

Financial report



Unaudited results for 6 months
Ending 30 June 2023

Company highlights

Business performance

Appendix



Key characteristics

+27%

H1 consumer loan
issuance y-o-y

+36%

H1 pawn loan issuance
growth y-o-y

+16%

H1 net loan portfolio growth
since the start of 2023

+51%

H1 revenue growth y-o-y

+46%

H1 EBITDA growth y-o-y

+11%

H1 profit before
taxes growth y-o-y

13

years profitable operations

58k+

active clients

90+

branches

300+

employees

8k+

shareholders

6

dividend payments
in 2022

Key results

Total loans issued



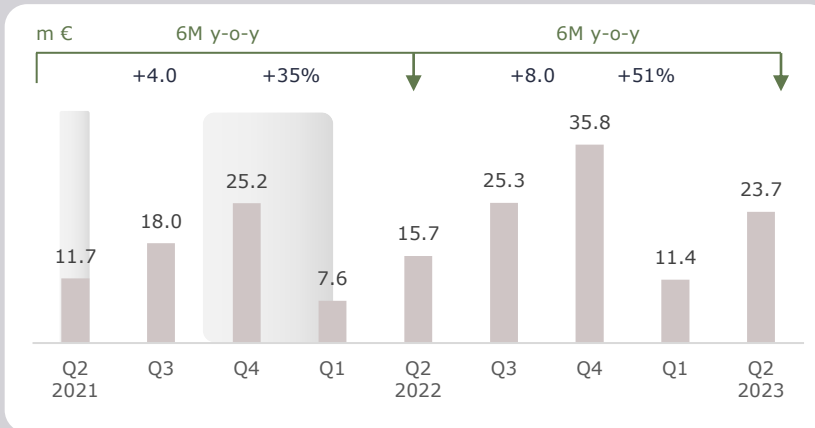
Net loan portfolio



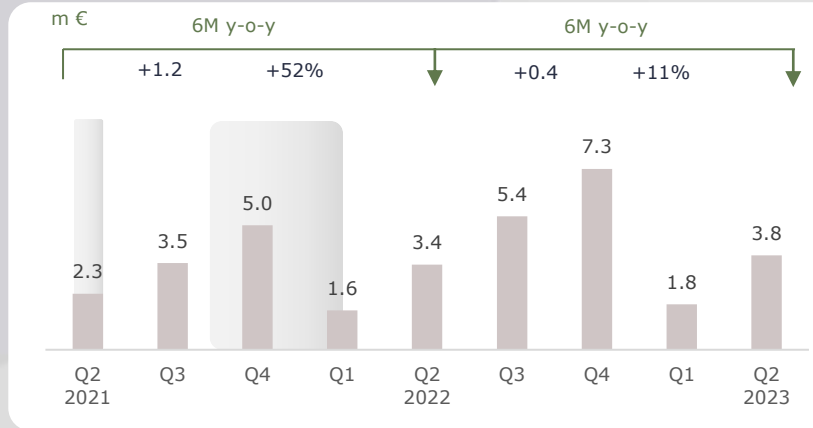
Demand for lending products remain solid. Slight decrease of loans issued in Q2 2023 is a result of purposefully limiting the loan issuance to ensure well balanced growth and covenant fulfillment.

Loan portfolio continues to grow every quarter over the last two years, reaching EUR 78.1 million in Q2 2023.

Total revenue, quarterly cumulative



Profit before tax, quarterly cumulative



The company had a 51% revenue increase in H1 2023 compared to H1 2022.

Profit before tax in Q2 reached EUR 2.0 million, historically highest result for the company.

Remote pre-owned item purchasing launched

Client benefits

Reduction of carbon footprint

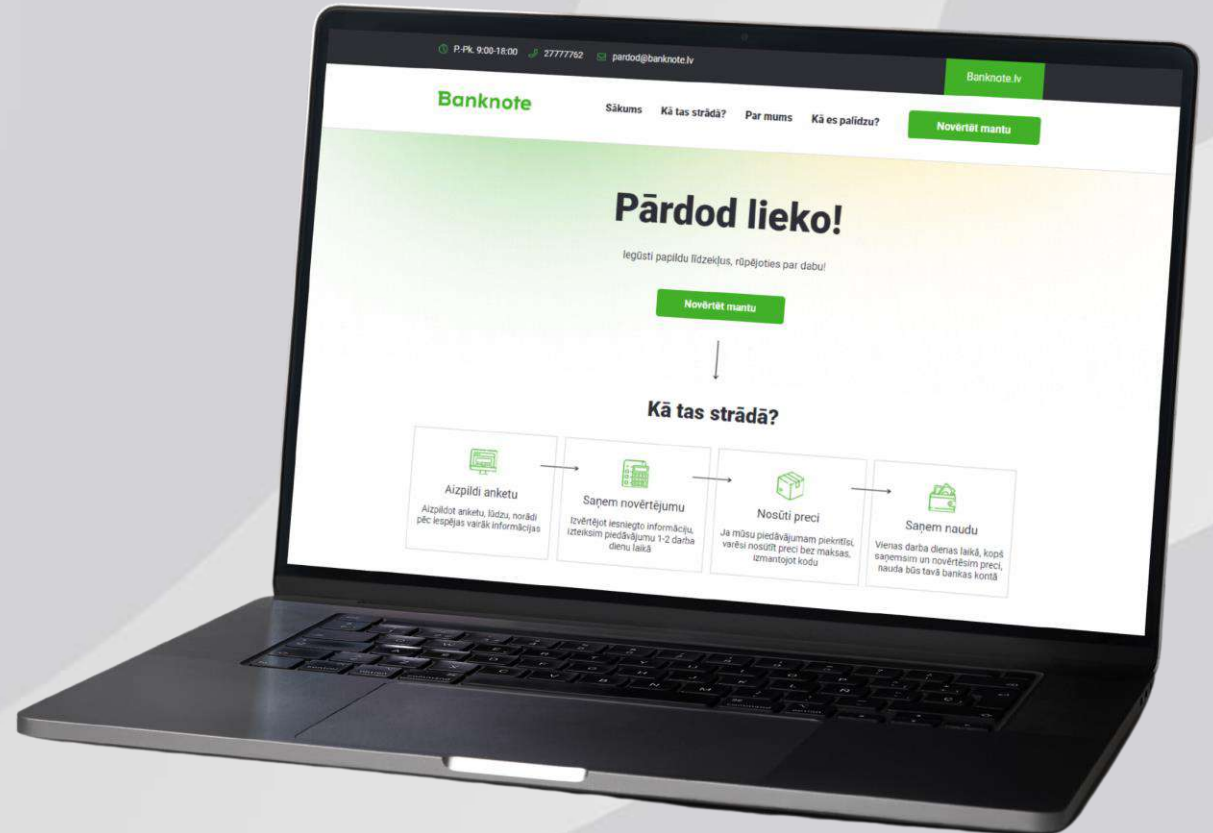
Receive money quickly and remotely for items you don't need

Providing *second life* for your old items

1 500+

online applications since the launch
in May

pardod.banknote.lv



Banknote XL – largest circular economy store in the Baltics

Banknote XL opening in April 2023

The first **large-scale** Banknote branch

300 m²
total store area

4 500+
Pre-owned and new
items for sale



Banknote comes closer to clients



Active promotion of Banknote services during the summer in Latvia.



