find the best solution for the customer
- ▶ Online application option available



- ▶ Quick assessment of creditworthiness in headquarters using state-of-the-art scoring system
- ▶ Quick pawn item valuation by branch employee using tailor-made ERP system

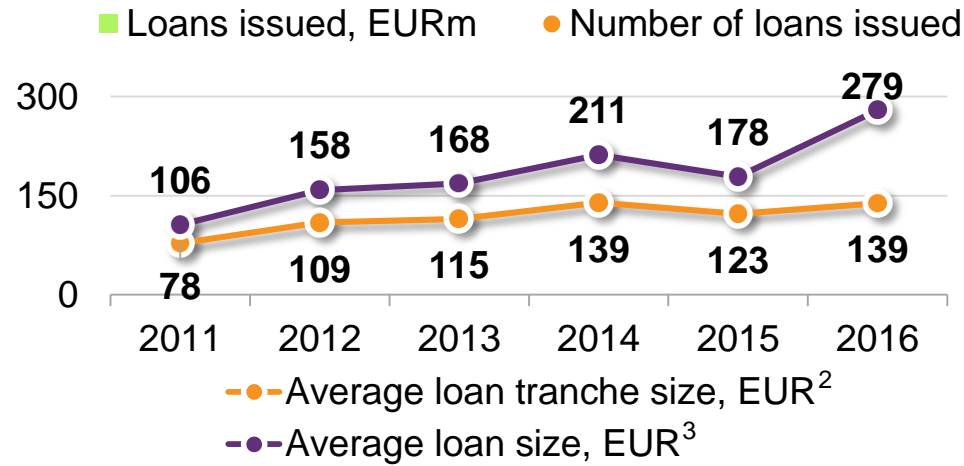
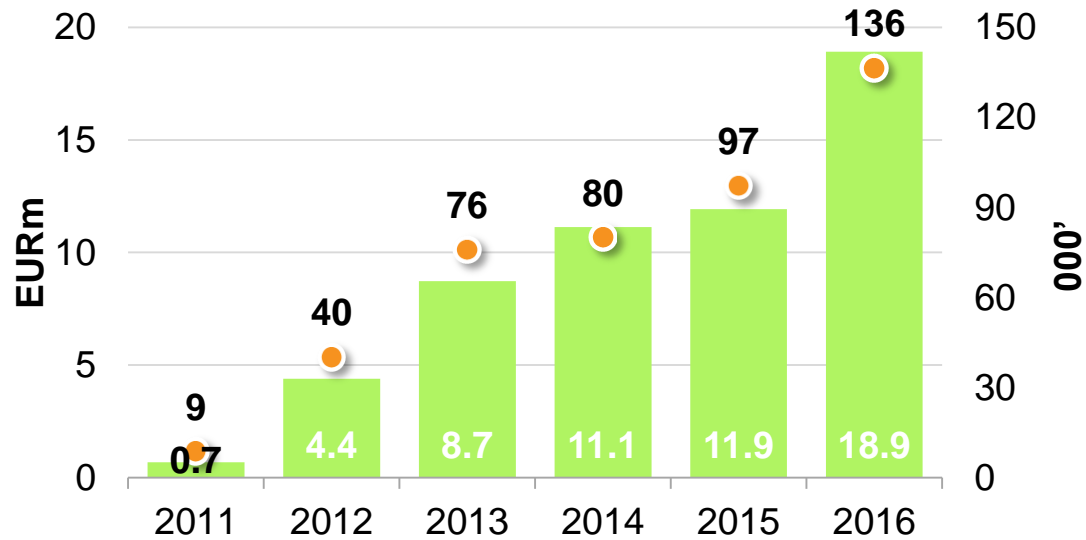


- ▶ Loan issued within 15 minutes after filling the application
- ▶ Visual assessment of the customer serves as the final check
- ▶ Agreement signed on-spot in the branch
- ▶ Money transferred to bank account or disbursed in cash (client preferences)



