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AS “DelfinGroup”
Interim condensed
consolidated
financial statements
for the nine-month
period ended 30
September 2021

Prepared in accordance
with International Accounting Standard 34
“Interim Financial Reporting”
Translation from Latvian

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Information on the Company and Subsidiaries

Name of the Company	DelfinGroup
Legal status of the Company	Joint stock company (till 19.01.2021, Limited liability company)
Number, place and date of registration	40103252854 Commercial Registry Riga, 12 October 2009
Operations as classified by NACE classification code system	NACE2 64.92 Other credit granting NACE2 64.91 Financial leasing NACE2 47.79 Retail sale of second-hand goods in stores NACE 69.20 Accounting and auditing services, tax consultancy
Address	50A Skanstes Street, Riga, LV-1013 Latvia
Names and addresses of shareholders	L24 Finance, SIA (65.18%), 50A Skanstes Street, Riga, Latvia AE Consulting, SIA (10.00%), 50A Skanstes Street, Riga, Latvia EC finance, SIA (21.32%), 50A Skanstes Street, Riga, Latvia Private individuals (3.5%)
Ultimate parent company	EA investments, AS Reg. No. 40103896106 50A Skanstes Street, Riga, Latvia
Names and positions of Board members	Didzis Ādmīdiņš – Chairman of the Board (from 19.01.2021) Kristaps Bergmanis – Member of the Board Ivars Lamberts – Member of the Board Agris Evertovskis – Chairman of the Board (from 12.10.2009 till 19.01.2021) Didzis Ādmīdiņš – Member of the Board (from 11.07.2014 till 19.01.2021)

**Names and positions of Supervisory Board
members**

Agris Evertovskis – Chairperson of the Council (from
19.01.2021 till 12.04.2021, from 13.04.2021)

Gatis Kokins – Deputy Chairman of the Council (from
13.04.2021)

Mārtiņš Bičevskis – Member of the Council (from 13.04.2021)

Jānis Pizičs – Member of the Council (from 13.04.2021)

Edgars Voļskis – Member of the Council (from 13.04.2021)

Anete Ozoliņa – Deputy Chairman of the Council (from
19.01.2021 till 13.04.2021)

Uldis Judinskis – Member of the Council (from 19.01.2021 till
13.04.2021)

Uldis Judinskis – Chairperson of the Council (from 16.05.2019
till 19.01.2021)

Ramona Miglāne – Deputy Chairman of the Council (from
16.05.2019 till 19.01.2021)

Anete Ozoliņa – Member of the Council (from 16.05.2019 till
19.01.2021)

Responsible person for accounting

Inta Pudāne – Chief accountant

Financial year

1 January 2021 - 30 September 2021

Information on the Subsidiaries

Subsidiary	SIA ViziaFinance (parent company interest in subsidiary – 100%)
Date of acquisition of the subsidiary	23.02.2015
Number, place and date of registration of the subsidiary	40003040217; Riga, 06 December 1991
Address of the subsidiary	50A Skanstes Street, Riga, Latvia
Operations as classified by NACE classification code system of the subsidiary	64.92 Other financing services

Subsidiary	SIA REFIN (parent company interest in subsidiary – 100%)
Date of acquisition of the subsidiary	03.10.2018
Number, place and date of registration of the subsidiary	40203172517; Riga, 03 October 2018
Address of the subsidiary	50A Skanstes Street, Riga, Latvia
Operations as classified by NACE classification code system of the subsidiary	64.92 Other financing services

Statement of management`s responsibility

The management of AS DelfinGroup group is responsible for the preparation of the Interim condensed consolidated financial statements for the nine-month period ended 30 September 2021 (hereinafter – interim condensed consolidated financial statements).

Based on the information available to the Board of the parent company of the Group, the Interim condensed consolidated financial statements are prepared on the basis of the relevant primary documents and statements in accordance with IAS 34 Interim Financial Reporting and present a true and fair view of the Group's assets, liabilities and financial position as at 30 September 2021 and its financial performance and cash flows for the nine-month period ended 30 September 2021.