Participation in public events to raise people's awareness of Banknote circular economy products.



Open doors days in Banknote branches in Ventspils, Kuldīga, Cēsis.



Growing shareholder base

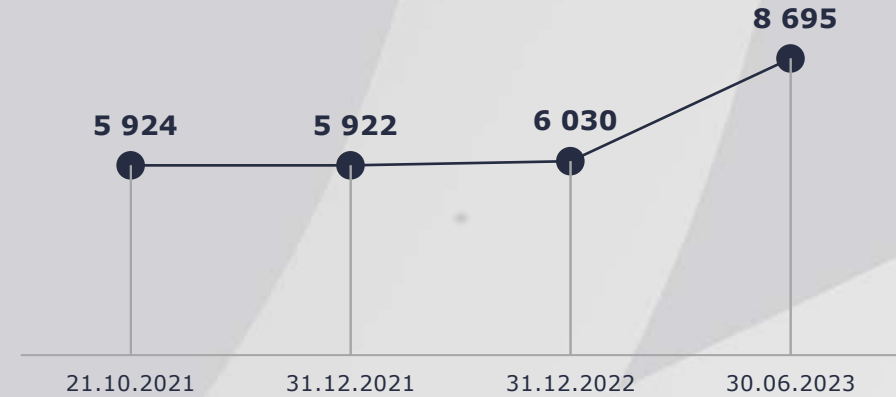
From 22 May until 2 June two largest DelfinGroup shareholders publicly offered the company's shares for a price of EUR 1.35.

The public offer was **oversubscribed by 1.12 times**.

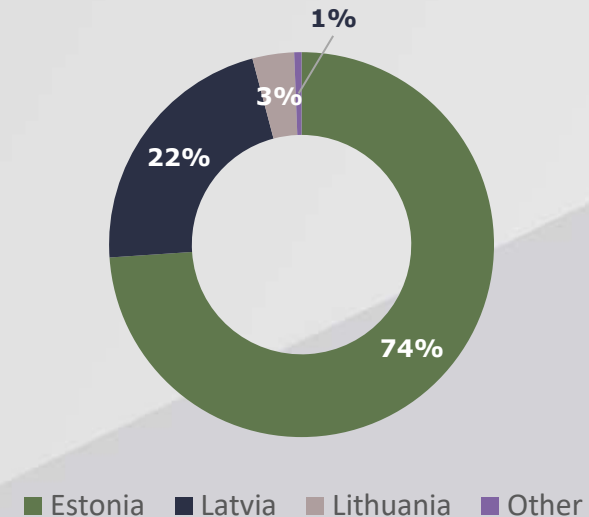
2 915 investors subscribed for DelfinGroup shares in the value of **7.1 mEUR**.

Free float of DelfinGroup stock has increased to **27.1% or 16.8 mEUR** as of 30 June 2023.

Shareholder count



Shareholder split by country



Bond activities

1

Listing of 10 mEUR unsecured bonds on Nasdaq First North bond list in July 2023. Bonds trade with coupon rate of 8.75% + 3M EURIBOR nominal value of EUR 1 000 and maturity 25 September 2024.

2

5 mEUR subordinated bond issue with 11.50% + 3M EURIBOR coupon rate to support company's capital structure.

3

15 mEUR unsecured bond issue with 9.00% + 3M EURIBOR coupon rate to refinance existing bonds maturing in August 2023.



Bond issues and listing was arranged by Signet Bank AS

In focus - sustainability



DelfinGroup office and 45 Banknote branches run only with green electricity.



Received gold category award in *Sustainability Index 2023* organized by Institute for Corporate Sustainability.



We have joined *Mission 0* initiative to maintain zero accidents in the workplace such as DelfinGroup office and branches.

Company highlights

Business performance

Appendix



Consumer net loan portfolio



Average loan*



Eminent growth of consumer lending segment. The net loan portfolio continued growth during Q2 2023 reaching 71.7 million euros.

Weighted average term of loans issued



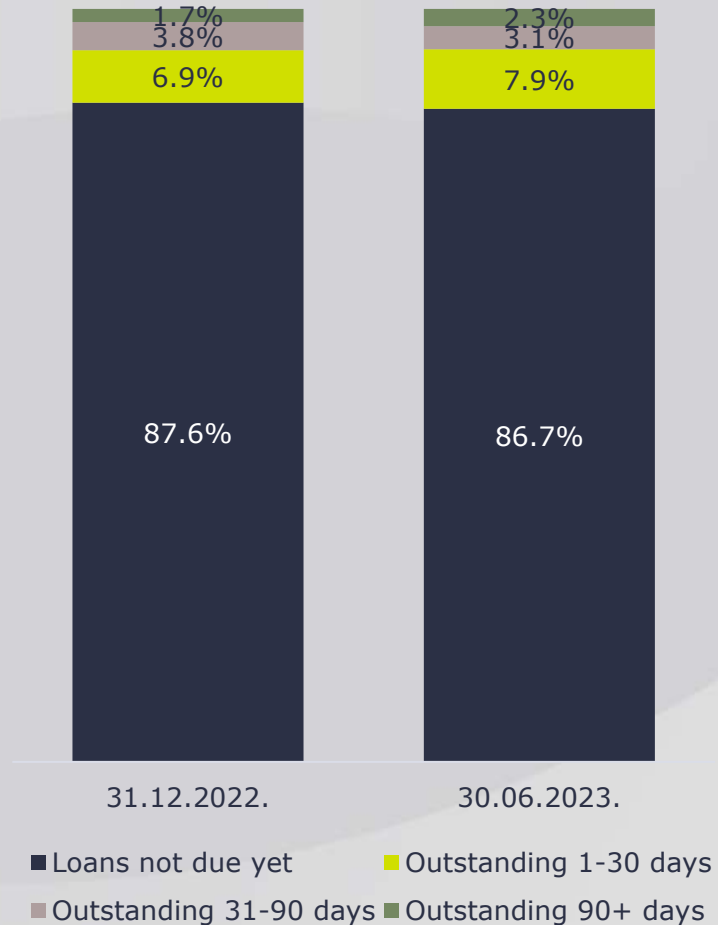
Non-performing loan ratio**



46% increase of consumer lending portfolio in compared to Q2 2022.