- ▶ Highly automated collection process at initial stages
- ▶ Strong collection rates in-house, transfer to external collectors only if not possible to reach the client
- ▶ Well-developed procedures for profitable retail trade of foreclosed pawn items

Our product: Consumer loans



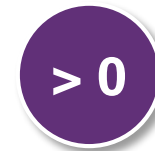
State-of-the-art scoring system, with 68% rejection rate of applications from new customers in 2016



Outstanding payment discipline, with only 8.0% of loans issued over 2016 9M having more than 90 days overdue payments¹



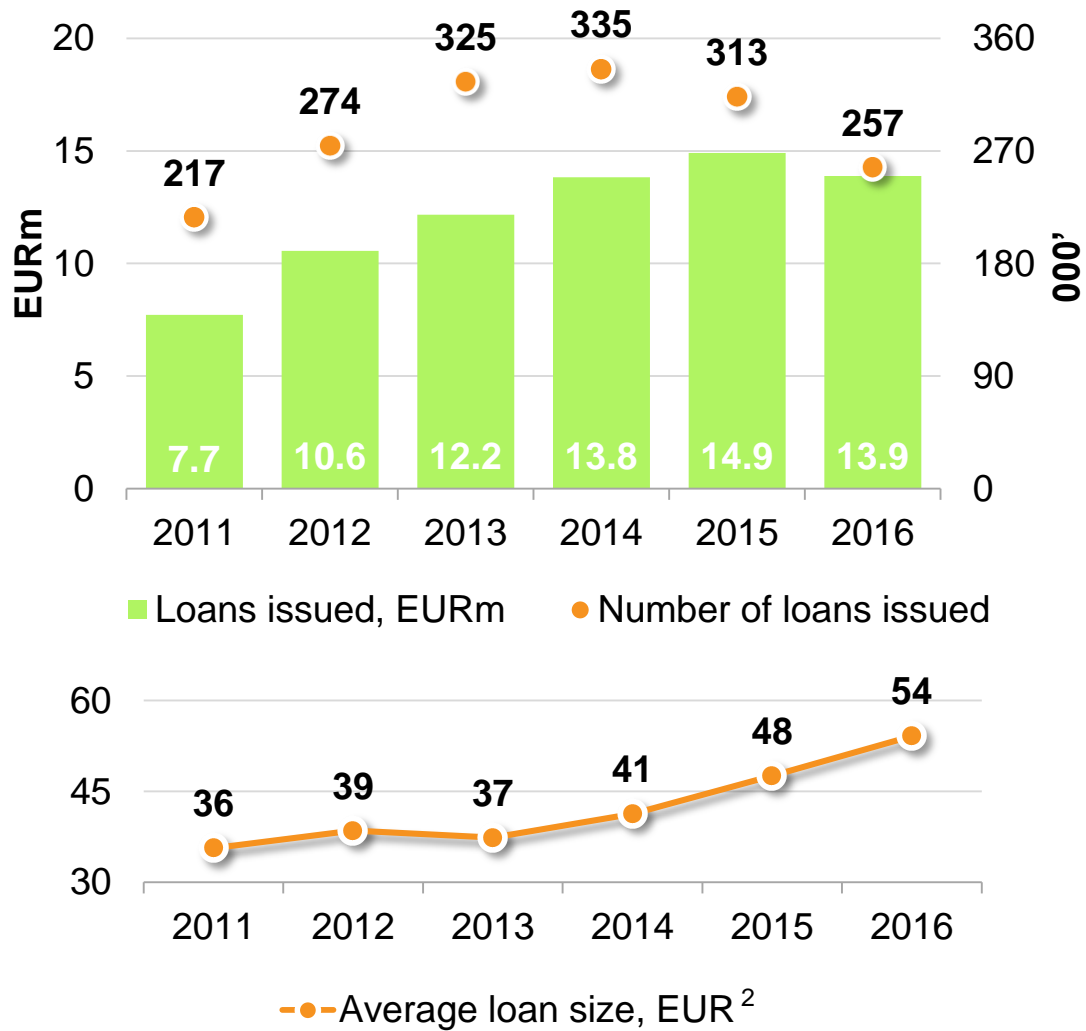
Strong in-house debt collection competence, with more than 880,000 communication attempts made by ExpressCredit in 2016