The management of the parent company confirms that the accounting policies and management estimates have been applied consistently and appropriately. The management of the parent company confirms that the interim condensed consolidated financial statements have been prepared on the basis of the principles of prudence and going concern.

The management of the parent company confirms that it is responsible for maintaining proper accounting records and for monitoring, controlling and safeguarding the Group's assets. The management of the parent company is responsible for detecting and preventing errors, irregularities and/or deliberate data manipulation. The management of the parent company is responsible for ensuring that the Group operates in compliance with the laws of the Republic of Latvia.

The management report fairly presents the Group's business development and operational performance.

Didzis Ādmīdiņš
Chairman of the Board

Kristaps Bergmanis
Board Member

Ivars Lamberts
Board Member

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Riga, 5th November 2021

Management report

During the first 9 months of 2021 Latvian financial services company AS *DelfinGroup* has increased its revenue to EUR 18.4 million or by 8% year on year. During the period of 9 months, EBIDTA increased by 1% year on year and reached EUR 7 million. Profit before tax has reached 3.5 million euro. During the 3rd quarter of 2021 net profit has increased by 24% compared to 2nd quarter of 2021. The increased revenue was mainly facilitated by the growth of activity in consumer lending, pawn shop loans and retail of preowned goods.

In the 3rd quarter 2021 AS *DelfinGroup* issued loans in the amount of EUR 15.3 million, which is a 29% increase compared to the previous quarter and is an all-time high for loans issued in a single quarter. The net loan portfolio end of Q3 2021 also reached a record level in the company's history – EUR 38.2 millions, a 12% increase comparing to end of third quarter of 2020. The quality of the consumer loan portfolio has also improved. The proportion of non-performing loans, with payment delays over 90 days, has decreased to 3.6% of the total loan portfolio, which is another all-time best result of the company.

During the third quarter, consumer loan issuance increased by 36% compared to the second quarter. When comparing the nine month period of this year with 2020 consumer loan issuance has grown by 24%. However, due to the restrictions placed on offline servicing, during the first half of this year, pawn loan issuance decreased year-on-year (-18%). This did not have a lasting effect on overall growth, as the pawn loan segment is also gradually recovering and demonstrating a growing trend. When comparing pawn loan issuance during the second and third quarter of 2021, there is an increase of 16%.

In addition in the 3rd quarter 2021 AS *DelfinGroup* signed a contract with AS *Moda Kapitāls* (the owner of the fourth largest pawn shop network in Latvia) to purchase the *Moda* pawn shop business by the end of 2021. AS *Moda Kapitāls* owned 25 pawn shop branches throughout Latvia. Among other things, the contract involves the sale of the AS *Moda Kapitāls* pawn loan portfolio. The approximate price of the transaction is EUR 950 000, but the precise contractual amount will be determined once the transaction has been completed.

During the reporting period AS *DelfinGroup* has performed significant actions for strengthening its corporate governance. Accordingly, on 3 August 2021, Aldis Umblejs, the new CFO joined the company. On 9 August 2021, the shareholder meeting of AS *DelfinGroup* endorsed the decision to set up the Risk and Audit Committee. Independent members of the Supervisory Board of AS *DelfinGroup*: Edgars Voļskis and Gatis Kokins, as well Supervisory Board member Jānis Pizičs were elected to serve on the Committee for a period of three years. Furthermore, on 9 September 2021, the shareholders' meeting of the Latvian financial services company AS *DelfinGroup* decided to issue up to 450,000 shares as part of a long-term motivation program for the employees of the company.

In the 3rd quarter AS *DelfinGroup* has received the Latvian Corporate Governance award 2021 for implementing sustainable good corporate governance practice in the company in the category of the most successful selection of a supervisory board.

