

Consumer lending market review

Q1 2021

June 17, 2021



SIGNET

PRIVATE
BANK

Q1 2021 Consumer lending market review

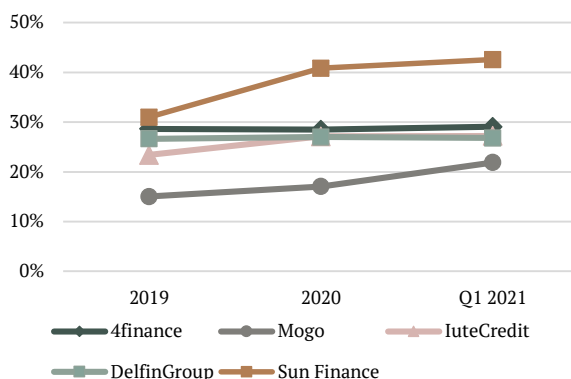


Sector highlights

- Despite the relatively tough quarter in terms of COVID-19 statistics and continued restrictions in many countries, most issuers, having predominantly *online* based business models, demonstrated solid performance during the quarter, to some extent exceeding their own expectations. Overall, we saw robust debt collection rates, loan issuance levels in many markets back to or even exceeding pre-crisis levels, and solid profitability, boosted by cost optimization measures taken during the first wave of COVID-19.
- As vaccination speed and vaccine rollout rates are rapidly picking up in many markets and COVID-19 incidence rates falling, many markets see easing or removal of restrictions that could also leave a positive impact on the consumer lending sector.
- Polish parliament voted to extend the reduced cap on non-interest consumer credit costs from 8 March to the end of June (temporary tightening of existing rate caps related to COVID-19).
- AS Mogo successfully refinanced its two local bond issues for the total amount of EUR 30m, indicating strong investor interest in the segment despite COVID-19 uncertainty. This is also reflected in generally positive bond price dynamics over the last few months, with all bonds with the exception of 4finance USD bonds now trading above their nominal value.
- Several issuers, for example Sun Finance, DelfinGroup, 4finance and Mogo Finance are facing bond maturities within about 1 year horizon. Thus, we are expecting to see relatively high bond issuance activity in the segment (particularly this autumn / winter).



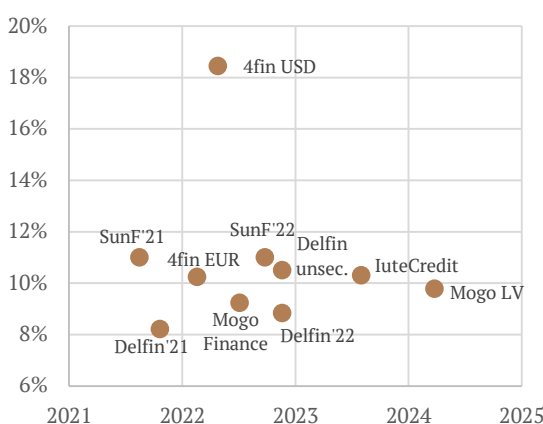
Capitalization ratio



Q1 2021 Financial highlights

EUR m	Mogo Finance	Sun Finance	Delfin Group	Iute Credit	4Finance
Revenue	32.8	45.8	5.3	13.9	77.2
EBITDA	13.6	22.9	2.5	5.1	26.4
Net profit	3.5	15.6	0.8	1.1	5.6
Net loan portfolio	200.2	86.9	32.2	80.8	533.1
Total Equity	43.8	37.0	8.6	22.0	154.9

Yield to Maturity (YTM)



Important notice

This Review has been prepared by Signet Bank AS, which is supervised by the Financial and Capital Market Commission. The Review is generally marketing communication and does not represent investment research (pursuant to Art. 36 of Delegated Regulation (EU) 2017/565). The Review has been prepared for information purposes only and is not construed as a personal investment advice or recommendation. In this Review the Bank does not make an independent assessment of any financial instruments, nor does it make any predictions about the future value of financial instruments. The marketing communication has not been prepared in accordance with legal requirements designed to promote the independence of investment research and is not subject to the prohibition on dealing ahead of the dissemination of investment research. The information derives from sources the Bank considers reliable and complete. However, all information and market data is not warranted as to completeness or accuracy and is subject to change without notice. Since not all products or transactions are suitable or appropriate for all investors, you shall not enter into any transaction unless you have consulted your independent advisors. The Bank and its employees shall not be liable for any losses or damages which may result from or be in connection with reliance upon the information provided.

MIFID2 notice: Signet Bank AS believes this Review is considered to be a minor non-monetary benefit as the product is free to all investors who wish to receive it and is therefore not an inducement according to Ch. 7 in ESMA's "Question and Answers on MIFID II and MiFIR investor protection topics". The information contained in the Review is current at the time of the publication of the Review and is subject to change. For more information please contact your Private Banker or contact us via info@signetbank.com.