Data based underwriting processes ensure solid NPL ratio.

Age analysis of consumer lending portfolio*

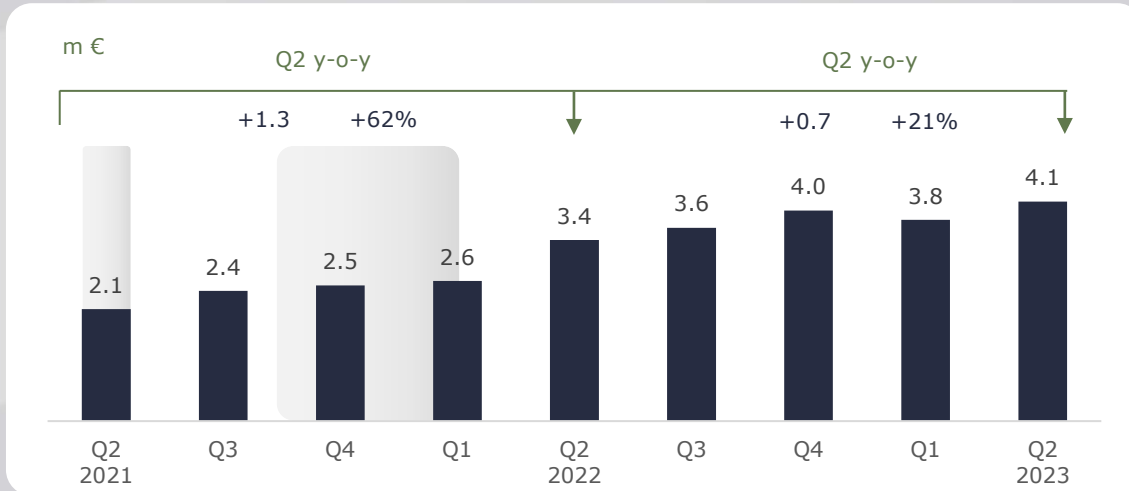


Loan portfolio quality remains solid in 2023.

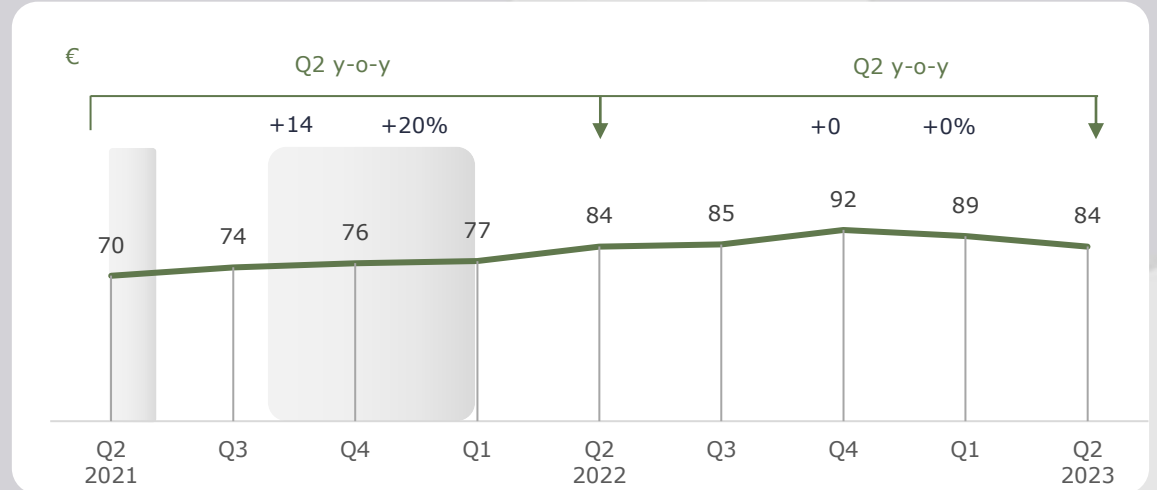
Focus on lower risk lending clients.

Improved underwriting processes and risk policy.

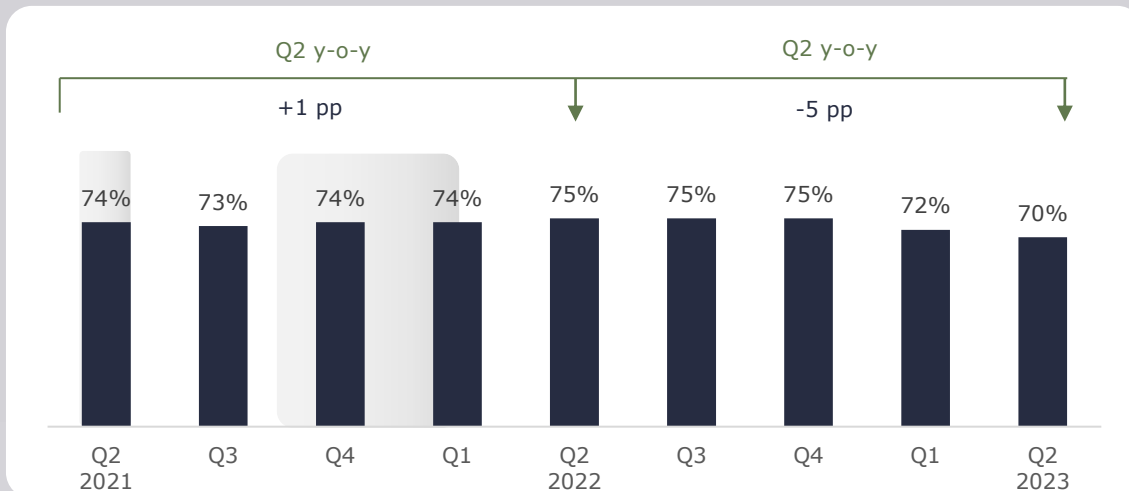
Pawn net loan portfolio*



Average pawn loan amount



Redemption rate**



Pawn lending segment continue to show stable growth. 21% 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*