AS *DelfinGroup* issued bonds via private placement in the amount of 5 million euros with an annual coupon interest rate of 9.75%, thus continuing to execute its long-term strategy. Demand for bonds exceeded the issue volume 1.85 times. The proceeds from the bond issue were used to refinance current liabilities, which ensures a reduction in the Company's total financing costs. Additionally, on 9 September 2021 the shareholders supported the possibility to issue new bonds up to EUR 10 million for this year that is related to the planned redemption and refinancing of existing more expensive bonds.

Management report (CONTINUED)

In the first nine months of 2021, in accordance with the adopted dividend policy, the company paid dividends in the amount of EUR 3.2 million.

By implementing the business strategy and all planned activities, the following financial results of the Group were achieved in the first nine months of 2021 (profit is compared to the same period of the previous year, balance sheet is compared to the data as at 31.12.2020):

Position	EUR, million	Change, %
Net loan portfolio	38.2	+10.1
Assets	47.1	+2.4
Revenue	18.4	+8.2
EBITDA	7.0	+1.2
Profit before taxes	3.5	-5.0
Net profit	2.7	-15.9

And following the Group's key financial figures for the last 5 financial quarters:

Position	2020 Q3	2020 Q4	2021 Q1	2021 Q2	2021 Q3
Total income, EUR million	5.8	6.7	6.0	5.9	6.5
EBITDA, EUR million	2.6	2.4	2.5	2.1	2.4
EBITDA margin, %	46%	35%	42%	35%	37%
EBIT, EUR million	2.4	2.0	2.3	1.8	2.1
EBIT margin, %	41%	30%	38%	31%	33%
Profit before taxes, EUR million	1.6	1.0	1.1	1.1	1.2
Net profit, EUR million	1.1	0.7	0.8	0.8	1.0
Net profit margin, %	20%	11%	13%	14%	16%
ROE (annualised), %	50%	34%	36%	38%	46%
Current ratio	2.1	1.3	1.0	0.9	1.4

EBITDA calculation, EUR million:

Item	2021 Q3	2020 Q3
Profit before tax	1.2	1.6*
Interest expenses and similar expenses	0.9	0.8
Depreciation of fixed assets and amortisation	0.3	0.2
EBITDA, EUR million	2.4	2.6

* Profit before tax in Q3 2020 is higher due to a reversal of provisions for doubtful debts created at the beginning of the Covid-19 pandemic

Management report (CONTINUED)

As for compliance with the Issue Terms of notes issue ISIN LV0000802213, ISIN LV0000802379, ISIN LV0000802429, and ISIN LV0000850048 the financial covenant computation is as follows:

Covenant	Value as of 30.09.2021	Compliance
to maintain a Net Debt/Net Equity indicator not exceeding 4 to 1	3.54	yes
total consolidated value of inventories and loans and receivables, plus cash, shall exceed at least 1.15 times the sum of total consolidated secured liabilities	1.25	yes
to maintain consolidated ICR of at least 1.25 times, calculated on the trailing 12 month basis	2.2	yes
to maintain the Net Loan portfolio, plus Cash, net value of outstanding Mintos Debt Security and secured notes balance, at least 1.2 times the outstanding principal amount of all unsecured interest-bearing debt on a consolidated basis.	1.88	yes

Branches

During the period from 1 January 2021 to 30 September 2021, the Group continued to work on branch network efficiency. As at 30 September 2021, the Group had 93 branches in 38 cities in Latvia (31.12.2020 - 89 branches in 38 cities).

Risk management

The Group is not exposed to foreign exchange rate risk because the basic transaction currency is the Euro. Majority of the funding of the Group consists of fixed coupon rate bonds, so that the Group is not exposed to variable interest rate risk. Accurate application of the prudent strategies chosen has allowed the Group to successfully manage its financial risks, particularly the liquidity and credit risk.

Post balance sheet events

As at the time of signing these financial statements, there is uncertainty in the country in relation to COVID-19. Even though the length and negative economic impact of the COVID-19 situation cannot be precisely estimated, the Company has made decisions, and will make such in the future, to ensure that the Company's liquidity, cost reduction and portfolio quality is ensured.

