

Financial report



Unaudited results for 9 months
Ending 30 September 2023

Company highlights

Business performance

Appendix



Key characteristics

+18%

9M consumer loan
issuance y-o-y

+26%

9M pawn loan issuance
growth y-o-y

+25%

9M net loan portfolio growth
since the start of 2023

+46%

9M revenue growth y-o-y

+41%

9M EBITDA growth y-o-y

+11%

9M profit before
taxes growth y-o-y

13

years profitable operations

59k

active clients

90+

branches

300+

employees

8k+

shareholders

4

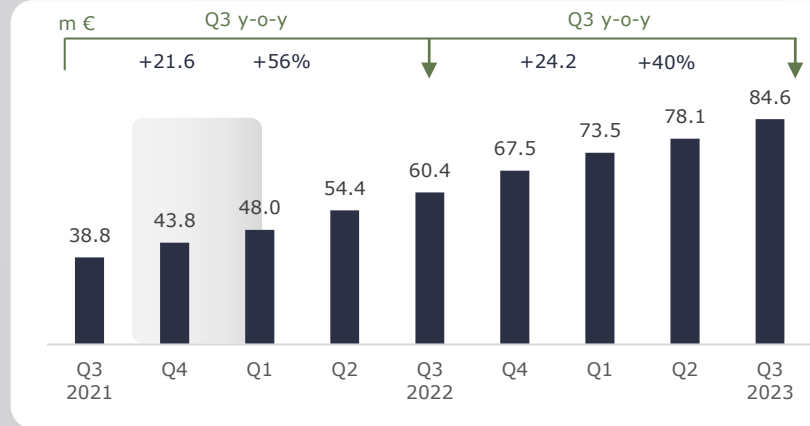
dividend payments
planned in 2023

Key results

Total loans issued



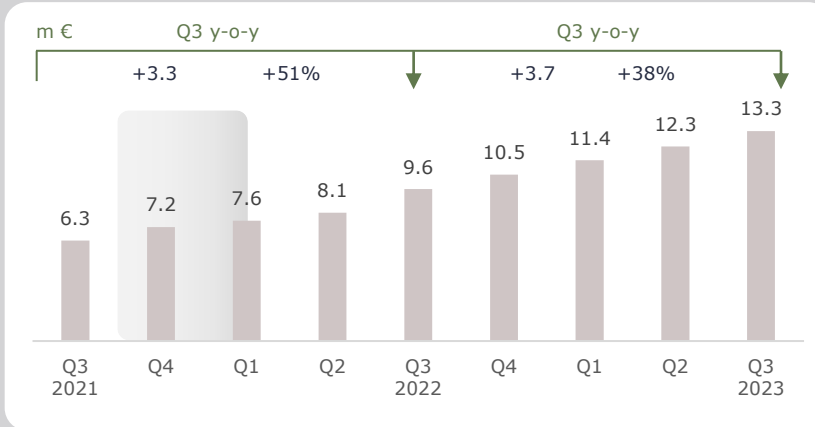
Net loan portfolio



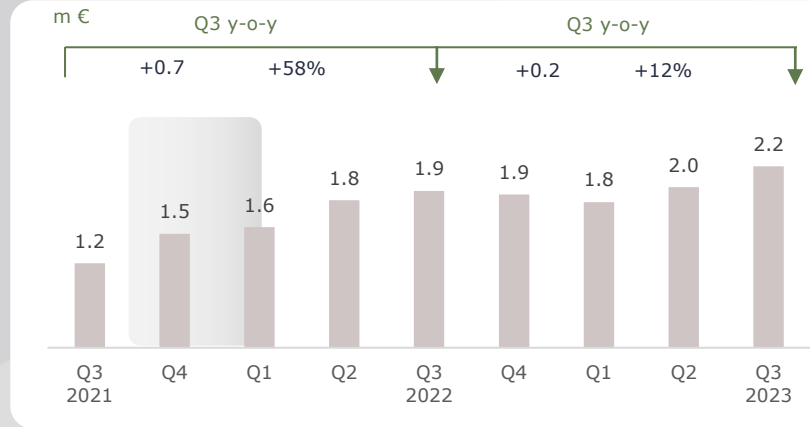
Demand for lending products remains solid. A moderate increase in issuance due to the development of the customer evaluation process and focus on a lower-risk client base.

Loan portfolio continues to grow every quarter over the last two years, reaching EUR 84.6 million in Q3 2023.

Total revenue



Profit before tax



The company had a 46% revenue increase in 9M 2023 compared to 9M 2022.

Profit before tax in Q3 reached EUR 2.2 million, historically highest result for the company.

Recent highlights

1

THE BEST QUARTERLY RESULTS

Q3 was the most successful quarter in the company history. Record-high income of EUR 13.3 million and profit before tax of EUR 2.2 million.

2

SUCCESSFUL BOND REFINANCE

DelfinGroup redeemed 5 mEUR bonds and issued new 15 mEUR bonds which afterwards were listed on Nasdaq First North market.

3

DIVIDEND DISTRIBUTION

On 29 September shareholders received dividends in the amount of EUR 883 thousand, namely EUR 0.0195 per share from Q2 2023 net profit.

4

ESG REPORT FOR 2022

In 2022 DelfinGroup prevented additional 5.4 tonnes of greenhouse emissions thus covering yearly emission of 1 316 Latvian residents. Full report available [here](#).

