

# **AS CAPITALIA**

Unaudited consolidated interim financial statements

For the period 01.01.2017 – 31.03.2017

Prepared in accordance with the international  
financial reporting standards as adopted by EU

## Information about the group

### Parent Company

Name of the Company	AS CAPITALIA
Legal status of the Company	Join-stock company (from 17.03.2014)
Number, place and date of registration	40003933213, Commercial Register Riga, 21.06.2007
Operations as classified by NACE	64.92 Other credit service activities 70.22 Business and management consultancy
Address	Brīvības street 40-35,Riga, LV-1050, Latvia
Names and positions of Council members	Mārtiņš Krūtainis – Chairman of the Council Andrejs Strods – Deputy Chairman of the Council Jānis Dubrovskis – Chairman of the Council
Names and positions of Board members	Juris Grišins – Chairman of the Board
The reporting period	2016, January 1 to March 31

### Subsidiaries

Subsidiaries' Name	Capitalia Finance UAB
Address of the subsidiary	Ankštoji g. 5-11, Vilnius, Lietuva
Number, place and date of registration	302718931, Lithuania, registered in 30.01.2012
Operations as classified by NACE	64.92 Other credit service activities
Subsidiaries' Name	Capitalia Finance OÜ
Address of the subsidiary	Harjumaa, Tallinn, Tartu maantee 84a, 10112
Number, place and date of registration	12822836, Estonia, registered in 26.03.2015
Operations as classified by NACE	64.92 Other credit service activities

# Interim management report

## On operating results

In the first quarter of 2017 Capitalia reported total revenues of EUR 293 thousands, which is an increase by 45% compared to the respective period in 2016. In the current period we achieved EUR 32 thousands profit that more than covers losses of the previous year. The first few months of 2017 were difficult for a number of our clients and as a result our provisions for loan losses increased higher than expected. However, by the end of the March most of our clients in difficulties have manage to stabilize their situation and return to regular payment schedules.

## On key events

As one of the most significant events in the first quarter of 2017 has been launch of our new corporate website and from this date we started offering a number of new financial instruments – specialized loan to farmers and investment financing (mezzanine). In addition, we have redesigned our terms for credit line product creating a simple credit card-like tool for companies to draw on in situations of unexpected shortage of working capital. During this quarter we also published our research on useful financial technologies for small businesses. We have acquired capitalia.com domain name that we will use for our crowdfunding platform. In March we also launched a long-term partnership deal with business daily Dienas Bizness through which we will support regular articles and interviews of small businesses in Latvia.

## On plans for the next quarter

For the following three months the key focus of Capitalia will be to grow loan portfolio in all of the Baltic States. We have successfully issued and are continuing to offer our bonds to investors. We want to make sure that any new resources acquired from the sale of the bonds are distributed towards financing to small businesses as soon as possible. We are also very eager to soon launch our own crowd-financing platform. We will be the first specialized pan-Baltic platform that will offer businesses to attract mezzanine loans of up to EUR 1m through crowd-funding.

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Juris Grišins  
Chairman of the board

Riga, April 27, 2017

## Summary of financial performance

The summary of financial results portrays the development of key financial indicators of Capitalia over the last reporting periods. Company's assets and loan portfolio have slightly increased compared to figures at the end of the last year. Such rise in the result of growth of loan book in Lithuania and Estonia, while loan portfolio in Latvia has slightly decreased. As a result, the turnover growth of Capitalia is lower than in the previous periods and stands at 27% annualized rate (compared to 61% in the period before). Company reported return on equity at 29% with net profitability of 11%. Equity and other liabilities subordinated to the outstanding bond issues constituted 49% of the total assets or well above the benchmark bond covenant of 20%.

### Summary of balance sheet figures

EUR	2015	2016	2017, Q1
Total assets	2 623 207	3 984 473	4 155 924
Loan portfolio	1 938 899	3 410 747	3 489 275
Equity capital	173 156	435 276	467 776

### Loan portfolio distribution by geography

EUR*	2015	2016	2017, Q1
Latvia	1 716 121	2 062 438	1 928 955
Lithuania	845 348	1 985 770	2 105 717
Estonia	0	567 932	757 936
<b>Total</b>	<b>2 561 469</b>	<b>4 616 140</b>	<b>4 792 608</b>

\* Total loan portfolio managed by Capitalia, including loans that are managed by the company, but refinanced to investors of marketplace lending platform Mintos.