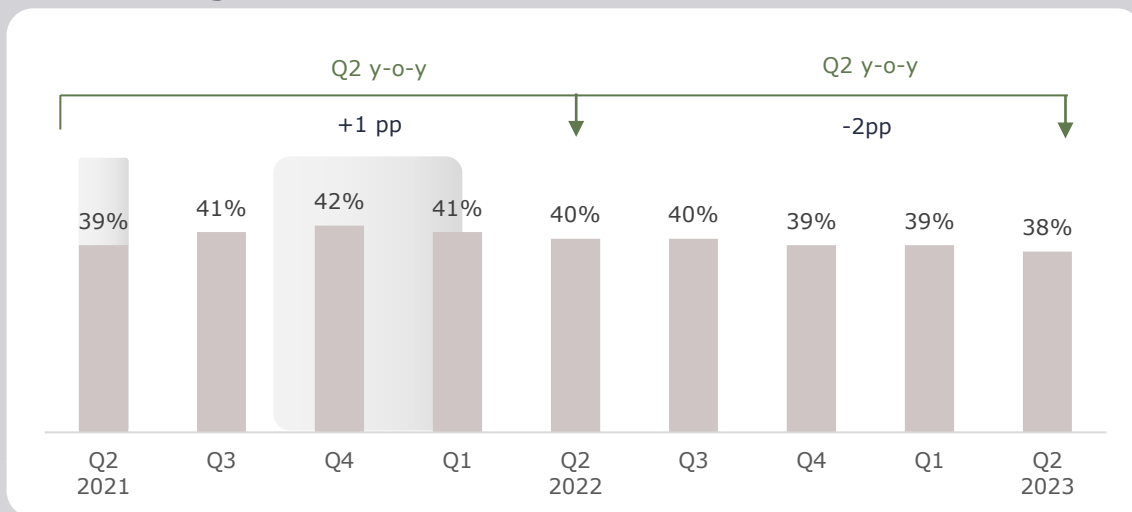
Sale of pre-owned goods**



33% growth in Q2 2023 year on year.

Segment sales remain over 3 mEUR per quarter over the last twelve months as the segment has become a strategic priority for the company.

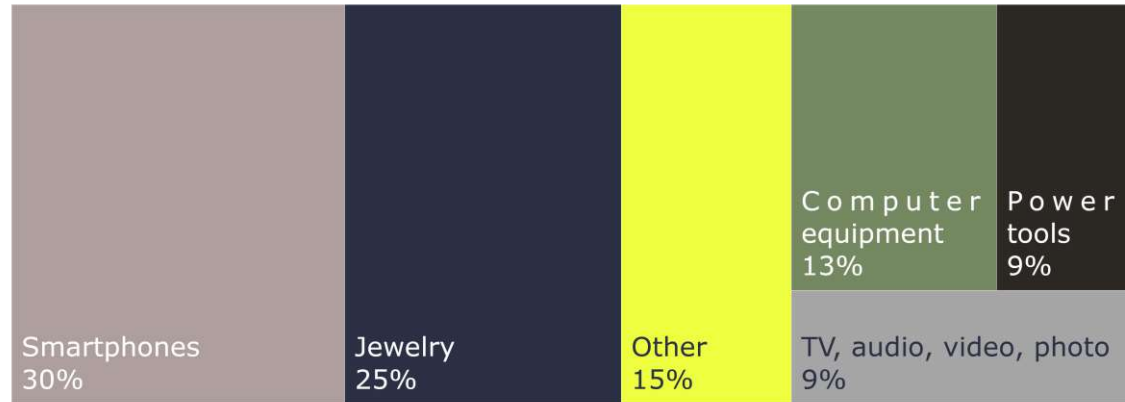
Gross margin



Gross margin remain stable throughout the last years

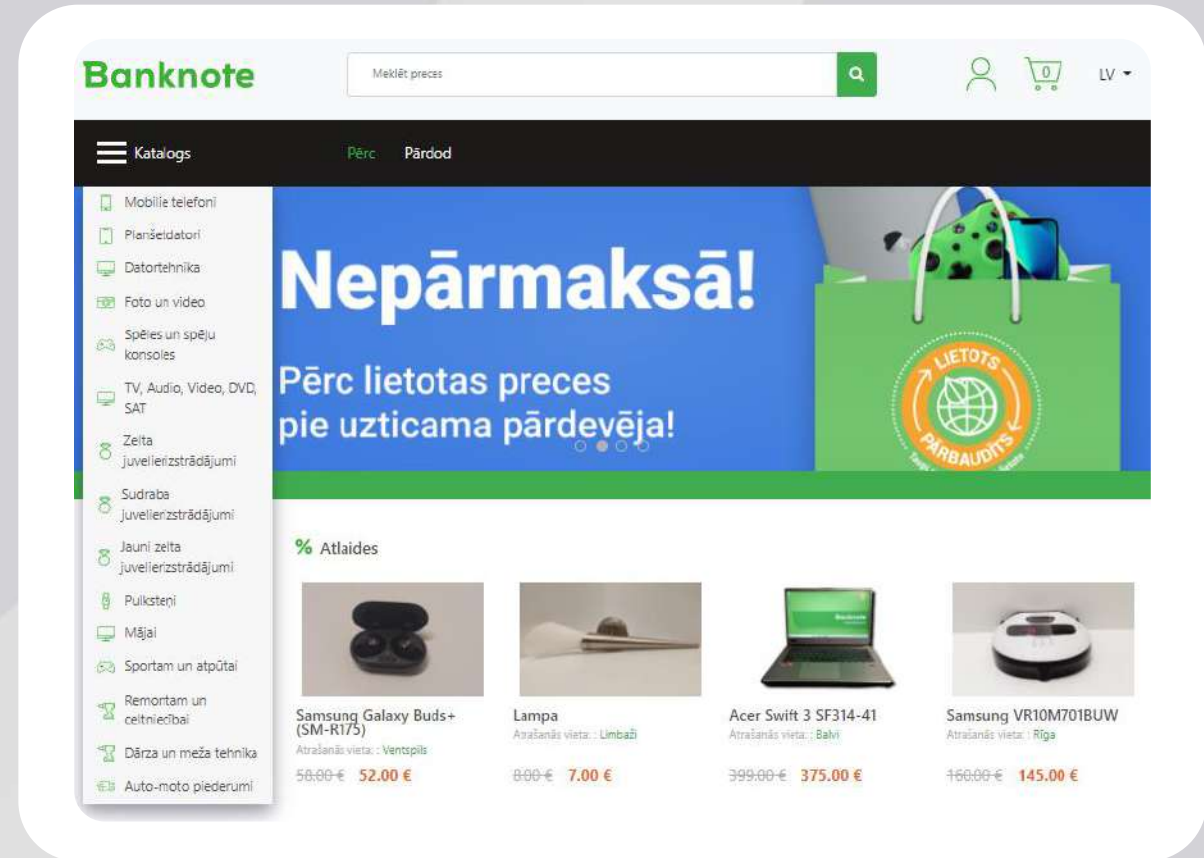
Sales split by product category

Sales split by product category (6M 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.