Launch of the new *Banknote* mobile app



Improved user experience



Efficient filling of new loan applications



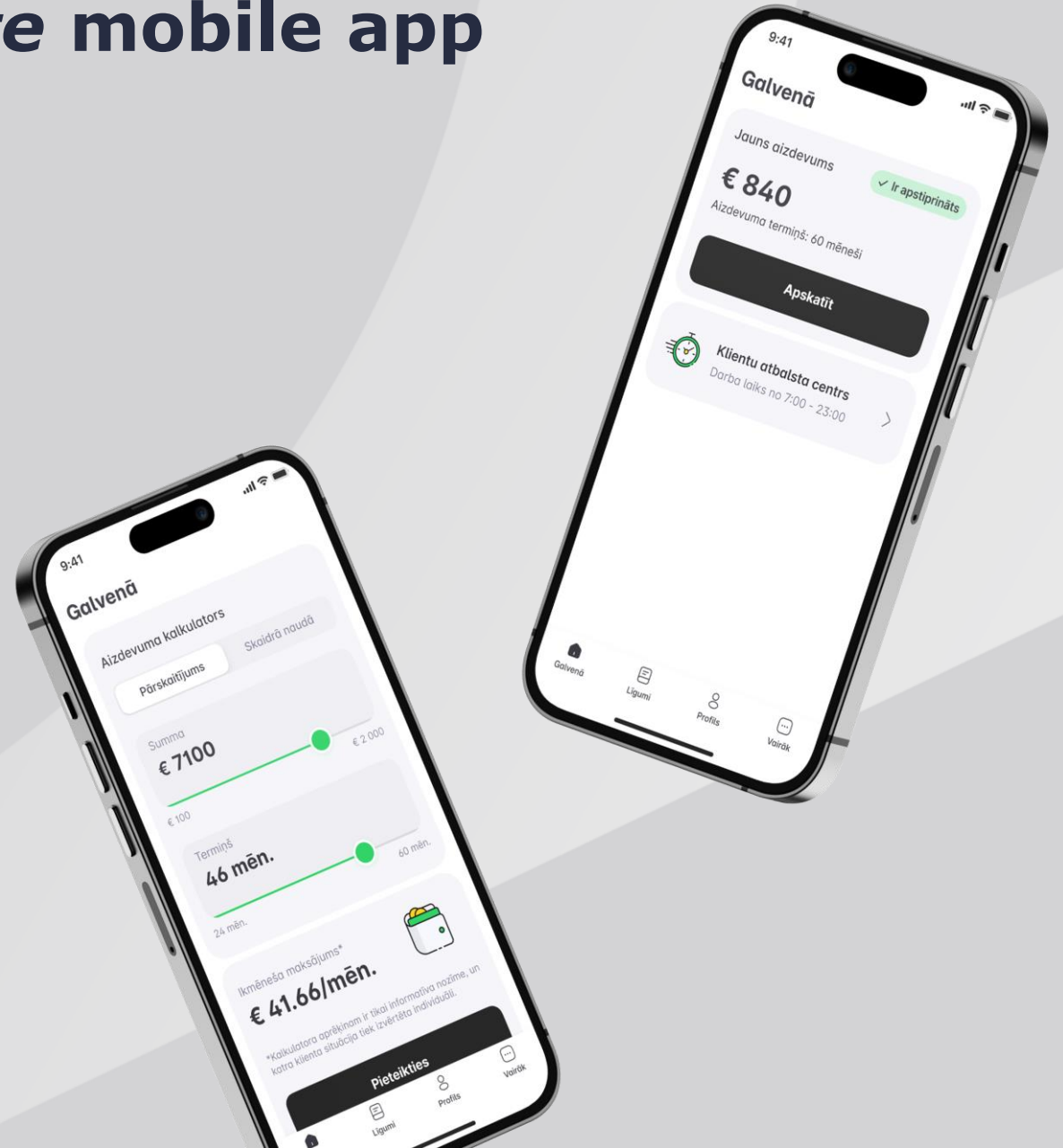
Simple and clear view of all existing agreements



Quick search of the nearest branch



New and unique design



Branch network development

Riga City Pawnshop the oldest pawn shop in Latvia moved to new premises.

Riga City Pawnshop offers wide range of antiques, jewelry and unique items unavailable elsewhere.



A **new concept store** was opened in **Jēkabpils**.

The new premises of Jēkabpils branch are three times larger in area and have a new design.



Banknote XL promotion



Banknote brand held activities to promote the circular economy concept in Latvia.



Promo activities took place at the largest circular economy store in Latvia, Banknote XL.



Clients could participate in a raffle, taste delicious popcorn and cotton candy and purchase pre-owned goods for great prices.



Company highlights

Business performance

Appendix



Consumer net loan portfolio



Average loan*



Continued growth of consumer lending segment. The net loan portfolio increased during Q3 2023 reaching 76.9 million euros.

Weighted average term of loans issued



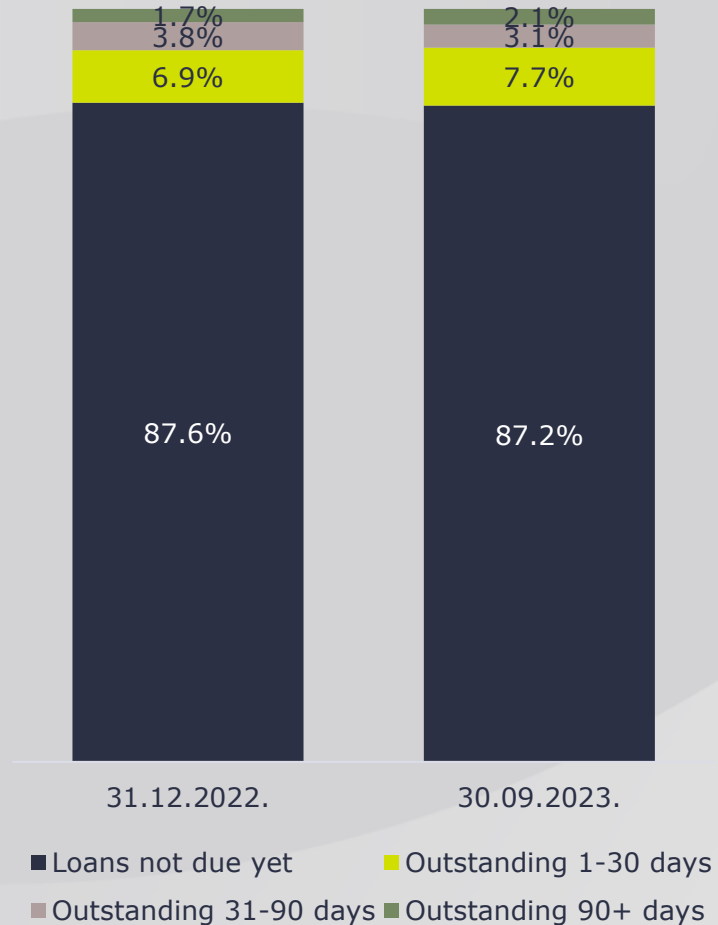
Non-performing loan ratio



40% increase of consumer lending portfolio compared to Q3 2022 and 26% increase since the beginning of the year.

NPL ratio continues to be on a solid level due to constant improvements in client scoring, collection and loan cession.

Age analysis of consumer lending portfolio*

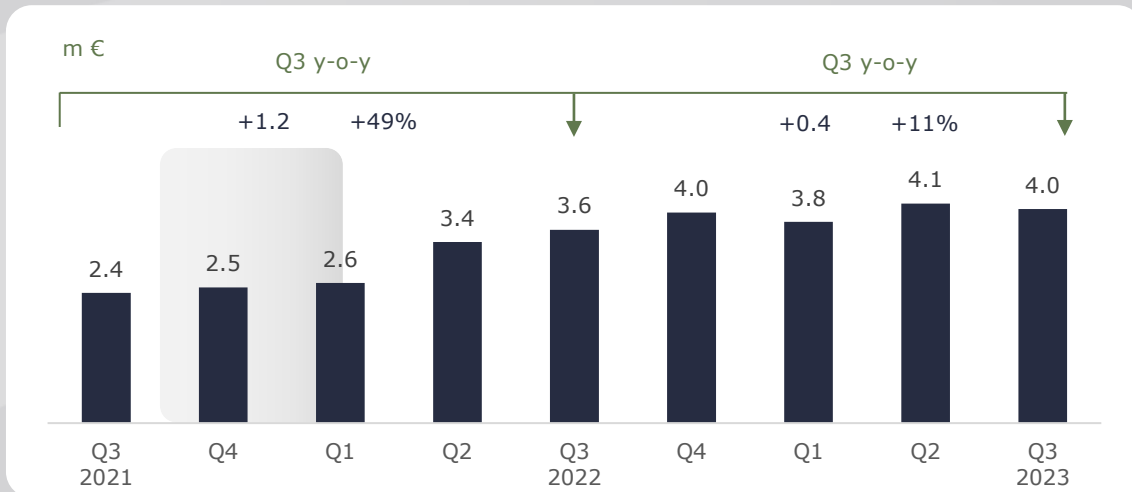


Loan portfolio quality remains solid in 2023.