During February 2021, AS *DelfinGroup* started the restructuring of three subsidiaries - SIA Banknote commercial properties, SIA Refin and SIA ExpressInkasso. From now on, the functions of these subsidiaries will be performed by the parent company of AS *DelfinGroup*. At the time of signing the interim condensed consolidated financial statements, the reorganization of SIA Banknote commercial properties and SIA ExpressInkasso has been completed and the reorganization of SIA Refin is in the final phase.

Except for the aforementioned, there are no subsequent events since the last date of the reporting year, which would have a significant effect on the financial position and performance of the Company as at 30 September 2021.

Distribution of the profit proposed by the Company

The Company's board recommends the distribution of Q3 2021 profit as dividends in accordance with the Company's dividend policy, which sets the target of 50% quarterly dividend payout.

Didzis Ādmīdiņš
Chairman of the Board

Kristaps Bergmanis
Board Member

Ivars Lamberts
Board Member

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Riga, 5th November 2021

Interim condensed consolidated Statement of comprehensive income for the nine-month period ended 30 September 2021

	Notes	For 9 months ended 30 September		For 3 months ended 30 September	
		2021	2020	2021	2020
		EUR	EUR	EUR	EUR
Net sales	(1)	4 059 551	4 685 763	1 368 356	1 576 310
Cost of sales	(2)	(2 611 406)	(3 169 580)	(848 792)	(992 846)
Interest income and similar income	(3)	14 339 594	12 318 452	5 094 562	4 212 158
Interest expenses and similar expenses		(2 745 923)	(2 517 724)	(884 797)	(807 449)
Credit loss expenses		(1 883 160)	(994 922)	(932 663)	(215 655)
Gross profit		11 158 656	10 321 989	3 796 666	3 772 518
Selling expenses	(4)	(4 292 297)	(3 744 266)	(1 524 280)	(1 247 352)
Administrative expenses	(5)	(3 085 572)	(2 495 402)	(1 051 103)	(864 581)
Other operating income		56 300	44 595	29 037	15 792
Other operating expenses		(356 937)	(472 391)	(23 247)	(88 454)
Profit before corporate income tax		3 480 150	3 654 525	1 227 073	1 587 923
Income tax expenses	(6)	(824 100)	(495 299)	(201 091)	(462 387)
Net profit		2 656 050	3 159 226	1 025 982	1 125 536
Earnings per share		0.066	0.079*	0.026	0.028*

*Earnings per shares for 9 months ended 2020 and for 3 months ended 30 September 2020 have been adjusted retrospectively to account for the share split performed in 2021.

Notes on pages from 15 to 25 are an integral part of these interim condensed consolidated financial statements.

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Riga, 5th November 2021

Interim condensed consolidated Balance sheet as at 30 September 2021

Assets	Notes	Group 30 September 2021	Group 31 December 2020
Non-current assets:		EUR	EUR
Intangible assets:			
Concessions, patents, licences, trademarks and similar rights		88 536	124 256
Other intangible assets		46 457	54 077
Goodwill		127 616	127 616
Advances on intangible assets		3 605	-
Total intangible assets:		266 214	305 949
Property, plant and equipment:			
Land, buildings, structures and perennials		80 595	85 385
Investments in property, plant and equipment		196 975	196 607
Right-of-use assets		3 012 772	3 194 412
Other fixtures and fittings, tools and equipment		245 467	248 214
Total property, plant and equipment		3 535 809	3 724 618
Non-current financial assets:			
Loans and receivables	(8)	19 459 201	17 711 758
Loans to shareholders and management	(7)	-	474 484
Total long-term investments:		19 459 201	18 186 242
Total non-current assets:		23 261 224	22 216 809
Current assets:			
Inventories:			
Finished goods and goods for sale		1 797 304	1 534 007
Total inventories:		1 797 304	1 534 007
Receivables:			
Loans and receivables	(8)	18 723 353	16 962 096
Other debtors		438 388	374 756
Deferred expenses		307 710	279 523
Total receivables:		19 469 451	17 616 375
Cash and cash equivalents		2 540 546	4 591 954
Total current assets:		23 807 301	23 742 336
Total assets		47 068 525	45 959 145