Q1 2021 Mogo Finance



Eleving GROUP

Key parameters

Founded: 2012	Products: Car financing; consumer loans
Headquarters: Latvia	Key markets
Net portfolio: EUR 200.2m	<ul style="list-style-type: none"> • Latvia • Belarus • Estonia • Georgia • Lithuania • Romania • Armenia • Moldova
Bonds outstanding: EUR 130m	
Auditor: KPMG (IFRS)	
Rating: B- by Fitch	

Financial highlights

- In Q1 2021 the Group's revenue has grown by 41% compared to the same period last year and has reached EUR 32.8m. Positive contribution to revenue growth came from both car and consumer loans, due to the increased credit issuance levels in the most profitable markets of the Group. The Group's net loan portfolio in Q1 2021 reached EUR 200.2m (+2% yoy).
- EBITDA in Q1 2021 stands at EUR 13.6m (+55% yoy). EBITDA margin of the Group has also increased, reaching 41% in Q1 2021, compared to 38% in Q1 2020.
- FX fluctuations had a positive effect on the Group's net profit this quarter, resulting in FX gain of EUR 0.1m, contrary to the EUR 3.7m FX loss a year ago. Growing revenue base and the lack FX losses (as opposed to previous periods) have notably improved the Group's net profit for the period that reached EUR 3.5m, compared to a EUR 2.5m loss in Q1 2020.
- The capitalization ratio of the Group in Q1 2021 also notably improved, due to higher profit as well as additional capital, which in the form of subordinated loan

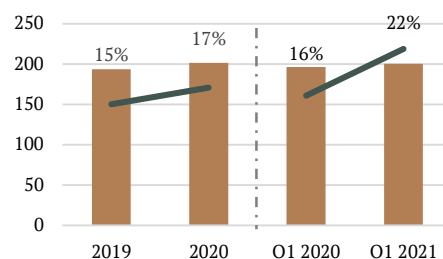
Key developments

- Due to extension of their product offering, the Group has decided to perform rebranding from Mogo Finance to Eleving Group.
- The Group has been included in the Financial Times list of 1000 fastest-growing European companies for the second year in a row.
- This March the Group's Latvian subsidiary AS Mogo issued new 3-year bonds with a 11% coupon rate in the amount of EUR 30m with the goal to refinance 2 of the existing AS Mogo bond issues. The new issue is included in Nasdaq Riga Regulated market. Demand from investors exceeded the offering and more than 2/3 of the existing bond holders decided to continue their investment in AS Mogo, exchanging their old bonds for the new ones. The two existing bond issues were successfully redeemed by the issuer at their maturity.

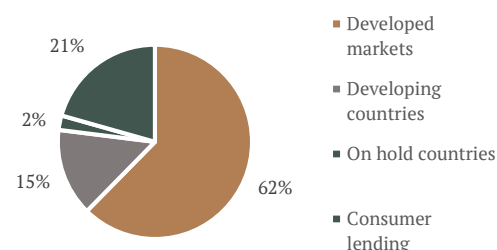
Financial highlights, EUR m

	Q1 2020	Q1 2021		FY 2019	FY 2020	
Revenue	23.2	32.8	+41%	75.8	100.7	+33%
EBITDA	8.8	13.6	+55%	29.7	45.4	+53%
EBITDA margin	38%	41%	+4pp	39%	45%	+6pp
Net profit	-2.5	3.5	n/a	6.6	1.6	-75%
Net loan portfolio	196.5	200.2	+2%	193.6	201.4	+4%
Cash	9.0	12.8	+42%	8.7	9.3	+8%
Total Equity	31.6	43.8	+39%	29.1	34.4	+18%
Total borrowings	220.7	221.0	+0%	215.5	231.1	+7%
EBITDA / Interest expense	1.4x	1.9x	+40%	1.4x	1.7x	+24%
Capitalization ratio	16%	22%	+6pp	15%	17%	+2pp

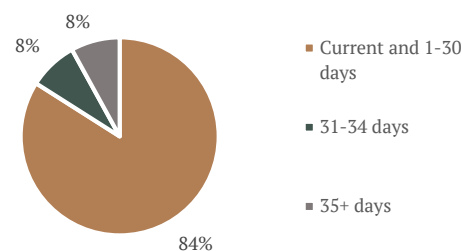
Net loan portfolio and Capitalization ratio, EUR m



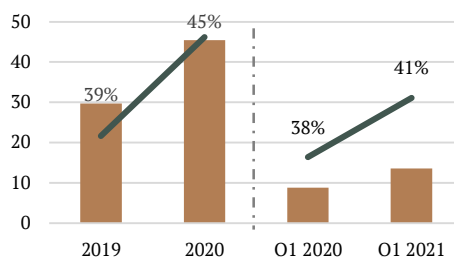
Net loan portfolio split by markets



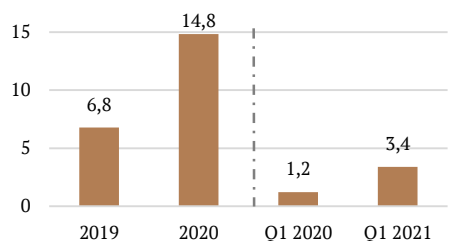
Net car loan portfolio by delay buckets



EBITDA and EBITDA margin, EUR m



Net profit before FX, EUR m



Q1 2021 Sun Finance

Key parameters

Founded: 2017	Products: Short term loans; line of credit, Installment loans
Headquarters: Latvia	
Net portfolio: EUR 86.9m	Key markets
Bonds outstanding: EUR 25m	<ul style="list-style-type: none"> • Latvia • Poland • Sweden • Vietnam • Denmark • Kazakhstan • Mexico
Auditor: Baker Tilly (IFRS)	