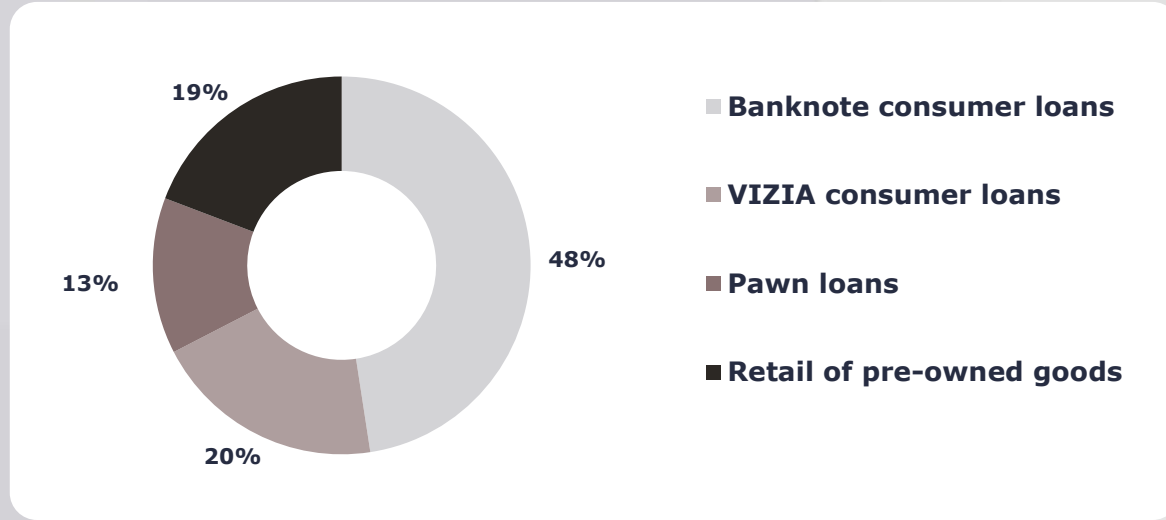


Diversification

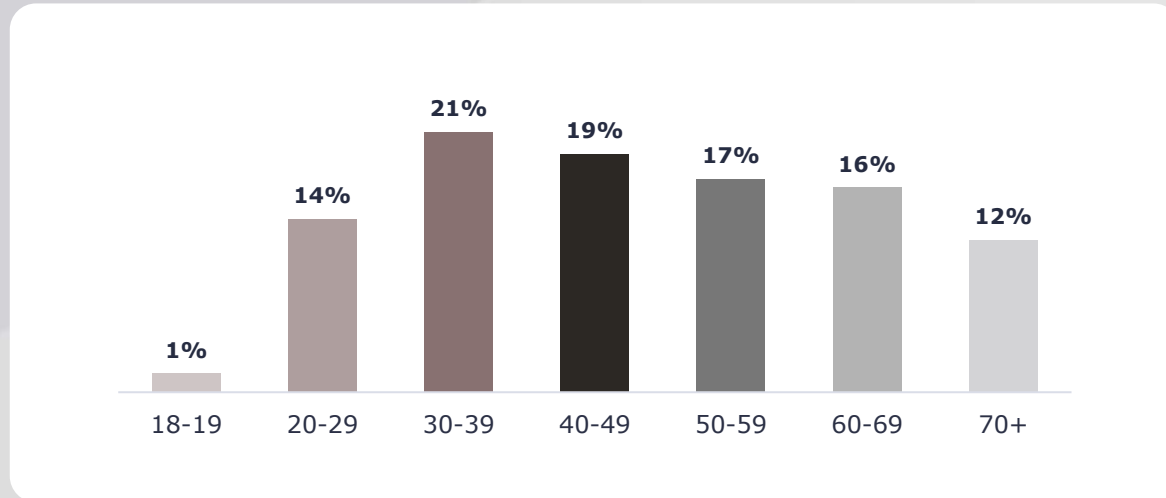
Although the most significant part of the revenue stream comes from the consumer loan segment, we see great potential in gradually growing other *DelfinGroup* segments.

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

Revenue by business segments 6M 2023



Distribution of active clients by age on 30 June 2023*



Consolidated income statement

INCOME STATEMENT, EUR'000	2023 Q2	2022 Q2*	Change %	2023 6M	2022 6M*	Change %
Total revenue	12,275	8,095	+52%	23,679	15,682	+51%
Cost of sales	-1,401	-1,080	+30%	-2,845	-1,860	+53%
Credit loss expense	-2,769	-1,082	+156%**	-5,236	-2,492	+110%**
Interest expenses and similar expenses	-2,052	-958	+114%***	-3,844	-1,647	+133%***
Gross profit	6,052	4,975	+22%	11,754	9,682	+21%
Selling expenses	-2,054	-1,686	+22%	-4,116	-3,443	+20%
Administrative expenses	-1,957	-1,346	+45%	-3,723	-2,626	+42%
Other operating income	12	22	-47%	27	47	-42%
Other operating expenses	82	-123	-34%	-146	-239	-39%
Profit before tax	1,971	1,842	+7%	3,797	3,421	+11%
Income tax expense	-202	-742	-73%	-414	-930	-55%
Net profit	1,769	1,099	+61%	3,382	2,491	+36%
EBITDA	4,345	3,091	+41%	8,268	5,650	+46%

*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.