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Riga, 5th November 2021

Interim condensed consolidated Balance sheet as at 30 September 2021

Liabilities and equity	Notes	Group 30 September 2021	Group 31 December 2020
Equity:		EUR	EUR
Share capital	(9)	4 000 000	4 000 000
Retained earnings		2 040 436	1 353 992
Profit for the reporting period		2 656 050	3 897 470
Total equity:		8 696 486	9 251 462
Creditors:			
Long-term creditors:			
Bonds issued	(10)	13 462 616	8 441 717
Other borrowings	(11)	5 144 325	6 816 925
Lease liabilities for right-of-use assets		2 675 047	2 732 136
Total long-term creditors:		21 281 988	17 990 778
Short-term creditors:			
Bonds issued	(10)	4 913 942	5 022 652
Other borrowings	(11)	9 768 649	10 869 932
Lease liabilities for right-of-use assets		657 211	703 715
Trade payables		778 658	702 933
Taxes and social insurance		395 359	815 952
Accrued liabilities		576 232	601 721
Total short-term creditors:		17 090 051	18 716 905
Total creditors		38 372 039	36 707 683
Total liabilities and equity		47 068 525	45 959 145

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Riga, 5th November 2021

Interim condensed consolidated Statement of changes in equity for the nine-month period ended 30 September

	Share capital EUR	Retained earnings EUR	Profit for the reporting period EUR	Total EUR
As at 01 January 2020	1 500 000	2 954 156	3 913 336	8 367 492
Dividends paid	-	(2 000 000)	-	(2 000 000)
Share capital transfer	2 500 000	(2 500 000)	-	-
Retained earnings subsidiary inclusion	-	-	(13 500)	(13 500)
Profit transfer	-	3 913 336	(3 913 336)	-
Profit for the reporting period	-	-	3 159 226	3 159 226
As at 30 September 2020	4 000 000	2 367 492	3 145 726	9 513 218
As at 01 January 2021	4 000 000	1 367 492	3 883 970	9 251 462
Dividends paid	-	(3 211 026)	-	(3 211 026)
Liquidation of Subsidiary	-	(13 500)	13 500	-
Profit transfer	-	3 897 470	(3 897 470)	-
Profit for the reporting period	-	-	2 656 050	2 656 050
As at 30 September 2021	4 000 000	2 040 436	2 656 050	8 696 486

Notes on pages from 15 to 25 are an integral part of these interim condensed consolidated financial statements.

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Riga, 5th November 2021

Interim condensed consolidated statement of cash flows for the nine-month period ended 30 September 2021

	For 9 months ended 30 September 2021 EUR	For 9 months ended 30 September 2020 EUR
<u>Cash flow from operating activities</u>		
Profit before corporate income tax	3 480 150	3 654 525
<u>Adjustments for:</u>		
a) depreciation of fixed assets and amortisation of intangible assets	190 106	203 838
b) depreciation of right-of-use assets	588 661	548 150
c) accruals and provisions (except for bad debts)	1 883 160	1 090 686
d) cessation results	237 384	325 060
e) accrued interest income	(172 447)	36 347
f) accrued interest expenses	(219 438)	(341 238)
g) other adjustments	-	(13 500)
Profit before adjustments of working capital and short-term liabilities	5 987 576	5 503 868
<u>Adjustments for:</u>		
a) Decrease / (increase) on loans and receivables and other debtors	(5 312 062)	(4 049 875)
b) Decrease / (increase) on inventories	(263 297)	(389 451)
c) (Decrease) / increase on trade payable and accrued liabilities	(820 772)	625 880
Gross cash flow from operating activities	(408 555)	1 690 422
Corporate income tax payments	(754 536)	(349 957)
Net cash flow from operating activities	(1 163 091)	1 340 465
<u>Cash flow from investing activities</u>		
Acquisition of fixed assets, intangibles	(142 372)	(298 379)
Loans issued (other than core business of the Company)	(98 880)	(87 300)
Loans repaid (other than core business of the Company)	573 364	1 394 983
Net cash flow from investing activities	332 112	1 009 304
<u>Cash flow from financing activities</u>		
Loans received	13 081 355	5 970 911
Loans repaid	(15 974 758)	(10 675 435)
Bonds issued	5 114 000	7 750 000
Redemption of bonds	(230 000)	(2 096 500)
Dividends paid	(3 211 026)	(2 000 000)
Net cash flow from financing activities	(1 220 429)	(1 051 024)
Net cash flow of the reporting period	(2 051 408)	1 298 745
Cash and cash equivalents at the beginning of the reporting period	4 591 954	1 135 644
Cash and cash equivalents at the end of the reporting period	2 540 546	2 434 389