Price paid by external debt collectors **exceeded net book value** in all precedent cession transactions

1) Status as at 31.12.2016. of consumer loans issued in Jan 2016-Sep 2016 (by value of loans issued)
 2) Average loan tranche size per issue transaction during the period
 3) Average loan size per customer in the portfolio as at the end of the period

Our product: Pawn loans



Expertise in dealing with a **wide range of pawn items**, with the pledge book consisting of goods (55%) and jewelry (45%) as at the end of 2016



High pledge redemption rate, with 72% of pawn items being redeemed or extended within 3 months since issuance in 2016¹



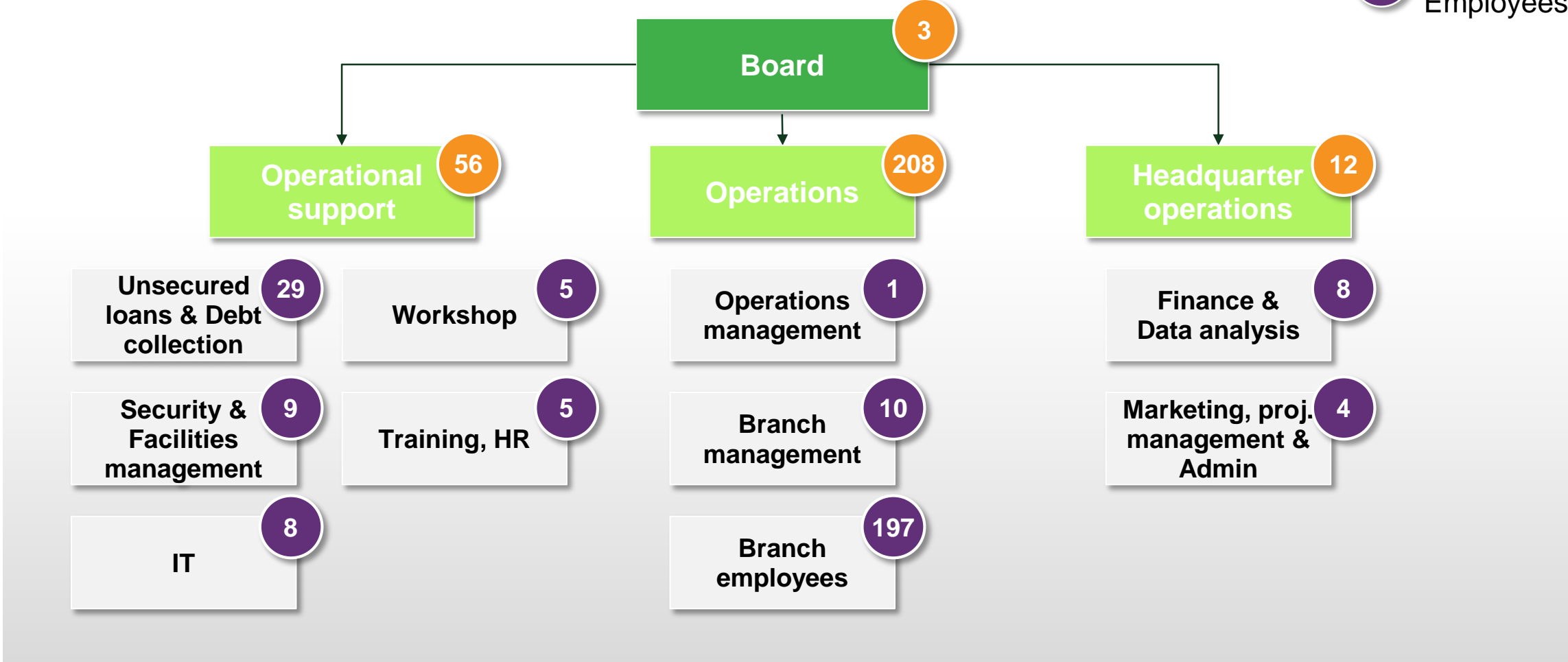
ExpressCredit's policy is to sell inventory within **2 months**