Financial highlights

- In Q1 2021 the Group's loan issuing activity reached new historical highs: the amount of loans issued totaled EUR 103m (+32% increase compared to Q1 2020). As a result, net portfolio of the group reached EUR 86.9m (+52% yoy). The biggest contribution to the Group's net portfolio came from Kazakhstan (Central Asia), where net portfolio has reached EUR 31.9m (+131% yoy) and at the end of Q1 2021 made up 37% of the Group's net portfolio.
- Group revenue reached EUR 45.8m in Q1 2021 (+44% yoy), largely owing to the increased rates of loan issuance.
- The growing loan issuance activity was the main factor, which positively affected the Group's EBITDA in Q1 2021, reaching EUR 22.9m (+103% increase compared to the same period year ago). EBITDA margin reached 50%, compared to 35% a year ago. The increase in profitability was boosted by the cost optimization measures introduced by the Group during the first wave of COVID-19.
- Net profit in Q1 2021 came in at EUR 15.6m, significantly exceeding the result in the same period a year ago (+875% yoy). The Group's net profit also saw some positive contribution from FX fluctuations, as Q1 2021 saw an FX gain of EUR 0.8m, as opposed to EUR 5.6m FX loss in Q1 2020.

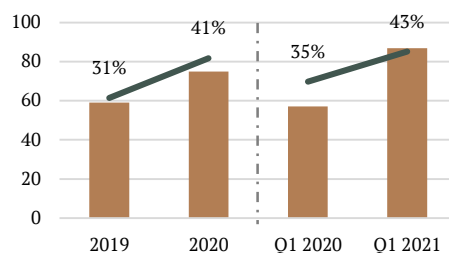
Key developments

- Sun Finance Group has been ranked No 2 in the new Financial Times list of 1000 fastest-growing European companies, marking the first time that a company from Latvia has ranked in the top 50.
- After initially postponing the expansion plans due to the possible effects of COVID-19 pandemic, the Group has begun to explore new markets again and expect to start their operations in new countries in the near future.
- As planned, the Group has introduced their new instalment loan product in selected markets where the Group operates in a testing mode, and gradually plans to roll-out the product in other markets in the future.

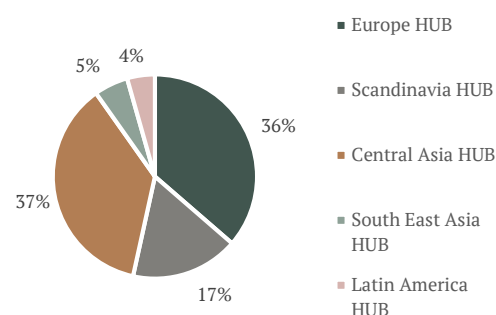
Financial highlights, EUR m

	Q1 2020	Q1 2021		FY 2019	FY 2020	
Revenue	31.9	45.8	+44%	101.5	124.7	+23%
EBITDA	11.3	22.9	+103%	24.5	46.8	+91%
EBITDA margin	35%	50%	+15pp	24%	38%	+13pp
Net profit	1.6	15.6	+875%	7.1	21.4	+201%
Net loan portfolio	57.0	86.9	+52%	59.0	74.9	+27%
Cash	5.6	9.9	+77%	3.2	8.9	+178%
Total Equity	19.9	37.0	+86%	18.1	30.6	+69%
Total borrowings	49.5	69.9	+41%	52.4	61.4	+17%
EBITDA / Interest expense	5.1x	7.2x	+39%	2.8x	5.1x	+82%
Capitalization ratio	35%	43%	+8pp	31%	41%	+10pp

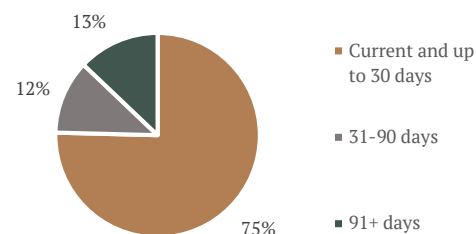
Net loan portfolio and Capitalization ratio, EUR m