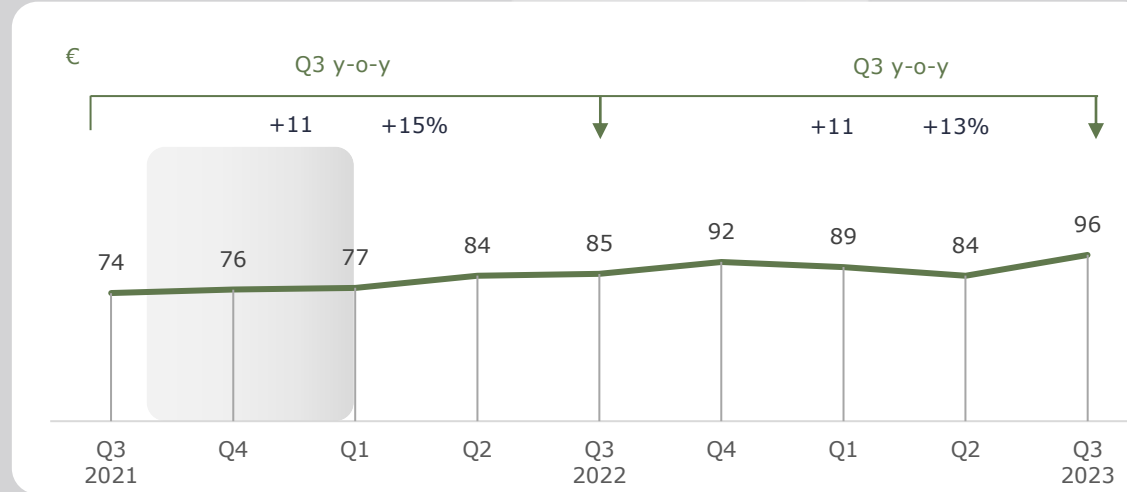
Focus on lower risk lending clients.

Improved underwriting processes and risk policy.

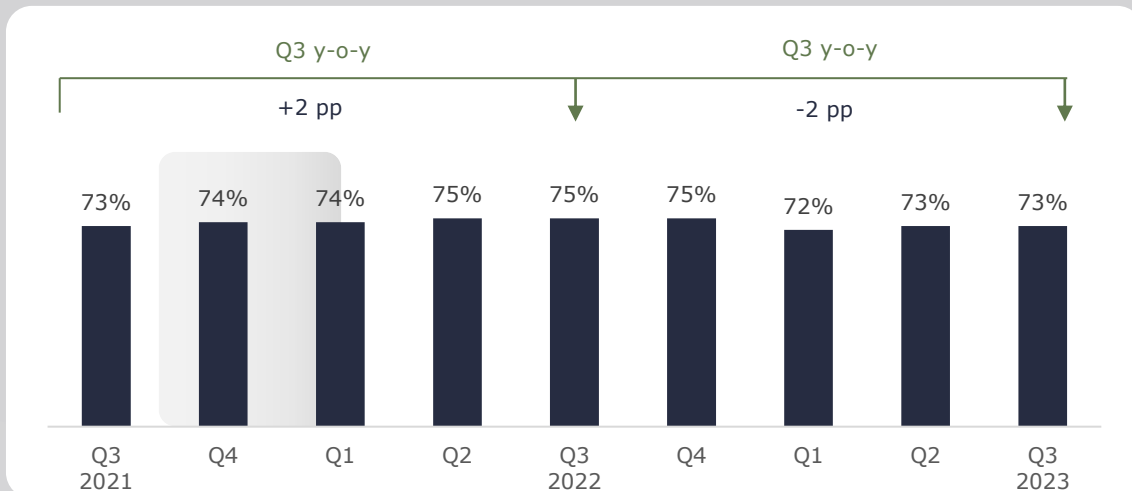
Pawn net loan portfolio*



Average pawn loan amount



Redemption rate**



Pawn lending segment continue to show stable growth. 11% increase of the pawn loan portfolio year on year.

Redemption rate of pledged items remain stable, above 70% over the recent years.

Retail of pre-owned goods*

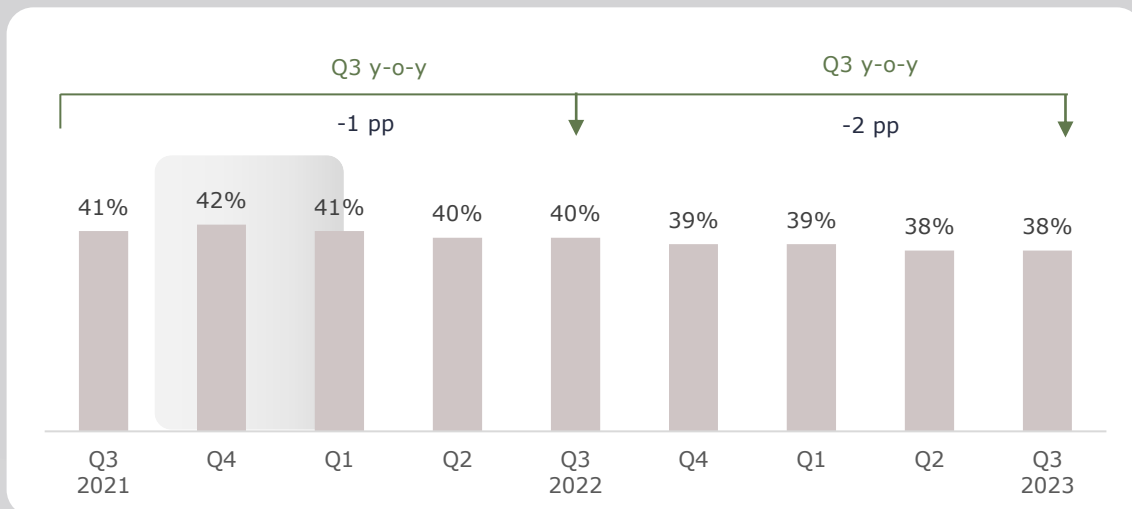
Sale of pre-owned goods**



18% growth in Q3 2023 year on year reaching EUR 3.9 million in sales.

Historically, the best quarter for the segment as it has been made a strategic priority for the company.

Gross margin



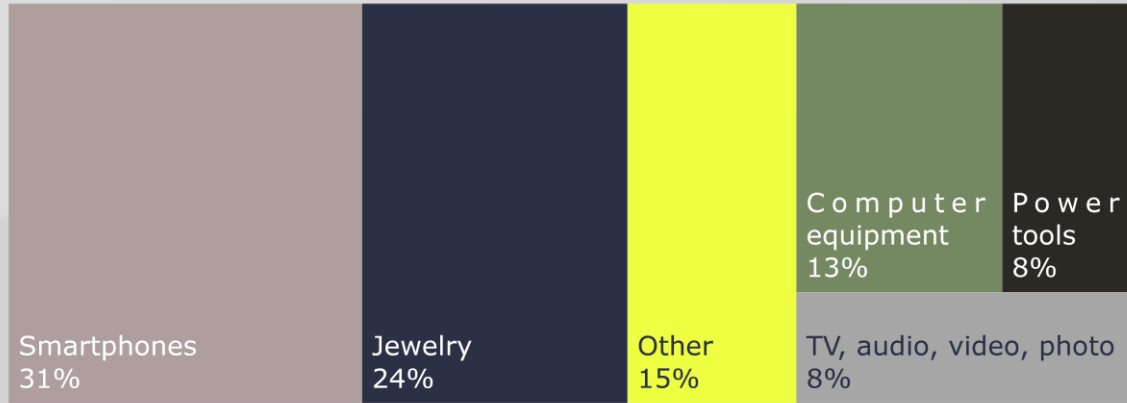
Gross margin remain stable throughout the last years.