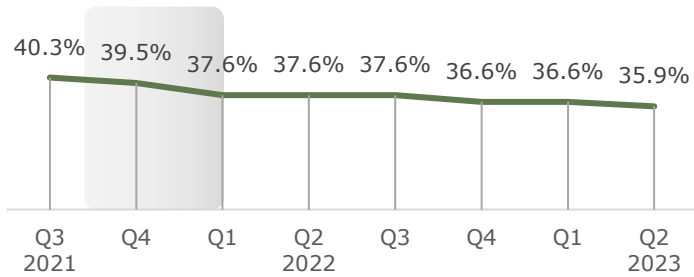
Consolidated balance sheet

BALANCE SHEET, EUR'000	30.06.2023	31.12.2022*	Change %
Fixed and intangible assets	1,823	1,470	+24%
Right-of-use assets	2,712	2,636	+3%
Net loan portfolio	78,099	67,518	+16%
Inventory and scrap	4,662	2,290	+104%
Other assets	1,105	875	+26%
Cash	3,013	2,369	+27%
TOTAL ASSETS	91,415	77,158	+18%
EQUITY	19,917	18,106	+10%
Share capital and reserves	4,532	4,532	+0%
Share premium	6,891	6,891	+0%
Other capital reserves	163	93	+75%
Retained earnings	8,331	6,590	+26%
LIABILITIES	71,497	59,052	+21%
Interest-bearing debt	65,872	53,974	+22%
Trade payables and other liabilities	2,629	2,159	+22%
Lease liabilities for right-of-use assets	2,997	2,918	+3%
TOTAL EQUITY AND LIABILITIES	91,415	77,158	+18%

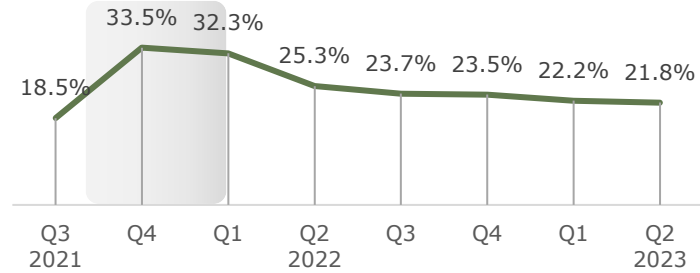
*Data from previous periods restated as per corrections made in 2022 audited annual report.