Profitable retail trade of foreclosed pawn items, with average mark-up on goods of 52% in 2016

Operations: Organisation

 **279**
Employees



Operations: Branch network



Branches in Latvia

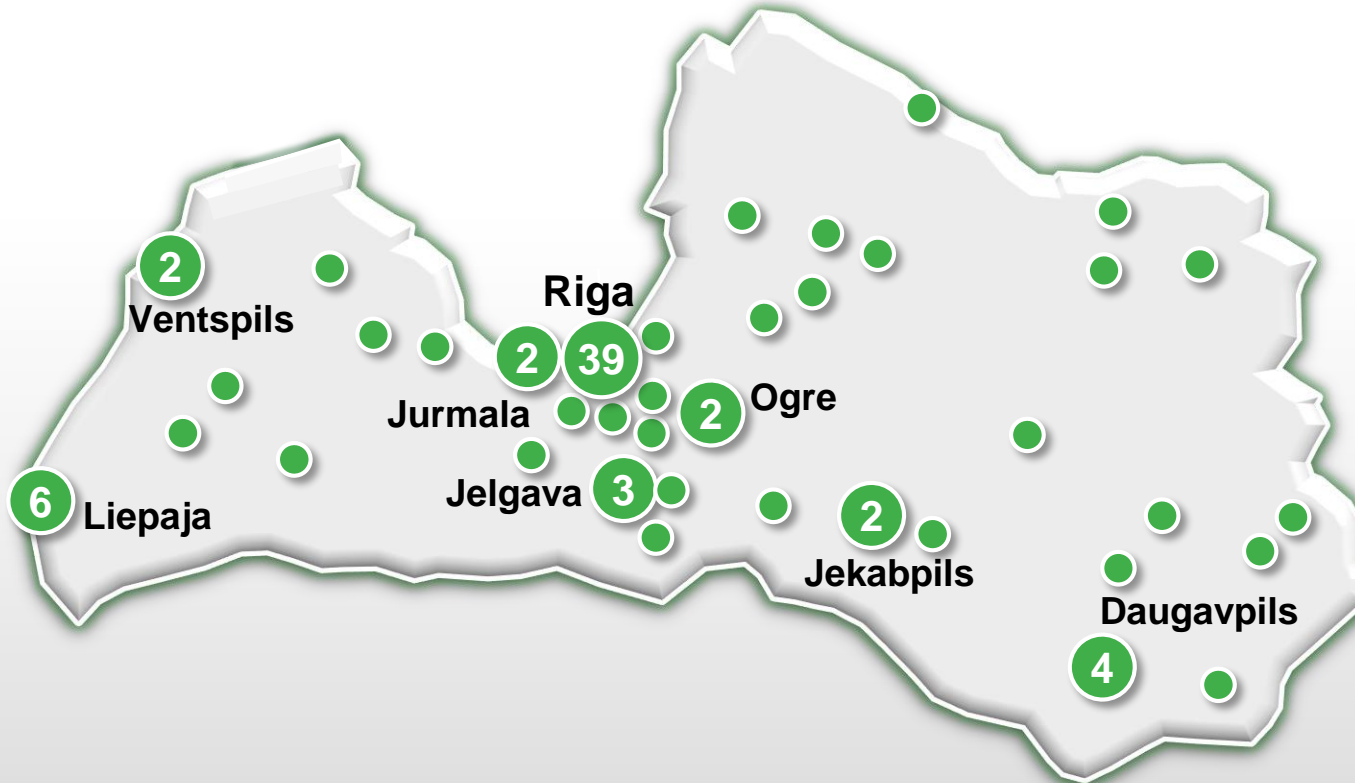
Largest branch network in Latvia among financial service providers