*Excluding wholesale of precious metals (scrap).

**Including directly purchased goods from clients and unredeemed items from pawnshop. Data from previous periods restated as per corrections made in 2022 audited annual report.

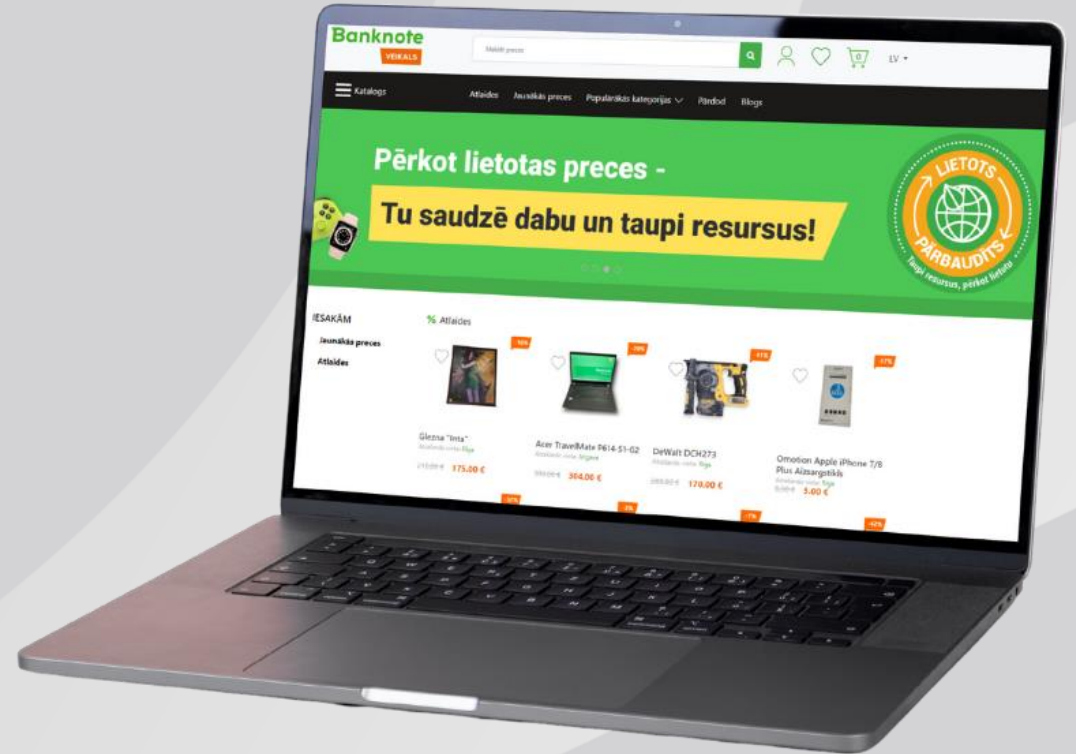
Sales split by product category

Sales split by product category (9M 2023)



Clients have access to a wide range of pre-owned goods at *Banknote* online store and branch network.

The most demanded product categories are electronics, such as smartphones, computers, TVs and jewelry.

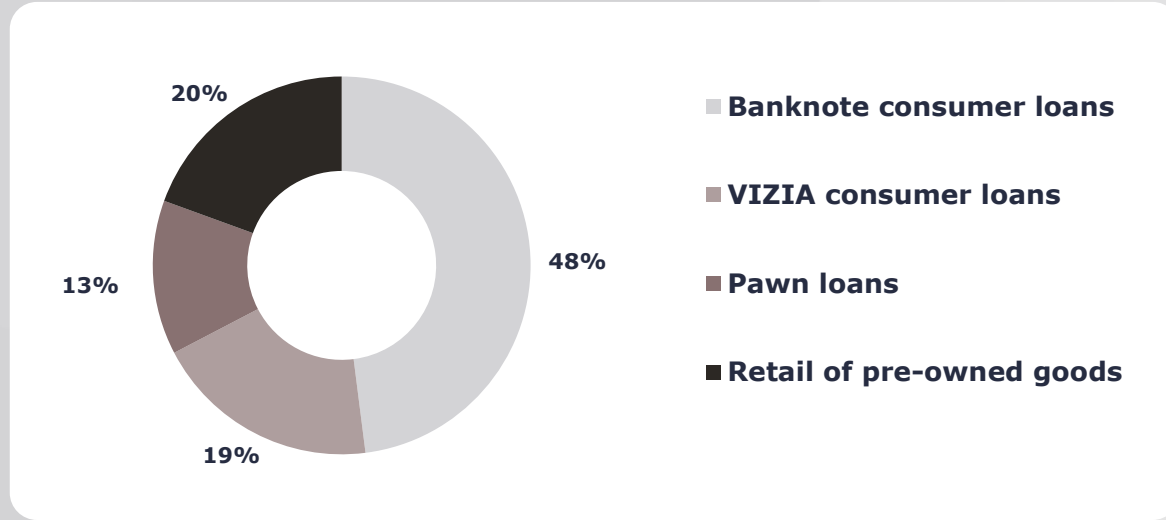


Diversification

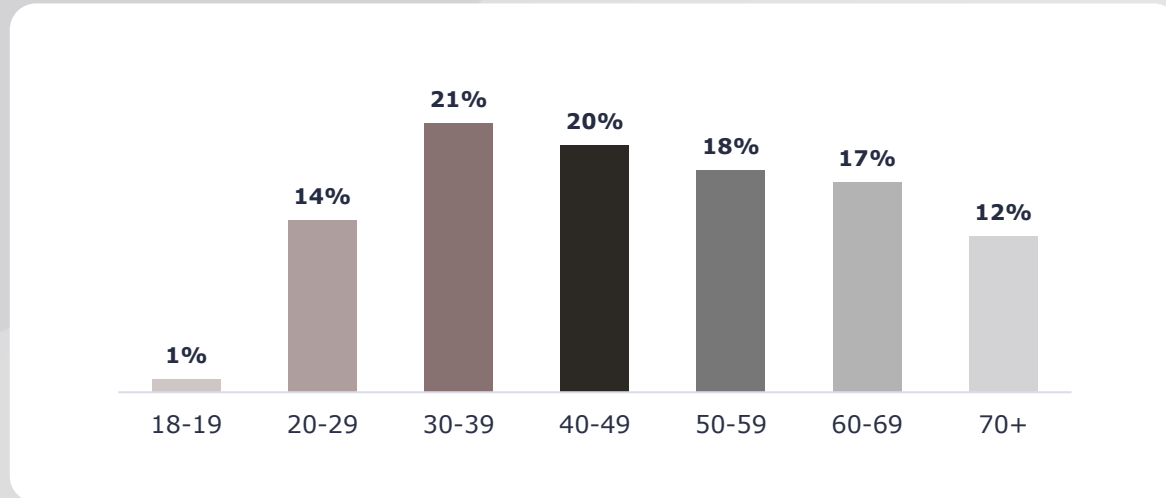
Although the most significant part of the revenue stream comes from the consumer loan segment, we see great potential in gradually growing other *DelfinGroup* segments.