Financial ratios

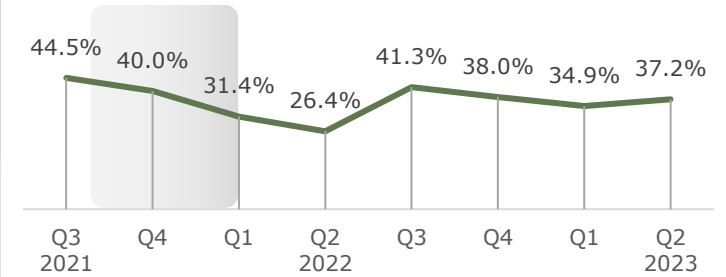
EBITDA margin*



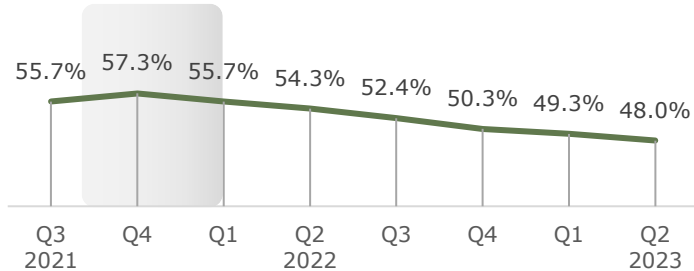
Equity ratio



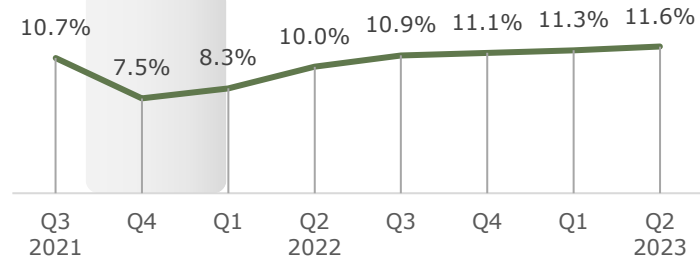
ROE**



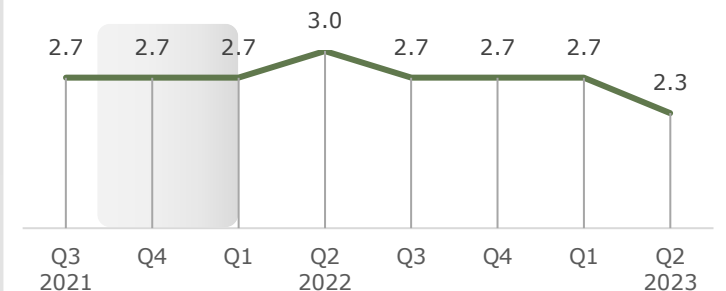
Cost-to-income ratio*



Cost of interest-bearing liabilities

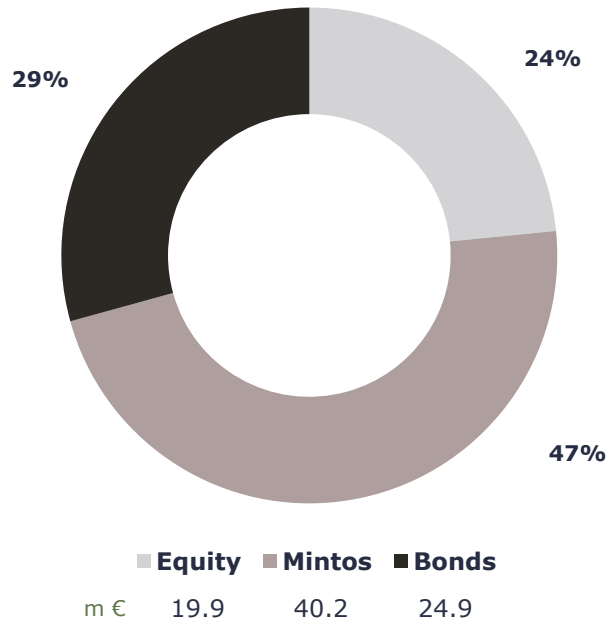


Interest coverage ratio*

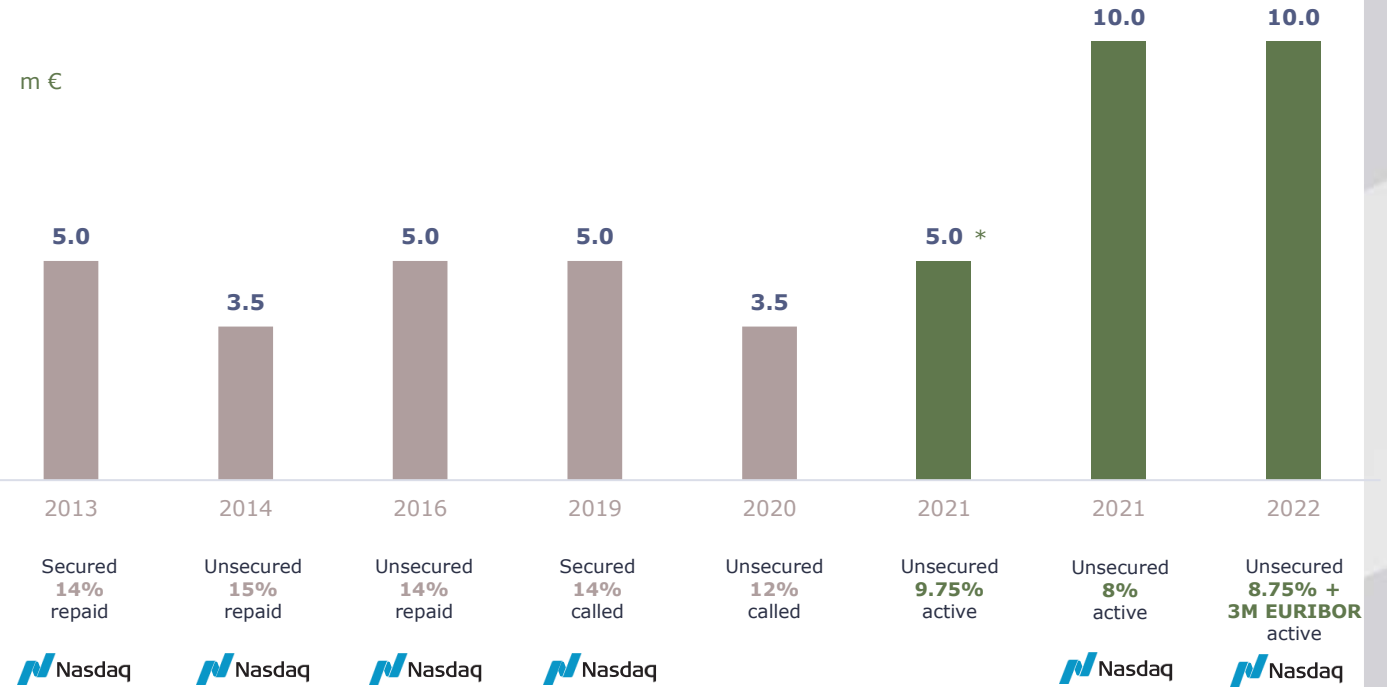


Capital structure

Capital structure 30.06.2023



Bond financing track record



DelfinGroup on *Mintos*

- Since **2016**
- **84 thousand active investors**
- Investors from **112 countries**

* EUR 5 million with 9.75 fixed coupon rate matures on 25 August 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.

New bond issues

	Subordinated unsecured bonds	Unsecured bonds
ISIN	LV0000802700	LV0000802718
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 February 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 24 February 2024
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*) > = 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 5.4%*

Dividend period	Dividend payment date	EUR/share	EUR total	Payout ratio***
Q2 2023	Upon shareholders approval**	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 1.365 on 30 June 2023 and including management's proposed dividends from Q2 2023 net profit.

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

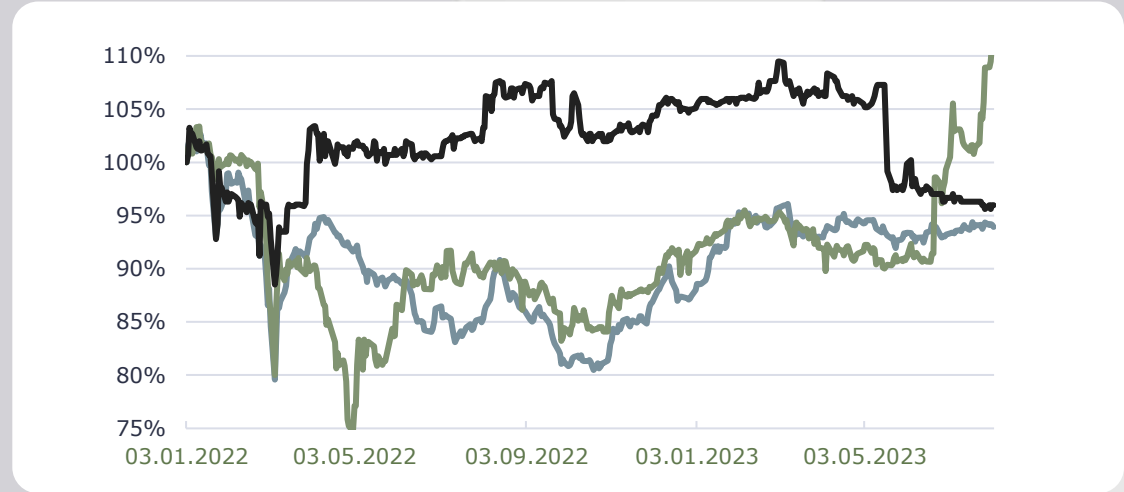
***Dividend amount paid from the net profit of the respective quarter.