Notes on pages from 15 to 25 are an integral part of these interim condensed consolidated financial statements.

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Riga, 5th November 2021

Notes

Accounting policies

Basis of preparation

These financial statements have been prepared based on the accounting policies and measurement principles as set out below.

The interim condensed consolidated financial statements for the nine months ended 30 September 2021 have been prepared in accordance with IAS 34 Interim Financial Reporting. The Group has prepared the financial statements on the basis that it will continue to operate as a going concern. The Management considers that there are no material uncertainties that may cast significant doubt over this assumption. They have formed a judgement that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, and not less than 12 months from the end of the reporting period.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2020.

These interim condensed consolidated financial statements are prepared and disclosed on a consolidated basis. The following subsidiaries are included in the consolidation: SIA ViziaFinance (100%), of the subsidiary SIA REFIN (100%) for the period ended 30 September 2021.

The former subsidiary SIA Banknote commercial properties (100%) has been liquidated on 21 June 2021. The assets of the SIA Banknote commercial properties were transferred to AS DelfinGroup as liquidation quota. The former subsidiary SIA ExpressInkasso (100%) has been liquidated on 09 September 2021 (excluded from the Enterprise register on 14 October 2021). The assets of the SIA ExpressInkasso were transferred to AS DelfinGroup as liquidation quota.

The subsidiary SIA REFIN (100%) have been in the process of liquidation since 23 Feb 2021.

Changes in significant accounting policies, reclassification and correction of errors

New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2020, except for the adoption of new standards effective as of 1 January 2021. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Several amendments apply for the first time in 2021, but do not have an impact on the interim condensed consolidated financial statements of the Group.

These Standards do not have a material effect on the Group's financial statements.

Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The amendments provide temporary reliefs, which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest;
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued;
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

These amendments had no impact on the interim condensed consolidated financial statements of the Group. The Group intends to use the practical expedients in future periods if they become applicable.

Reclassifications and correction of errors

- (a) In these interim condensed consolidated financial statements, the Group have changed the presentation of Credit loss expenses. For the 9 months ended 30 September credit losses expenses were presented within Selling expenses. For the 9 months ended 30 September, for the better presentation of financial information, the Group reclassified Credit loss expenses from selling expenses to the separate item in the Statement of profit or loss.
- (b) For the 9 months ended 30 September, the Group have changed the presentation of Losses on cessions. For the 9 months ended 30 September, it was presented within Interest expenses and similar expenses. Moreover, the effect from the reversal of the allowance on expected credit losses (ECL) for cessioned loans was presented under Selling expenses. For the 9 months ended 30 September, for the better presentation of financial information, the Group reclassified Losses on cessions to Other operating expenses, including the effect from the reversal of the ECL allowance.
- (c) For the 9 months ended 30 September, the part of credit loss expenses was included within Interest income. To comply with the presentation requirements of IFRS 9, the Group reclassified the abovementioned amount from Interest income and similar income to Credit loss expenses.

Notes (continued)

Reclassification and correction of errors_(continued)

The effect of changes on the interim condensed consolidated statement of comprehensive income of the Group for 9 months ended 30 September is provided below.