DelfinGroup products cover all age groups thanks to customized financial solutions.

Revenue by business segments 9M 2023



Distribution of active clients by age on 30 September 2023*



Consolidated income statement

INCOME STATEMENT, EUR'000	2023 Q3	2022 Q3*	Change %	2023 9M	2022 9M*	Change %
Total revenue	13,254	9,587	+38%	36,933	25,269	+46%
Cost of sales	-1,687	-1,179	+43%	-4,531	-3,039	+49%
Credit loss expense	-2,843	-1,628	+75%**	-8,079	-4,120	+96%**
Interest expenses and similar expenses	-2,285	-1,390	+64%***	-6,129	-3,037	+102%***
Gross profit	6,439	5,390	+19%	18,194	15,072	+21%
Selling expenses	-2,244	-1,939	+16%	-6,359	-5,382	+18%
Administrative expenses	-1,942	-1,477	+31%	-5,664	-4,102	+38%
Other operating income	11	21	-47%	38	67	-44%
Other operating expenses	-92	-60	+54%	-238	-299	-20%
Profit before tax	2,174	1,935	+12%	5,970	5,356	+11%
Income tax expense	-226	-154	+47%	-640	-1,084	-41%
Net profit	1,948	1,782	+9%	5,330	4,273	+25%
EBITDA	4,786	3,628	+32%	13,054	9,279	+41%

*Data from previous periods restated as per corrections made in 2022 audited annual report.

** Due to the fast-growing loan portfolio, credit loss expenses have grown alongside it.

*** Increase of interest expenses due to increasing interest rates in capital markets and growing loan portfolio which is partially financed with debt.

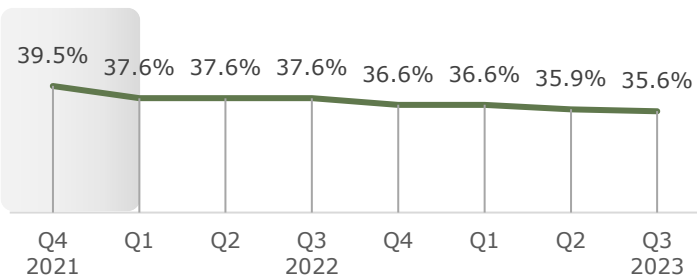
Consolidated balance sheet

BALANCE SHEET, EUR'000	30.09.2023	31.12.2022*	Change %
Fixed and intangible assets	2,150	1,470	+46%
Right-of-use assets	2,655	2,636	+1%
Net loan portfolio	84,552	67,518	+25%
Inventory and scrap	3,571	2,290	+56%
Other assets	1,081	875	+23%
Cash	3,222	2,369	+36%
TOTAL ASSETS	97,232	77,158	+26%
EQUITY	21,016	18,106	+16%
Share capital and reserves	4,532	4,532	+0%
Share premium	6,891	6,891	+0%
Other capital reserves	198	93	+113%
Retained earnings	9,395	6,590	+43%
LIABILITIES	76,216	59,052	+29%
Interest-bearing debt	71,336	53,974	+32%
Trade payables and other liabilities	1,934	2,159	-10%
Lease liabilities for right-of-use assets	2,946	2,918	+1%
TOTAL EQUITY AND LIABILITIES	97,232	77,158	+26%

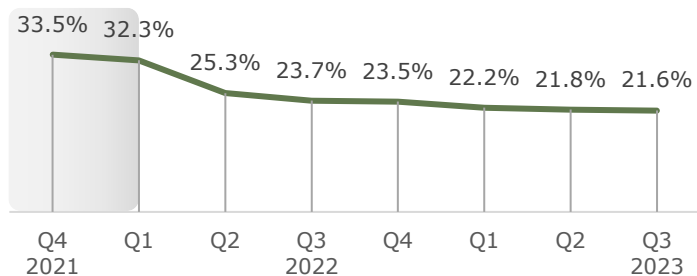
*Data from previous periods restated as per corrections made in 2022 audited annual report.