### Summary of profit and loss figures

EUR	2015	2016	2017, Q1
Total revenue	574 568	924 909	293 239
Interest expenses	-211 639	-328 933	-87 640
Impairment expenses	-64 891	-88 928	-32 004
Sales and marketing expenses	-41 354	-124 688	-23 218
Administrative costs	-195 984	-359 165	-103 168
Net profit	48 587	-11 390	32 500

### Key operating ratios

EUR	2015	2016	2017, Q1
Equity to assets	6.60%	10.92%	11.26%
Turnover growth	45.72%	60.97%	26.82%
Return on equity (ROE)	40.22%	-3.74%	28.79%
Net profitability	8.46%	-1.23%	11.08%
Annualized impairment loss	4.81%	3.33%	3.71%

## Interim condensed profit and loss statement

	<b>01.01.-31.03.2017</b>	<b>01.01.-31.03.2016</b>
	<b>EUR</b>	<b>EUR</b>
Interest and similar income	293 239	200 412
Interest expense	-87 640	-66 308
Impairment (provision)	-32 004	-16 482
Selling expense	-23 218	-32 433
Administrative expense	-103 168	-73 843
Other operating income	558	1 693
Other operating expense	-6 050	-7 824
Other financial expenses	-	-1
Profit/(loss) before Income Tax	<b>41 717</b>	<b>5 214</b>
Income tax	-9 217	-1 508
<b><u>Net profit/(loss) for the period</u></b>	<b>32 500</b>	<b>3 706</b>

## Interim condensed balance sheet

	<b>31.03.2017</b>	<b>31.12.2016</b>
	<b>EUR</b>	<b>EUR</b>
<b>Assets</b>		
<b>Long term investments</b>		
Intangible assets	77 693	77 855
Fixed assets	36 236	38 729
Asset creation	25 183	17 623
Receivables from affiliated companies	190 500	190 500
Loans and receivables	382 041	475 485
Deferred tax assets	4 248	4 248
<b>Total long-term investments:</b>	<b>715 901</b>	<b>804 440</b>
<b>Current assets</b>		
Receivables from affiliated companies	13 595	11 928
Loans and receivables	3 107 234	2 935 262
Other debtors	22 903	20 018
Loans to shareholders and management	5 000	5 000
Unpaid share capital	100 000	100 000
Cash and bank	191 291	107 825
<b>Total current assets:</b>	<b>3 440 023</b>	<b>3 108 033</b>
<b>Total assets</b>	<b>4 155 924</b>	<b>3 984 473</b>

## Interim condensed balance sheet

	<b>31.03.2017</b>	<b>31.12.2016</b>
	<b>EUR</b>	<b>EUR</b>
<b>Liabilities</b>		
<b>Shareholders' funds</b>		
Share capital	500 000	500 000
Other reserves	-10 389	-10 389
Prior years' retained earnings	-54 335	-42 945
Current year's profit / (losses)	32 500	-11 390
<b>Total shareholders' funds:</b>	<b>467 776</b>	<b>435 276</b>
<b>Creditors</b>		
<b>Long-term creditors</b>		
Bonds issued	2 092 977	1 715 165
Other borrowings	27 171	33 959
Other creditors	-	130 000
Deferred income	36 256	41 981
<b>Total long-term creditors:</b>	<b>2 156 404</b>	<b>1 921 105</b>
<b>Short-term creditors</b>		
Bonds issued	46 421	38 491
Other borrowings	1 337 680	1 486 862
Trade creditors and accrued liabilities	62 752	32 160
Taxes	26 764	19 120
Deferred income	58 127	51 459
<b>Total short-term creditors:</b>	<b>1 531 744</b>	<b>1 628 092</b>
<b>Total liabilities and shareholders' funds</b>	<b>4 155 924</b>	<b>3 984 473</b>