Cities and towns covered by the branch network



Total branch space



Branches merged with other branch in 2016



Average branch space



Branches profitable at EBITDA level

Operations: Branch network

High-quality locations

- ▶ Located in places with high customer flow intensity
- ▶ Easily visible and mostly based on the ground floor with direct entrance



Appealing interior

- ▶ Uniform branch layout
- ▶ Pleasant and attractive interior, ensuring customer-friendly environment



Operations: Branch network

Approach to branch operations management

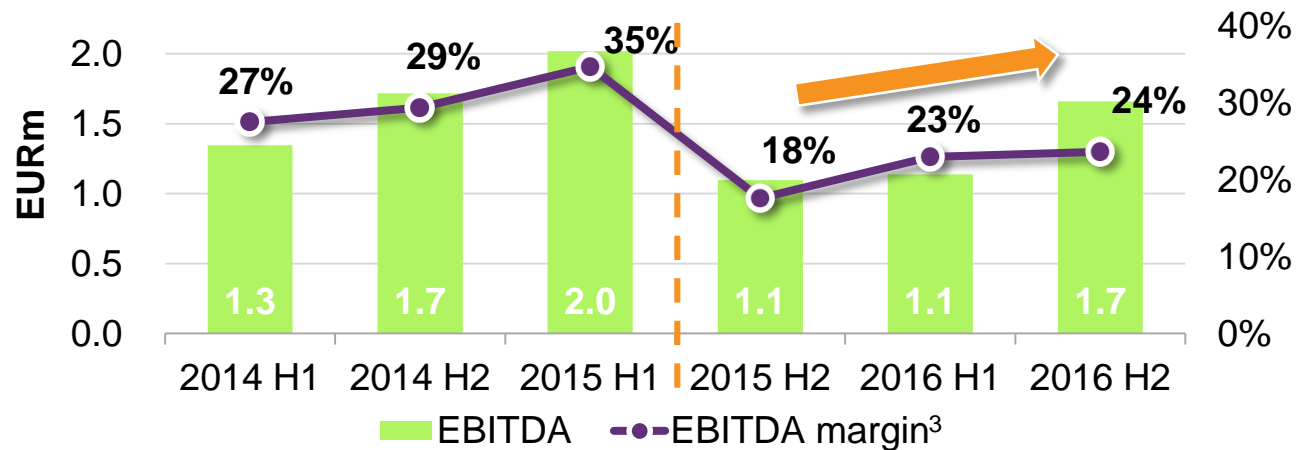
- Effective knowledge transfer in the company**
 - ▶ Standardized operations governed by internal procedures
 - ▶ Rigorous ongoing employee training program
- Established quality control system**
 - ▶ Organizing regular tests for branch employees and middle management
 - ▶ Controlling customer service quality
- Strong employee motivation system**
 - ▶ Competitive remuneration package with fixed hourly rate and KPI-based variable component
 - ▶ Organisational culture relying on co-operation, loyalty, and innovation



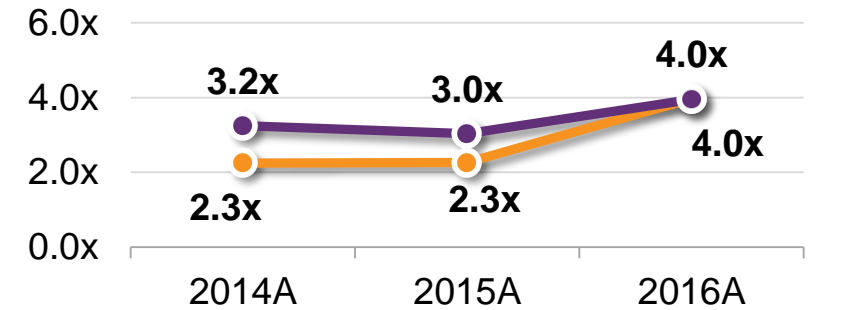
Financial highlights¹

Key financials, EURm	2014A	2015A ²	2016A ²
Interest income	8.6	9.9	9.8
Gross profit from sale of foreclosed items	2.1	2.1	2.2
EBITDA	3.1	3.1	2.8
Net profit	1.4	1.5	1.0
Equity	2.1	2.3	2.8
Net Debt	6.9	7.1	11.1
Net loan portfolio	6.3	7.0	11.6
Total assets	11.0	10.7	16.0