Financial ratios

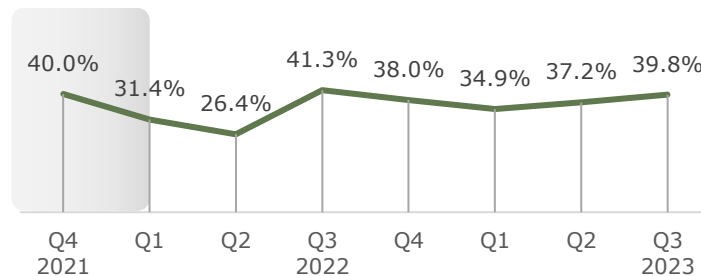
EBITDA margin*



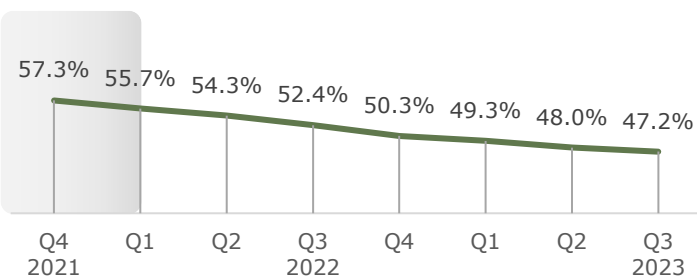
Equity ratio



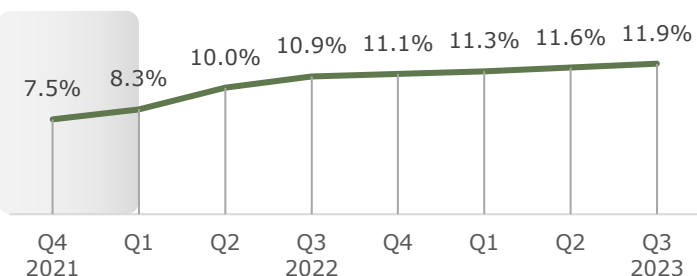
ROE**



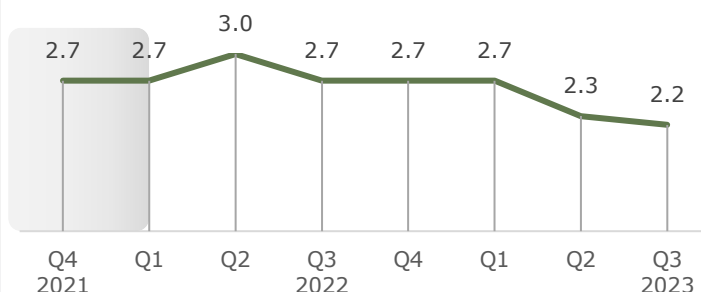
Cost-to-income ratio*



Cost of interest-bearing liabilities

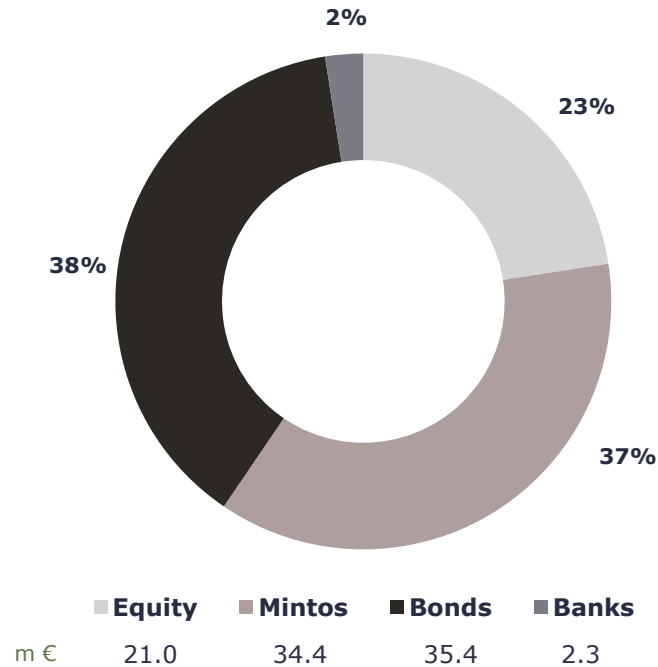


Interest coverage ratio*

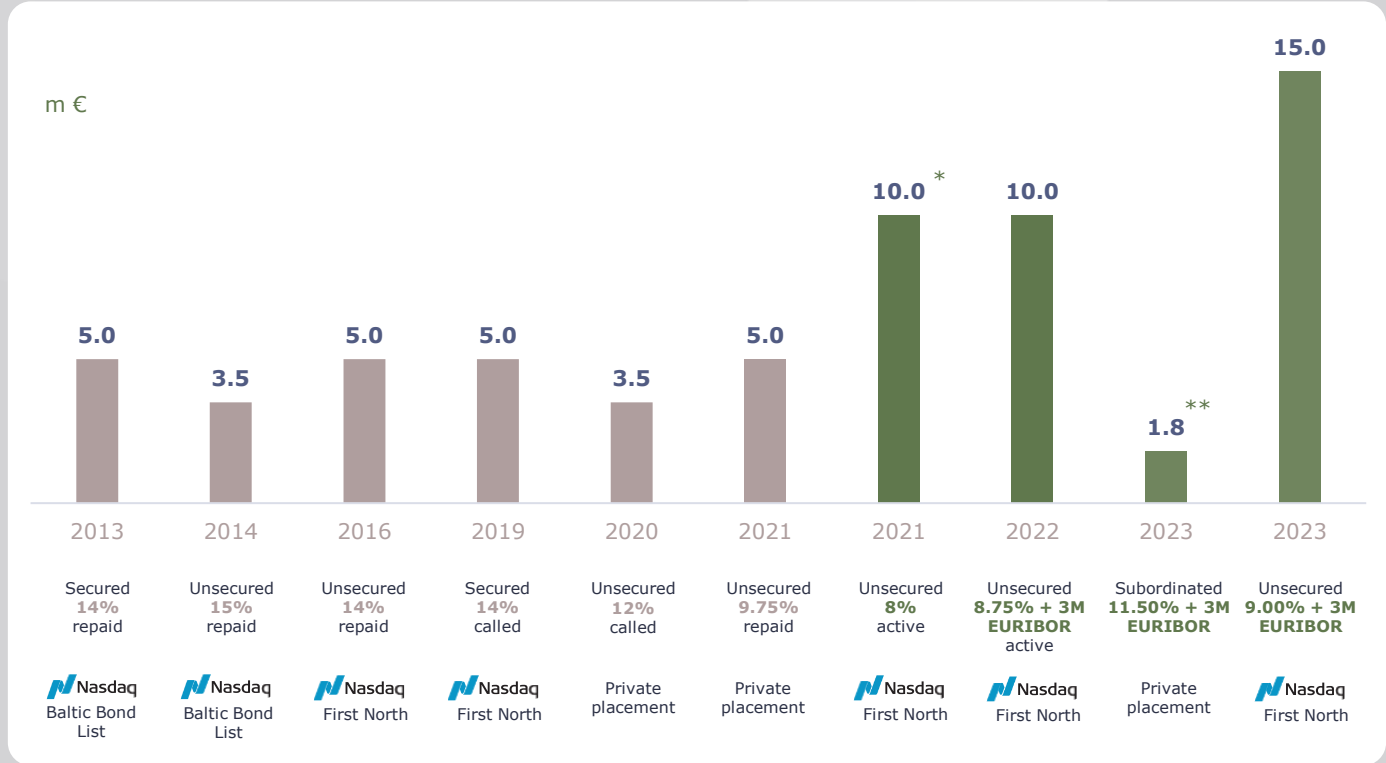


Capital structure

Capital structure 30.09.2023



Bond financing track record



DelfinGroup on Mintos

- **Since 2016**
- **81 thousand active investors**
- **Investors from 113 countries**

* EUR 10 million bonds with 8.00% fixed coupon rate matures on 25 November 2023. In order to refinance existing bond, DelfinGroup has issued new bonds with coupon rate of 9.00% + 3M EURIBOR. More information about new bond issues in the next slide.

** Subordinated bonds with a nominal issue value of EUR 5 million is a private placement and the subscription period is currently open. On 30.09.2023. EUR 1.8 million of bonds were subscribed. More info about the bond in the next slide.

New bond issues

	Subordinated unsecured bonds	Unsecured bonds
ISIN	LV0000802700	LV0000860146
Issue size	EUR 5,000,000	EUR 15,000,000
Nominal value	EUR 1,000	EUR 1,000
Annual coupon	11.50% + 3M EURIBOR	9.00% + 3M EURIBOR
Coupon frequency	Monthly	Monthly
Maturity	25 July 2028	25 November 2026
Type of placement	Private placement	Private placement
Minimum subscription	EUR 100,000	EUR 100,000
Listing	Nasdaq First North Baltic bond list (conditional upon approval of regulator and the stock exchange)	Nasdaq First North Baltic bond list (conditional upon approval of regulator and the stock exchange)
Call option	101% on every coupon payment date in full or partially for not less than 20% of the nominal amount of the bonds.	101% on every coupon payment date in full starting from 25 May 2024. 100% on every coupon payment date in full starting from 25 May 2026.
Financial covenants	<ul style="list-style-type: none"> To maintain capitalization ratio of at least 17.5%. To maintain consolidated ICR (calculated on the trailing 12 (twelve) months (TTM) basis) of at least 1.25x. 	<ul style="list-style-type: none"> To maintain Capitalization ratio of at least 20%. To maintain consolidated ICR (calculated on the trailing 12 (twelve) months (TTM) basis) of at least 1.5x. Net Loan Portfolio + Cash and Cash Equivalents – Mintos Debt Security – Bank Debt Security I) / (all unsecured interest-bearing debt – Subordinated debt) > = 1.2x).