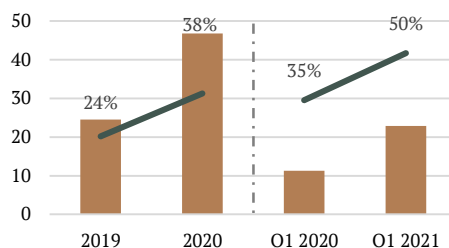
Net loan portfolio split by markets



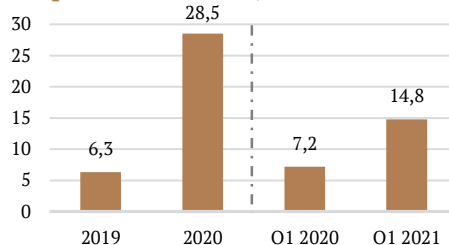
Gross portfolio by delay buckets



EBITDA and EBITDA margin, EUR m



Net profit before FX, EUR m



Key parameters

Founded: 2009	Products: Pawn broking loans; consumer loans; sale of pre-owned goods
Headquarters: Latvia	
Net portfolio: EUR 32.2m	Key markets
Bonds outstanding: EUR 13.5m	
Auditor: BDO Assurance (IFRS)	
	• Latvia

Financial highlights

- The remaining COVID-19 restrictions have somewhat negatively affected the loan issuance of DelfinGroup: in Q1 2021 loans in the amount of EUR 10.0m were issued, a 13% decline from a year ago. As a result, the net portfolio of the Group has slightly decreased in Q1 2021 and reached EUR 32.2m (-1% yoy).
- Bearing in mind the lower loan issuance activity, the revenue of DelfinGroup in Q1 2021 compared to the respective period a year ago has increased and reached EUR 5.3m (+10% yoy).
- Due to decrease in operating costs, Q1 2021 EBITDA reached EUR 2.5m, representing a 21% increase yoy. EBITDA margin has also improved, reaching 48% in this period, as opposed to 44% a year ago.
- Net profit in Q1 2021 was EUR 0.8m (-23% compared to Q1 2020), which was affected by higher income tax expense as a result of dividend payment. In Q1 2021, the Group's profit before tax increased by 6% and reached EUR 1.1m mark.

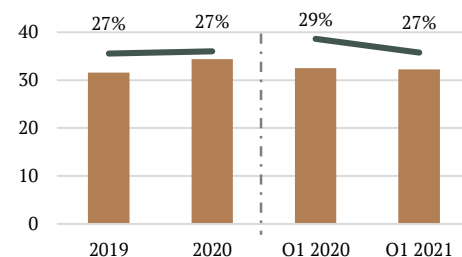
Key developments

- At the beginning of 2021, the legal form of the Group was changed from a limited liability company to a joint-stock company.
- New Supervisory board with independent supervisory board members was elected: the confirmed board members for the next five years are Gatis Kokins, Dr. Edgars Voļskis, Mārtiņš Bičevskis, Jānis Pizičs and Agris Evertovskis.
- In the second half of this year, DelfinGroup plans to go public on the Nasdaq Riga stock exchange with an initial public offering (IPO).
- In April 2021, changes were made in the ownership structure of SIA L24 Finance, which is a shareholder of DelfinGroup owning 65.19%. SIA ALI Investments has become indirect shareholder of SIA L24 Finance and, as of this moment, the indirect shareholders of L24 Finance are: Aigars Kesenfelds (38%), Linda Kesenfelde (38%) and Ivars Kesenfelds (24%).
- During the first quarter of this year, dividends in the amount of EUR 1.3m were paid out to the shareholders.

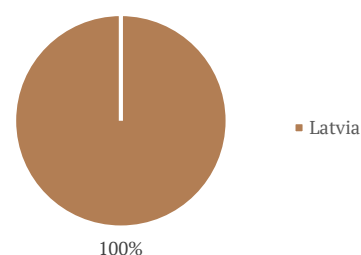
Financial highlights, EUR m

	Q1 2020	Q1 2021		FY 2019	FY 2020	
Revenue	4.8	5.3	+10%	18.2	19.4	+7%
EBITDA	2.1	2.5	+21%	8.1	9.3	+14%
EBITDA margin	44%	48%	+4pp	45%	48%	+3pp
Net profit	1.0	0.8	-23%	3.9	3.9	-0%
Net loan portfolio	32.5	32.2	-1%	31.5	34.7	+10%
Cash	2.0	1.9	-6%	1.1	4.6	+318%
Total Equity	9.4	8.6	-8%	8.4	9.3	+11%
Total borrowings	27.3	26.9	-2%	26.5	31.2	+18%
EBITDA / Interest expense	2.6x	2.2x	-14%	2.8x	2.7x	-5%
Capitalization ratio	29%	27%	-2pp	27%	27%	+0pp

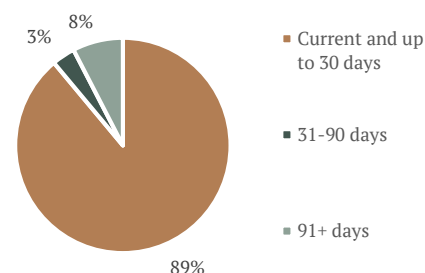
Net loan portfolio and Capitalization ratio, EUR m