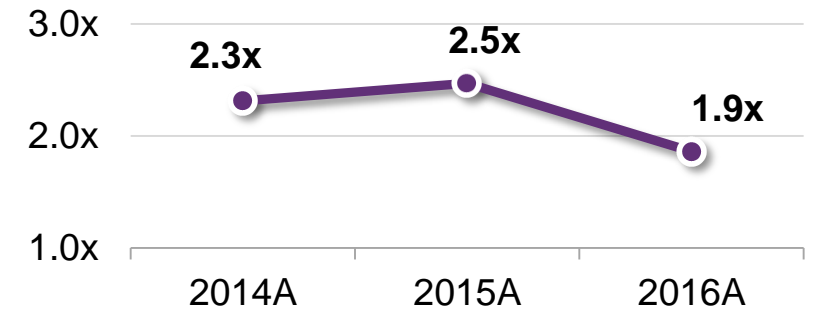
Strong growth following rebranding and regulatory change



Financial ratios



—●— Net Debt / EBITDA —●— Net Debt / Equity



—●— Interest coverage ratio⁴

1) Based on consolidated financial statements

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

3) Calculated as EBITDA / (Interest income + Gross profit from sale of foreclosed items)

4) Calculated as EBIT / Interest expense

What we are proud of?

- 1 The leading market position**
 - ▶ The leading consumer financial services chain in Latvia with a unique value proposition
 - ▶ Rapidly gaining market share in the fast-growing consumer loan segment
 - ▶ #1 player in pawn loans
- 2 Sizeable and recurring client base**
 - ▶ 300,000+ unique registered clients, growing by c. 2,300 per month
 - ▶ Outstanding customer loyalty, with more than 80% of loans issued to repeat customers
 - ▶ Significant potential for cross-selling
- 3 Excellent sales platform**
 - ▶ 91 branches country-wide in high-quality locations
 - ▶ Largest branch network in Latvia among financial service providers
 - ▶ All branches are profitable at EBITDA level
- 4 Exceptional customer service**
 - ▶ Rigorous employee training programs and effective quality control system
 - ▶ Customer-friendly branch environment, fast and effective application process
 - ▶ Branch employees acting as full-profile financial experts
- 5 Solid financial performance**
 - ▶ Continuous y-o-y increase in the amount of loans issued since the company's foundation
 - ▶ Adjusted business strategy to successfully adopt to a regulatory change
 - ▶ Stable EBITDA level at around EUR 3m

Current financing structure

Liabilities	31.12.2016, EUR'000	Interest rate, %	Maturity
▶ Secured bonds	2,000	14.0%	11.2018
▶ Unsecured bonds	3,250	15.0%	12.2020
▶ Newly issued unsecured notes (up to EUR 5m)	982	14.0%	10.2021
▶ Peer-to-peer lending platform	4,227	11.0%-13.5%	Mimicking term structure of underlying loans
▶ Private loans	1,748	12.9%-14.0%	Up to 05.2018
▶ Leases	165	3.5% + EURIBOR	Up to 3 years
TOTAL	12,372		

Newly issued unsecured notes

Issue overview	
Type	▶ Unsecured notes
Issue size	▶ EUR 5,000,000
Date of issue	▶ 7 October 2016
Price	▶ Issued at par
Face value	▶ EUR 1,000, 5,000 securities
Coupon	▶ 14% per annum, paid monthly
Amortization	▶ Lump sum at maturity
Maturity	▶ 25 October 2021
Call option of the Issuer	▶ Call option to repay principal prior to maturity on 25 October 2017, 2018, 2019, 2020 with 1% premium, fully or partially (at least EUR 100 per one note with next step of EUR 100)
Put option of the Note holders	▶ Put option to demand early repayment of the principal on 25 October 2019
Collateral	▶ Same priority of claims as for other unsecured creditors
Registration	▶ Latvian Central Depository
Use of funds	▶ Ordinary business operations