	Reference	Previously recorded amounts	Effect of reclassification	Adjusted data
Interest income and similar income	(c)	12 030 081	288 371	12 318 452
Interest expenses and similar expenses	(b)	(3 075 938)	558 214	(2 517 724)
Credit loss expenses	(a), (b), (c)	-	(994 922)	(994 922)
Selling expenses	(a)	(4 217 663)	473 397	(3 744 266)
Other operating expenses	(b)	(147 331)	(325 060)	(472 391)
Total in Statement of profit or loss		4 589 149	-	4 589 149

The effect of changes on the interim condensed consolidated statement of comprehensive income of the Group for 3 months ended 30 September is provided below.

	Reference	Previously recorded amounts	Effect of reclassification	Adjusted data
Interest income and similar income	(c)	4 212 158	-	4 212 158
Interest expenses and similar expenses	(b)	(852 424)	44 975	(807 449)
Credit loss expenses	(a), (b), (c)	-	(215 655)	(215 655)
Selling expenses	(a)	(1 458 222)	210 870	(1 247 352)
Other operating expenses	(b)	(48 264)	(40 190)	(88 454)
Total in Statement of profit or loss		1 853 248	-	1 853 248

Notes (continued)

(1) Net sales

Net revenue by type of revenue

	For 9 months ended 30 September		For 3 months ended 30 September	
	2021	2020	2021	2020
	EUR	EUR	EUR	EUR
Income from sales of goods	3 107 338	2 773 609	1 131 707	1 038 723
Income from sales of precious metals	508 167	1 293 045	82 625	296 545
Other income, loan and mortgage realisation and storage commission	444 046	619 109	154 024	241 042
	4 059 551	4 685 763	1 368 356	1 576 310

All net sales are generated in Latvia.

(2) Cost of sales

	For 9 months ended 30 September		For 3 months ended 30 September	
	2021	2020	2021	2020
	EUR	EUR	EUR	EUR
Cost of sales of goods	2 103 239	1 910 603	766 166	700 361
Cost of sales of precious metals	508 167	1 258 977	82 626	292 485
	2 611 406	3 169 580	848 792	992 846

(3) Interest income and similar income

	For 9 months ended 30 September		For 3 months ended 30 September	
	2021	2020	2021	2020
	EUR	EUR	EUR	EUR
Interest revenue calculated using effective interest rate:				
Interest income on unsecured loans	10 932 858	8 850 804	3 637 957	3 052 074
Interest income on secured loans	3 402 229	3 465 276	1 456 259	1 159 068
Interest income on loans to vehicle pledges	4 507	2 372	346	1 016
	14 339 594	12 318 452	5 094 562	4 212 158

(4) Selling expenses

	For 9 months ended 30 September		For 3 months ended 30 September	
	2021	2020	2021	2020
	EUR	EUR	EUR	EUR
Salary expenses	1 867 150	1 733 887	682 962	619 939
Depreciation of right-of-use assets - premises	487 825	496 981	162 782	160 216
Advertising	483 426	304 569	162 875	132 158
Social insurance	438 180	415 576	160 349	148 599
Non-deductible VAT	247 408	158 944	97 424	60 229
Utilities expenses	199 423	151 003	81 832	524
Maintenance expenses	194 928	146 311	64 757	12 090
Depreciation of fixed assets	190 106	203 838	59 166	79 161
Other expenses	91 880	92 375	40 820	44 857
Transportation expenses	66 739	53 988	25 999	11 449
Depreciation of right-of-use assets - motor vehicles	23 255	5 561	7 111	1 437
Provisions for unused annual leave	1 977	(18 767)	(21 797)	(23 307)
	4 292 297	3 744 266	1 524 280	1 247 352

Notes (continued)