Dividends

Unique dividend distribution proposal in Baltics

Quarterly dividends

- At least 4 dividend payments per year
- Up to 50% from previous Q profit

Dividend yield of 6.3%*

Dividend period	Dividend payment date	EUR/share	EUR total	Payout ratio***
Q3 2023	Upon shareholders approval**	0.0214**	969 839**	49.80%**
Q2 2023	29.09.2023	0.0195	883 732	49.95%
Q1 2023	30.06.2023	0.0177	802 157	49.73%
Q4 2022	17.04.2023	0.0185	839 560	49.93%
Q3 2022	27.12.2022	0.0184	833 881	49.90%
Q2 2022	30.09.2022	0.0134	607 283	49.87%
Q1 2022	29.06.2022	0.0155	702 454	49.69%

Dividend period	Dividend payment date	EUR/share	EUR total
Annual 2021	17.05.2022 15.07.2022	0.0552	2 501 642

*Based on share price of EUR 1.23 on 31 October 2023 and including management's proposed dividends from Q3 2023 net profit.

**Proposed dividends, distribution is subject to Shareholders meeting decision.

***Dividend amount paid from the net profit of the respective quarter.

Share performance

Share price, €



Share dynamics compared to indexes



— DGR1R – DelfinGroup
— OMX_Baltic_Benchmark_GI
— OMX_Riga_GI

30.09.2023	<i>DelfinGroup</i>	Financial industry*
Capitalization m €	69.8	-
EPS TTM €	0.155	-
P/E	8.5	6.77
ROE	39.8%	25.6%

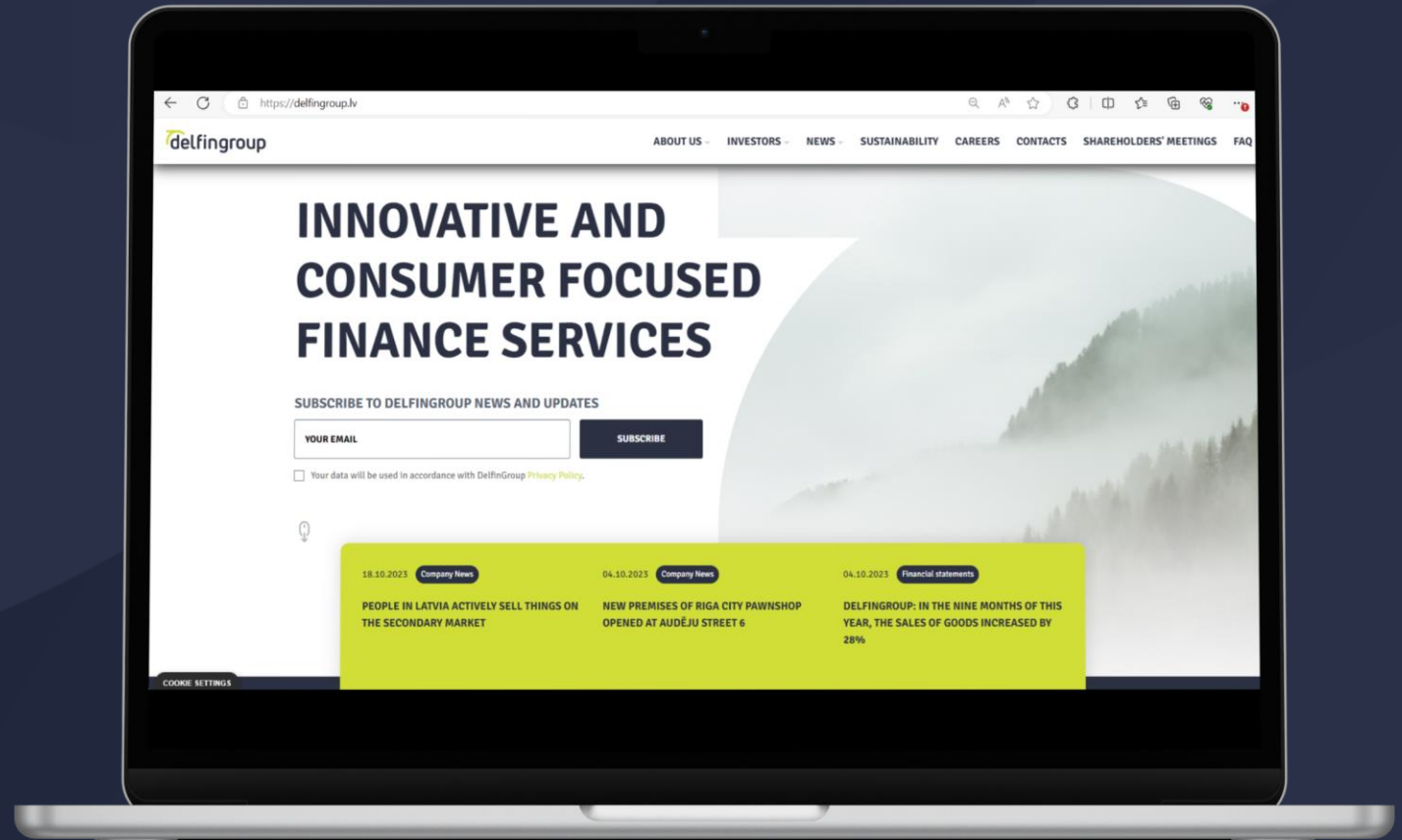
Decrease of the share price in Q2 2023 due to the largest shareholder’s public share offering. The shares were offered at a discount from the previous market price of EUR 1.35 per share.

*Average ratio for financial services companies listed on Nasdaq Baltic Main list on 30.09.2023.

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www.delfingroup.lv



Company highlights

Business performance

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Consolidated income statement

Financial report

BALANCE SHEET, EUR'000	2020*				2021*				2022*				2023		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Total revenue	5,877	5,028	5,605	6,782	5,890	5,765	6,335	7,199	7,586	8,095	9,587	10,507	11,404	12,275	13,254
Cost of sales	-1072	-794	-810	-903	-620	-862	-721	-955	-780	-1,080	-1,179	-1,164	-1,443	-1,401	-1,687
Credit loss expense	-674	-391	-255	-775	-735	-595	-827	-658	-1,410	-1,082	-1,628	-2,041	-2,466	-2,769	-2,843
Interest expenses and similar expenses	-823	-887	-808	-1,115	-1,011	-852	-918	-1,046	-689	-958	-1,390	-1,632	-1,792	-2,052	-2,285
Gross profit	3,308	2,956	3,733	3,989	3,524	3,457	3,868	4,541	4,707	4,975	5,390	5,670	5,702	6,052	6,439
Selling expenses	-1,342	-1,155	-1,247	-1,703	-1,326	-1,442	-1,524	-1,832	-1,757	-1,686	-1,939	-2,118	-2,062	-2,054	-2,244
Administrative expenses	-857	-776	-865	-766	-945	-1,054	-1,019	-1,200	-1,280	-1,346	-1,477	-1,671	-1,766	-1,957	-1,942
Other operating income	4	25	16	28	16	11	29	29	24	22	21	37	15	12	11
Other operating expenses	-49	-48	-48	-44	-142	154	-127	-20	-115	-123	-60	-16	-64	82	-92
Profit before tax	1,064	1,002	1,588	1,504	1,128	1,125	1,227	1,517	1,579	1,842	1,935	1,901	1,825	1,971	2,174
Income tax expense	-26	-7	-462	-259	-324	-299	-201	-155	-188	-742	-154	-212	-212	-202	-226
Net profit	1,038	995	1,126	1,245	804	826	1,026	1,362	1,391	1,099	1,782	1,689	1,613	1,769	1,948
EBITDA	2,399	2,155	2,400	2,922	2,399	2,241	2,400	2,922	2,559	3,091	3,628	3,833	3,923	4,345	4,786