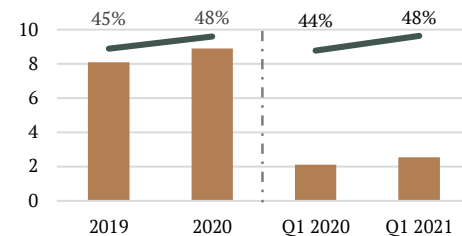
Net loan portfolio split by markets



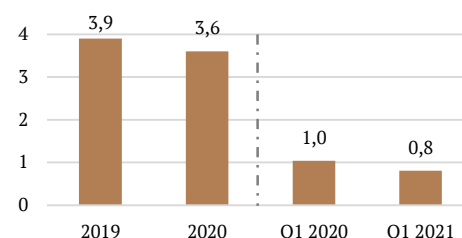
Gross portfolio by delay buckets



EBITDA and EBITDA margin, EUR m



Net profit before FX, EUR m



Key parameters

Founded: 2008	Products: Dealer loans; cash loans; car loans
Headquarters: Estonia	Key markets
Employees: 408	<ul style="list-style-type: none"> • Moldova • North Macedonia • Albania • Bosnia and Herzegovina
Net portfolio: EUR 80.8m	
Bonds outstanding: EUR 50m	
Auditor: KPMG (IFRS)	

Financial highlights

- In Q1 2021 loan issuance activity of the Group was higher than a year ago and the amount of issued loans reached EUR 32.6m (+2.8% yoy). Due to the increased lending activity, the Group's net portfolio in Q1 2021 has grown by 1% compared to Q1 2020 and now stands at EUR 80.8m level.
- Despite the increase in lending activity, the Group's revenue in Q1 2021 decreased by 11% yoy, due to lower APRs of the newly issued loans and longer loan maturities.
- EBITDA has decreased to EUR 5.1m (-33% compared to Q1 2020), which was mainly due to lower revenue and higher operating costs that came from digitalization of the Group's operations.
- A lower revenue base and higher operating costs have negatively affected the Group's net profit, which has declined to EUR 1.1m (-28% compared to this period a year ago).

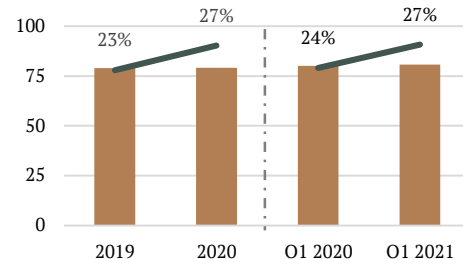
Key developments

- After the end of Q1 2021, the Group has revised its 2021 guidance slightly downwards. Now the Group plans to increase its total assets to EUR 170m and reach a revenue of EUR 55m and net profit of EUR 6m.
- After temporarily halting their operations in Bulgaria as a reaction to the possible consequences of COVID-19, the Group has resumed its operations in the Bulgarian market.
- In the annual Financial Times list of 1000 fastest-growing European companies, IuteCredit has been ranked No 172 in March of this year.

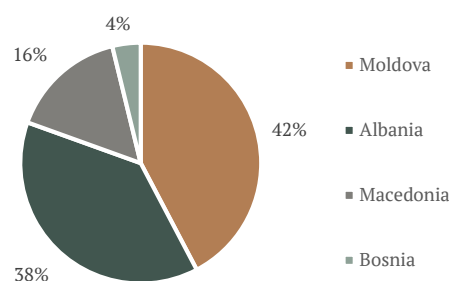
Financial highlights, EUR m

	Q1 2020	Q1 2021		FY 2019	FY 2020	
Revenue	15.7	13.9	-11%	50.8	56.1	+10%
EBITDA	7.6	5.1	-33%	20.3	20.9	+3%
EBITDA margin	49%	37%	-12pp	40%	37%	-3pp
Net profit	1.5	1.1	-28%	8.4	5.2	-38%
Net loan portfolio	80.1	80.8	+1%	79.0	79.2	+0%
Cash	8.8	15.5	+75%	6.7	19.5	+191%
Total Equity	19.0	22.0	+16%	18.5	21.5	+16%
Total borrowings	84.2	93.8	+11%	84.1	91.4	+9%
EBITDA / Interest expense	2.8x	1.6x	-42%	2.3x	1.9x	-16%
Capitalization ratio	24%	27%	+3pp	23%	27%	+4pp

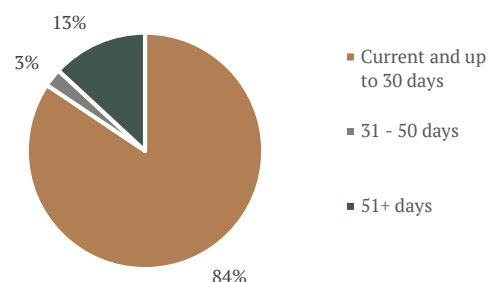
Net loan portfolio and Capitalization ratio, EUR m