Share performance

Share price, €



Share dynamics compared to indexes



- DGR1R – DelfinGroup
- OMX_Baltic_Benchmark_GI
- OMX_Riga_GI

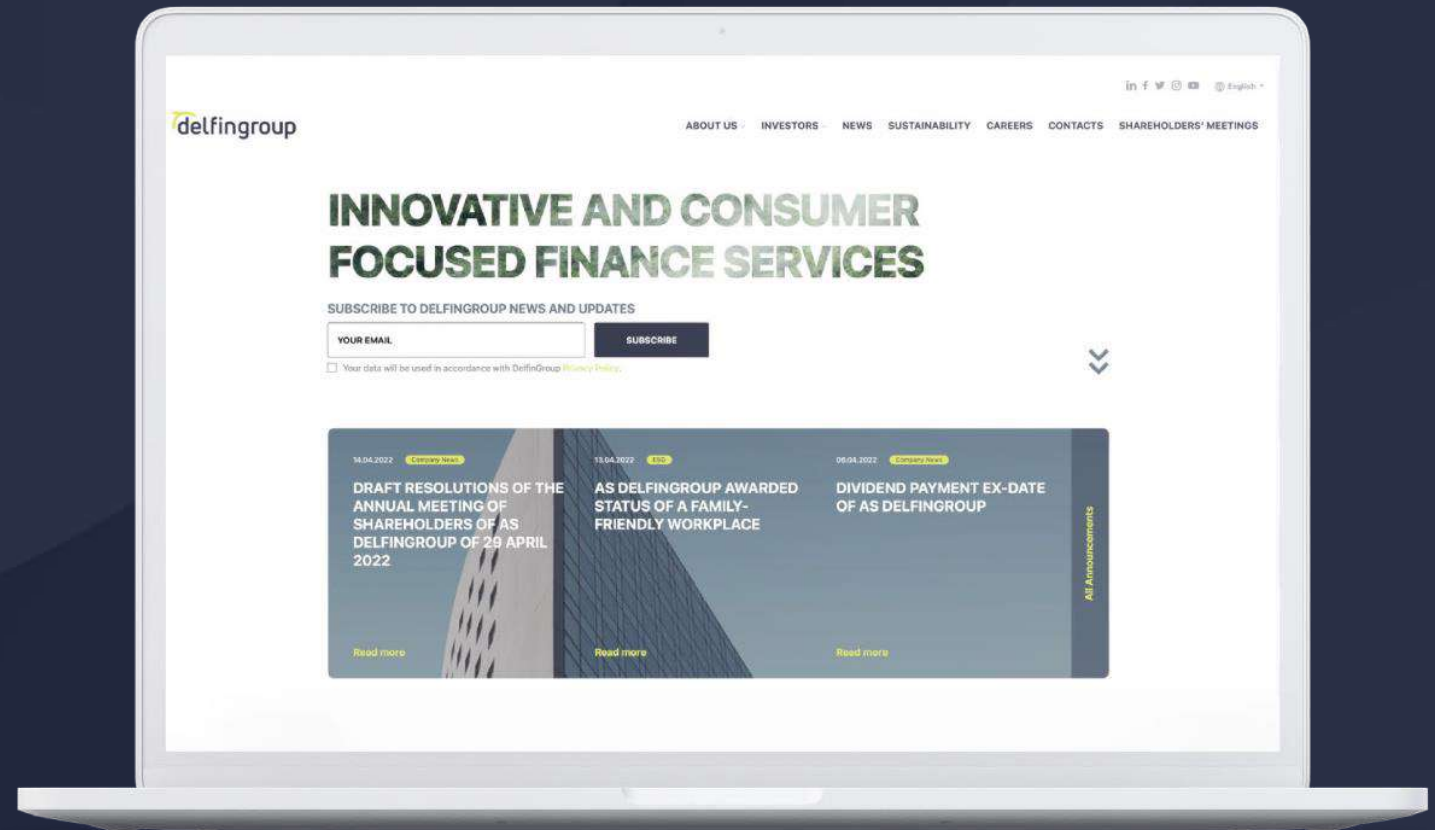
30.06.2023	<i>DelfinGroup</i>	Financial industry*
Capitalization m €	61.9	-
EPS TTM €	0.152	-
P/E	9.0	8.1
ROE	37.2%	25.2%

*Average ratio for financial services companies listed on Nasdaq Baltic Main list on 30.06.2023.

Follow our news in e-mail and social networks

Visit our website to subscribe to the newsletter

www.delfingroup.lv



Company highlights

Business performance

Appendix



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
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
Cost of sales	-1072	-794	-810	-903	-620	-862	-721	-955	-780	-1,080	-1,179	-1,164	-1,443	-1,401
Credit loss expense	-674	-391	-255	-775	-735	-595	-827	-658	-1,410	-1,082	-1,628	-2,041	-2,466	-2,769
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
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
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
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
Other operating income	4	25	16	28	16	11	29	29	24	22	21	37	15	12
Other operating expenses	-49	-48	-48	-44	-142	154	-127	-20	-115	-123	-60	-16	-64	82
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
Income tax expense	-26	-7	-462	-259	-324	-299	-201	-155	-188	-742	-154	-212	-212	-202
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
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

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
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
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
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
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
Other assets	503	536	365	655	495	331	746	520	541	364	1,333	875	1,042	1,105
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
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
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
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
Share premium	-	-	-	-	-	-	-	6,891	6,891	6,891	6,891	6,981	6,891	6,891
Other capital reserves	-	-	-	-	-	-	-	-	-	-	-	93	128	163
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
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
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
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
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
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

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 UN Sustainable Development Goals:



Historic timeline



50 branches opened in major cities of Latvia

First 100 000 customers registered

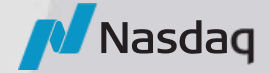
Banknote rebranding



Received ISO 9001 and 50001 certification

Online lending started

Corporate identity changed to **delfingroup**



Initial Public Offering at Nasdaq Riga

First ESG report published

2009

2010

2011

2012

2014

2015

2016

2017

2018

2019

2020

2021

2022

First pawn shop opened

Consumer loan product launched

Bond listed on the Riga Baltic regulated market

Joined the global lending marketplace platform

Online lending product launched

POS loan product pilot launched

Renewal of Banknote online store

veikals.banknote.lv



Highly appreciated company



CV-Online Latvia

Top employer

Top-of-mind category since 2016.

2021: 29th
2020: 29th
2019: 35-36th
2018: 19-20th
2017: 21st
2016: 20th



ZELTS

Padziļinātās sadarbības programma

State Revenue Service

In-Depth Cooperation Programme

Gold level cooperation with State Revenue Service since 2019



LATVIJAS TIRGOTĀJU ASOCIĀCIJA

Latvian Traders Association

Best Trader of Latvia

Received praise in 2021;
Winner and praise in 2020



ĢIMENEI DRAUDZĪGA DARBAVIETA

The Society Integration Foundation

Family-Friendly Workplace

Since 2022

Latvijas
KORPORATĪVĀS PĀRVALDĪBAS
balva 2021

Latvian Corporate Governance Advisory Board

Latvian Corporate Governance Award 2021

Winner in the category: The most successful board selection



Institute for Corporate Sustainability and Responsibility

Sustainability Index 2021

Gold category

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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