Covenants	
1	No change of business areas (consumer lending, sale of goods and debt collection)
2	No loans to shareholders
3	Any borrowings from shareholders shall be unsecured and payments made after Notes maturity date
4	No transactions with related parties which are not arm's length
5	No investment in minority shareholdings (below 51%)
6	Consolidated Net Debt / Equity less than 4.0x
7	Loans to related parties less than EUR 1.4m
8	Payout ratio less than 40% of the last audited net profit
9	Dividends above 40% of net profit transferred for repayment of loans to related parties
10	No new borrowings at a higher rate than the Coupon rate
11	No sale or lease of registered brand names
12	No reorganization, liquidation or decrease in share capital

APPENDICES



ExpressCredit

Banknote

MoneyMetro

Financial statements¹

Income statement, EUR'000	2014A	2015A ²	2016A ²
Interest and similar income	8,640	9,944	9,793
Gross profit from sale of goods ³	2,106	2,114	2,181
Gross profit	10,746	12,059	11,975
Selling expense	(4,631)	(5,081)	(5,729)
Administrative expense	(1,883)	(2,738)	(2,006)
Net other operating expense	(1,170)	(1,125)	(1,445)
EBITDA	3,062	3,114	2,795
Depreciation	(249)	(245)	(195)
Interest and similar expense	(1,216)	(1,162)	(1,396)
Taxes	(195)	(194)	(243)
NET PROFIT	1,402	1,512	961

2015 H1	2016 H1 ²	%, y-o-y	2015 H2 ²	2016 H2 ²	%, y-o-y
4,868	4,035	(17.1%)	5,076	5,758	13.4%
956	919	(3.8%)	1,158	1,262	9.0%
5,824	4,954	(14.9%)	6,235	7,020	12.6%
(2,682)	(2,231)	(16.8%)	(2,399)	(3,498)	45.8%
(1,071)	(1,039)	(2.9%)	(1,667)	(966)	(42.0%)
(52)	(547)	950.6%	(1,073)	(898)	(16.3%)
2,019	1,137	(43.7%)	1,096	1,658	51.3%
(121)	(118)	(3.2%)	(124)	(78)	(37.4%)
(599)	(601)	0.3%	(563)	(795)	41.3%
(286)	(84)	(70.6%)	91	(159)	(274.1%)
1,012	335	(66.9%)	500	626	25.1%

Financial statements¹

Balance sheet, EUR'000	2014A	2015A	2016A
Fixed and intangible assets	394	644	582
Loans to related parties	1,504	981	1,386
Net loan portfolio	6,292	7,001	11,555
Inventory and scrap	1,345	1,138	701
Other assets	228	476	489
Cash	1,198	494	1,279
TOTAL ASSETS	10,961	10,734	15,992
Share capital and reserves	427	427	1,500
Retained earnings	296	388	345
Profit/loss for the current year	1,402	1,512	961
Equity	2,124	2,327	2,806
Interest-bearing debt	8,091	7,558	12,372
Trade payables and other liabilities	746	850	815
Liabilities	8,837	8,407	13,186
TOTAL EQUITY AND LIABILITIES	10,961	10,734	15,992

Cash flow statement, EUR'000	2014A	2015A	2016A
EBITDA	3,062	3,114	2,795
Taxes	(195)	(194)	(243)
Interest payments	(1,216)	(1,162)	(1,396)
Change in Net loan portfolio	(1,392)	(709)	(4,554)
Change in NWC	231	62	390
Cash flow from operations	490	1,111	(3,009)
CAPEX	(193)	(495)	(133)
Change in Loans to related parties	951	523	(405)
Cash flow from investing	758	27	(538)
Change in interest-bearing debt	259	(533)	4,814
Change in share capital	0	0	1,073
Dividends	(1,100)	(1,310)	(1,555)
Cash flow from financing	(841)	(1,843)	4,332
TOTAL CASH FLOW	407	(704)	786