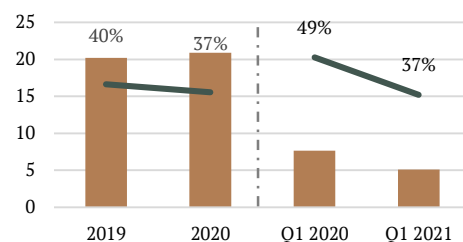
Net loan portfolio split by markets



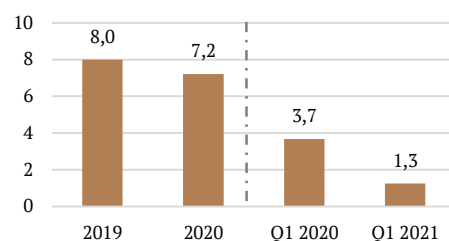
Net portfolio by delay buckets



EBITDA and EBITDA margin, EUR m



Net profit before FX, EUR m



Key parameters

Founded: 2008	Products: Short-term loans, Credit lines, Consumer loans
Headquarters: Latvia	
Employees: 2243	Key markets
Net portfolio: EUR 533.1m	<ul style="list-style-type: none"> • Spain • Poland • Baltics • Romania • Bulgaria
Bonds outstanding: EUR 475m	
Auditor: PKF Audit & Conseil (IFRS)	
Rating: B by S&P, B2 by Moody's	

Financial highlights

- In Q1 2021, 4finance *online* lending business declined by 12% yoy, and it was negatively affected by the remaining COVID-19 restrictions in a few of the Group's markets. Despite the lower *online* lending activity, the total amount of issued loans by the Group in Q1 2021 slightly increased (+3% yoy), thanks to strong loan issuance activity by the Group's TBI Bank (+42% yoy).
- The Group's revenue in Q1 2021 decreased by 25% yoy, negatively affected by lower *online* lending business activity, changes in regulatory environment in Denmark and suspension of operations in selected markets.
- Q1 2021 EBITDA reached EUR 26.4m (+33% compared to Q1 2020), positively affected by the decrease in operating cost base and significantly lower provisions for doubtful debts.
- Due to the lower operating costs and provisions for doubtful debts, net profit of the Group during the quarter increased to EUR 5.6m, compared to EUR 2.5m loss in the same period last year.

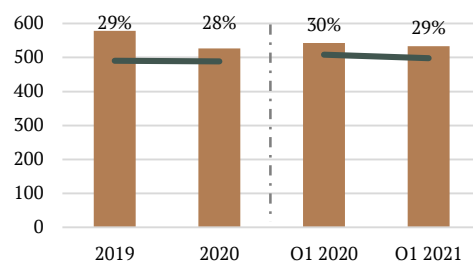
Key developments

- During Q1 2021 4finance continued re-purchasing their issued bonds as part of their overall strategy for refinancing its remaining debt securities: in total, bonds in the amount of EUR 19.0m have been re-purchased during Q1 2021.
- On 7 June 2021 4finance cancelled USD 125m of its USD 2022 bonds that were previously held in treasury.
- 4finance has its both bond issues maturing next year: EUR 150m bond issue maturing in February 2022 and USD 200m bonds maturing in May 2022, which is leaving some pressure on the respective bond prices, as investors would like to see more clarity on the Group's refinancing strategy. External analysts covering 4finance bonds expect that the maturity of the EUR bonds would likely be extended further, while the USD bonds would be refinanced with a new bond issue.

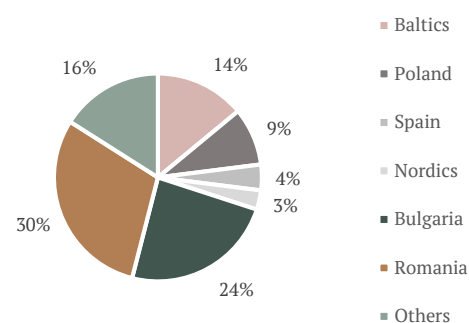
Financial highlights, EUR m

	Q1 2020	Q1 2021		FY 2019	FY 2020	
Revenue	103.6	77.2	-25%	452.5	336.1	-26%
EBITDA	19.9	26.4	+33%	119.8	70.2	-41%
EBITDA margin	19%	34%	+15pp	26%	21%	-6pp
Net profit	-2.5	5.6	n/a	28.4	-25.0	-188%
Net loan portfolio	542.6	533.1	-2%	578.9	526.4	-9%
Cash	156.0	196.3	+26%	125.7	154.2	+23%
Total Equity	160.8	154.9	-4%	165.8	150.0	-10%
Total borrowings	384.9	337.1	-12%	397.6	341.9	-14%
EBITDA / Interest expense	1.5x	2.2x	+42%	2.1x	1.4x	-33%
Capitalization ratio	30%	29%	-1pp	29%	28%	-0%

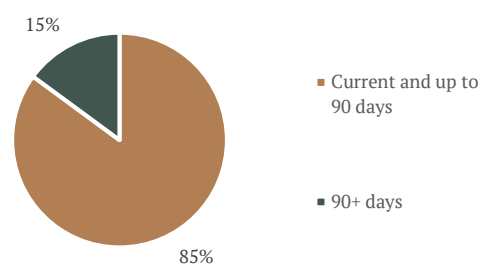
Net loan portfolio and Capitalization ratio, EUR m