Consolidated balance sheet

Financial report

BALANCE SHEET, EUR'000	2020*				2021*				2022*				2023		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Fixed and intangible assets	748	859	927	1,038	864	818	789	1,201	1,301	1,351	1,387	1,470	1,595	1,823	2,150
Right-of-use assets	1,950	3,056	2,927	3,194	3,281	3,145	3,013	2,973	2,915	2,773	2,783	2,636	2,698	2,712	2,655
Loans to related parties	1,376	1,381	376	474	445	-	-	-	-	-	-	-	-	-	-
Net loan portfolio	33,025	32,840	34,644	35,661	32,937	33,859	38,812	43,755	47,967	54,397	60,501	67,518	73,453	78,099	84,552
Inventory and scrap	692	602	941	852	976	938	1,167	1,255	1,240	1,566	1,844	2,290	3,909	4,662	3,571
Other assets	503	536	365	655	495	331	746	520	541	364	1,333	875	1,042	1,105	1,081
Cash	2,037	1,958	2,434	4,592	1,907	594	2,541	2,460	1,704	2,314	4,010	2,369	2,398	3,013	3,222
TOTAL ASSETS	40,331	41,233	42,615	46,465	40,905	39,688	47,069	52,163	55,667	62,765	71,858	77,158	85,095	91,415	97,232
EQUITY	9,405	10,401	9,513	9,758	8,639	8,108	8,696	17,476	17,989	15,885	17,059	18,106	18,915	19,917	21,016
Share capital and reserves	1,500	1,500	4,000	4,000	4,000	4,000	4,000	4,532	4,532	4,532	4,532	4,532	4,532	4,532	4,532
Share premium	-	-	-	-	-	-	-	6,891	6,891	6,891	6,891	6,981	6,891	6,891	6,891
Other capital reserves	-	-	-	-	-	-	-	-	-	-	-	93	128	163	198
Retained earnings	7,905	8,901	5,513	5,758	4,639	4,108	4,696	6,053	6,566	4,462	5,636	6,590	7,364	8,331	9,395
LIABILITIES	30,926	30,832	33,102	36,707	32,266	31,580	38,373	34,687	37,678	46,881	54,799	59,052	66,180	71,497	76,216
Interest-bearing debt	27,316	25,586	27,575	31,151	26,894	26,360	33,290	29,412	31,644	40,477	49,704	53,974	59,840	65,872	71,336
Trade payables and other liabilities	1,596	2,047	2,418	2,120	1,798	1,768	1,751	1,970	2,788	3,307	1,999	2,159	3,365	2,629	1,934
Lease liabilities for right-of-use assets	2,014	3,199	3,109	3,436	3,574	3,452	3,332	3,305	3,246	3,096	3,097	2,918	2,974	2,997	2,946
TOTAL EQUITY AND LIABILITIES	40,331	41,233	42,615	46,465	40,905	39,688	47,069	52,163	55,667	62,765	71,858	77,158	85,095	91,415	97,232

Sustainability

DelfinGroup **ESG report** for 2022 available [here](#).



Promotion of circular economy

- Prolonged life-cycle of consumer goods.
- More than 160k pre-owned items sold yearly.



Inclusive society

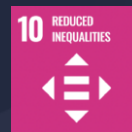
- The most geographically available financial institution in Latvia.
- Serving the underserved customer segments.
- Charitable activities towards children and seniors.
- Inclusive workplace.



Sustainable corporate governance

- 3 independent members of the Supervisory Board.
- Independent internal audit unit.

Relevant United Nations Sustainable Development Goals:



Historic timeline



Highly appreciated company



CV-Online Latvia

Top employer



State Revenue Service

**In-Depth
Cooperation
Programme**



Latvian Traders Association

Best Trader of Latvia



Institute for Corporate
Sustainability and Responsibility

**Gold category in Sustainability
Index 2023**



Latvian Corporate Governance
Advisory Board

**Latvian Corporate
Governance Award 2021**



The Society
Integration Foundation

**Family-Friendly
Workplace**



Bureau Veritas

**ISO 9001
ISO 50001
certification**

Definitions for Alternative Performance Measures

EBITDA

Earnings before interest, taxes, depreciation and amortization = (Profit before tax) + (Interest expenses and similar expenses) + (Rights of used assets depreciation) + (Depreciation of fixed assets) + (Amortization). Used as a measure of corporate performance as it shows earnings before the influence of accounting and financial deductions.

EBITDA Margin

Operating profitability as a percentage of its total revenue, calculated as EBITDA / (Interest income + Gross profit from sale of foreclosed items). Used as a profitability measure that is factoring out the effects of decisions related to financing and accounting.

Interest Coverage Ratio

Profitability and debt ratio, calculated as EBITDA / Interest expenses and similar expenses. Used to determine how easily a company can pay interest on its outstanding debt.

Cost-to-income Ratio

$((\text{Sales expenses}) + (\text{Administrative expenses}) + (\text{Other expenses (excluding Loss from cession (debt sales) of non-performing loans)})) / ((\text{Net sales}) - (\text{Cost of sales}) + (\text{Interest income and similar income}) + (\text{Other operating income}) - (\text{Interest expenses and similar expenses}))$

Return on Equity (ROE)

$\text{Net profit for the period/months in the period} * 12 / ((\text{Equity as at start of the period}) + (\text{Equity as at period end})) / 2$

Total revenue

Net sales + Interest income and similar income. Represents income generated by Company's business segments.

Interest-Bearing Debt

Liabilities that require the payment of interest, including bonds, other loans, leasing liabilities etc. Interest-Bearing Debt has a priority over other debts.

Cost of interest-bearing liabilities

Weighted average nominal interest rate calculated by amount of interest bearing liabilities as at period end

Equity ratio

Equity/Total assets

Non-performing loan ratio

90+ days overdue portfolio share in consumer loan portfolio

Dividend yield

Dividends per share paid over the last 12 months / price per share. If additional dividend payment is proposed by the company's Management Board but not yet paid, it is included in the calculation, and the last 12 months are calculated from the proposed dividend payment date.

Disclaimer

This presentation is of selective nature and is made to provide an overview of the Company's (AS DelfinGroup and its subsidiaries) business.

Unless stated otherwise, this presentation shows information from consolidated perspective.

Facts and information used in this presentation might be subject to revision in the future. Any forward-looking information may be subject to change as well.

This presentation is not a legally binding document, and the Company has no liability for any direct or indirect loss from the use of this presentation.

This presentation does not intend to contain all the information that investors may require in evaluating the Company. Investors should read publicly available information regarding the Company to make an investment decision.

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