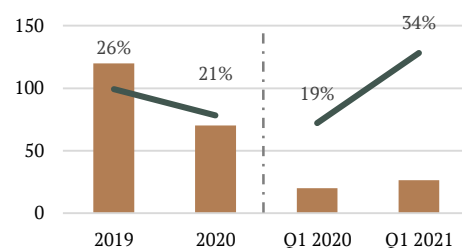
Net loan portfolio split by markets



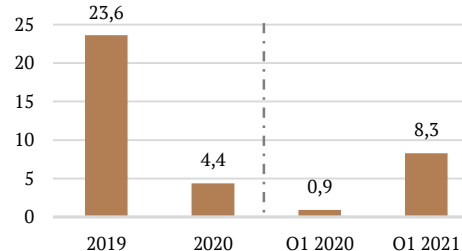
Gross portfolio by delay buckets



EBITDA and EBITDA margin, EUR m



Net profit before FX, EUR m

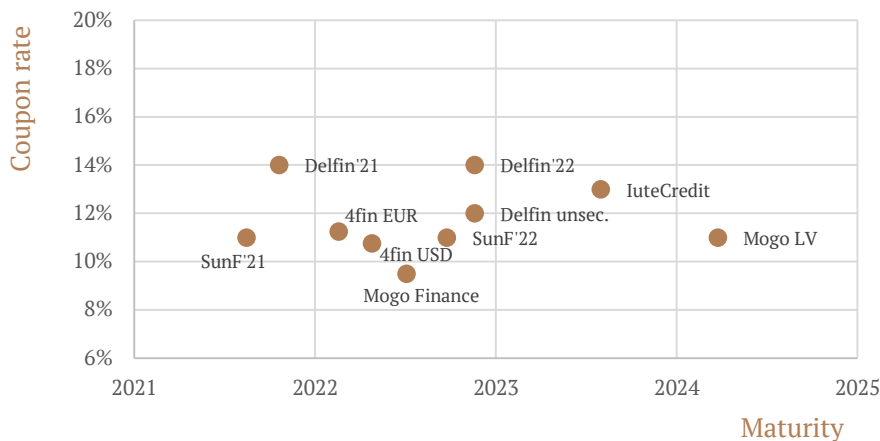
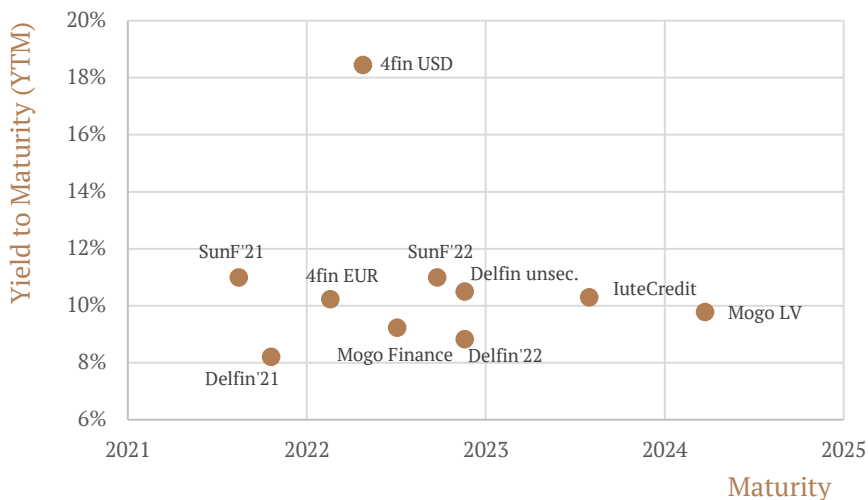


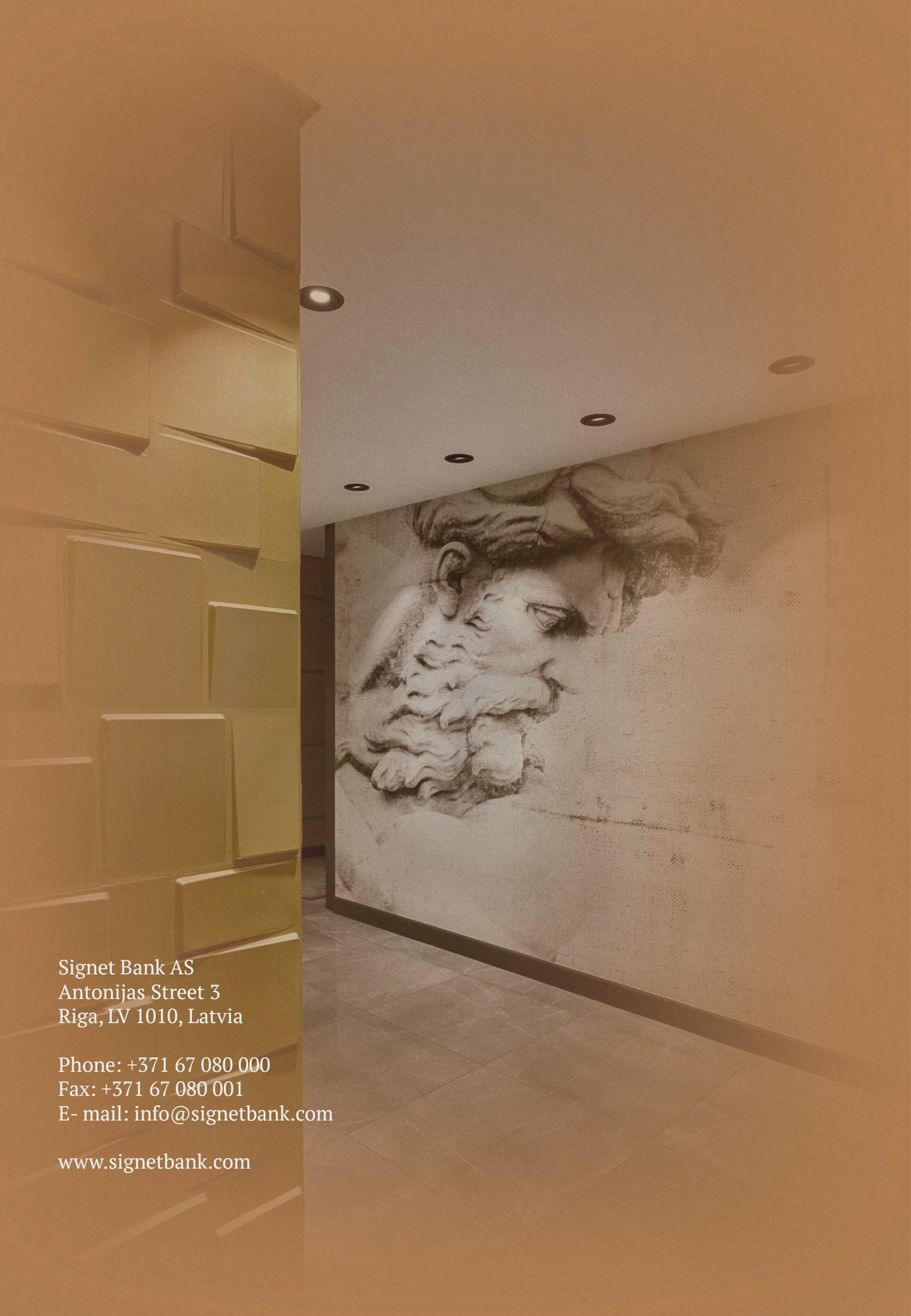
Current bond issues



Company	Issuer	ISIN	Maturity	Coupon	Issue size	YTM ¹	Call option	Collateral	Listing
	AS «mogo» (Latvia)	LV0000802452	31.03.2024	11.00%	EUR 30 000 000	9.78%	Call @101%	Unsecured	Nasdaq Baltic First North
	Mogo Finance S.A. (Luxembourg)	XS1831877755	10.07.2022	9.50%	EUR 100 000 000	9.24%	Call @104.75% (until 11.07.2021); @102.375% after	Secured	Frankfurt Stock Exchange
	Sun Finance Treasury Ltd (Malta)	LV0000802395	20.08.2021	11.00%	EUR 10 000 000	11.00%	Call @101%	Unsecured	-
	Sun Finance Treasury Ltd (Malta)	LV0000802445	30.09.2022	11.00%	EUR 15 000 000	11.00%	Call @101%	Unsecured	Planned listing on Nasdaq First North
	IuteCredit Finance S.à r.l. (Luxembourg)	XS2033386603	07.08.2023	13.00%	EUR 50 000 000	10.30%	Call @106.5% (07.08.2021); @103.5% after	Secured	Frankfurt Stock Exchange
	SIA DelfinGroup (Latvia)	LV0000802379	25.11.2022	14.00%	EUR 5 000 000	8.83%	Call @102% (25.11.2020); @101% (25.11.2021)	Secured	Nasdaq Baltic First North
		LV0000802213	25.10.2021	14.00%	EUR 5 000 000	8.21%	Call @101%	Secured	Nasdaq Baltic First North
		LV0000802429	25.11.2022	12.00%	EUR 3 500 000	10.50%	Call @101%; Put @100% (25.10.2021)	Unsecured	-
	4finance S.A. (Luxembourg)	XS1417876163	23.02.2022	11.25%	EUR 150 000 000	10.24%	Call @104% (08.07.2021)	Unsecured	Frankfurt Stock Exchange
	4finance S.A. (Luxembourg)	XS1597294781	01.05.2022	10.75%	USD 200 000 000	18.45%	Call @100% (28.06.2021)	Unsecured	Irish Stock Exchange

¹Source: Bloomberg, Nasdaq Riga. Data as of 17 June 2021



A photograph of a modern interior space. On the left, a wall is covered in a grid of recessed, rectangular panels. To the right, a large wall features a detailed mural of a classical sculpture, possibly a bust or a group of figures. The ceiling is white with several recessed circular lights. The floor is made of large, light-colored tiles.

Signet Bank AS
Antonijas Street 3
Riga, LV 1010, Latvia

Phone: +371 67 080 000
Fax: +371 67 080 001
E- mail: info@signetbank.com

www.signetbank.com