(5) Administrative expenses

	For 9 months ended 30 September		For 3 months ended 30 September	
	2021	2020	2021	2020
	EUR	EUR	EUR	EUR
Salary expenses	1 825 477	1 511 759	664 957	518 888
Social insurance	429 300	357 440	156 446	118 594
Bank commission	370 466	337 364	142 137	125 759
Other administrative expenses	116 528	129 144	7 807	20 517
State fees and duties, licence expenses	110 991	41 882	52 833	25 504
Depreciation of right-of-use assets - premises	70 436	41 207	23 479	21 284
Communication expenses	68 888	63 442	17 993	50 751
Legal advice	51 543	30 442	(1 557)	5 950
Audit expenses*	19 552	-	3 302	-
Provisions for unused annual leave	15 246	(21 971)	(18 675)	(24 977)
Depreciation of right-of-use assets - motor vehicles	7 145	4 693	2 381	2 311
	3 085 572	2 495 402	1 051 103	864 581

* During the reporting year the Company has not received any other services from the auditors.

(6) Corporate income tax for the reporting year

	For 9 months ended 30 September		For 3 months ended 30 September	
	2021	2020	2021	2020
	EUR	EUR	EUR	EUR
Corporate income tax charge for the current year	824 100	495 299	201 091	462 387
	824 100	495 299	201 091	462 387

This tax is mainly concerned with the dividends paid out of the previous year's profits.

Notes (continued)

(7) Loans to shareholders and management

	Loans to members EUR
31.12.2019	1 022 423
Loans issued	438 669
Loans repaid	(1 036 932)
Interest of loans	56 450
Interest repaid	(6 126)
31.12.2020	474 484
Loans issued	98 880
Loans repaid	(375 453)
Interest of loans	3 969
Interest repaid	(201 880)
30.09.2021	-
Net book value as at 30.09.2021	-
Net book value as at 31.12.2020	474 484

Interest on borrowing is in the range of 3.01% - 4% per annum. The loan maturity - 31 December 2025 (including the loan principal amount and accrued interest). Loans are denominated in euros. Loans were repaid early.

	Currency	Year of issue	Interest rate	Maturity	30 September 2021	31 December 2020
AE Consulting SIA	EUR	2019	4%	2023	-	381 796
L24 Finance SIA	EUR	2016	3.01%	2025	-	83 688
EA investments AS	EUR	2020	4%	2025	-	9 000
Loans to shareholders and management					-	474 484

(8) Loans and receivables

a) Loans and receivables by loan type

	Group 30 September 2021 EUR	Group 31 December 2020 EUR
Debtors for loans issued against pledge		
Long-term debtors for loans issued against pledge	79 889	85 492
Short-term debtors for loans issued against pledge	3 048 301	2 945 052
Interest accrued for loans issued against pledge	151 326	139 425
Debtors for loans issued against pledge, total	3 279 516	3 169 969
Debtors for loans issued without pledge		
Long-term debtors for loans issued without pledge	19 379 312	17 626 266
Short-term debtors for loans issued without pledge	18 191 773	16 025 664
Interest accrued for loans issued without pledge	1 251 365	1 470 419
Debtors for loans issued without pledge, total	38 822 450	35 122 349
Loans and receivables before allowance, total	42 101 966	38 292 318
ECL allowance on loans to customers	(3 919 412)	(3 618 464)
Loans and receivables	38 182 554	34 673 854

Notes (continued)

Loans and receivables (continued)

Loans and receivables by loan type (continued)

All loans are issued in euros. Long-term receivables for the loans issued do not exceed 5 years.

Parent company signed a contract with a third party for the receivable amounts regular cession to assign debtors for loans issued which are outstanding for more than 90 days. Losses from these transactions were recognised in the current period.

The claims in the amount of EUR 3 279 516 (31.12.2020: EUR 3 169 969) are secured by the value of the collateral. Claims against debtors for loans issued against pledge are secured by pledges, whose fair value is higher than the carrying value, therefore provisions for secured overdue loans are not made.

b) Allowance for impairment of loans to customers at amortised cost

An analysis of changes in the gross carrying value for loans issued and corresponding ECL in relation to corporate lending during the first nine months of the year 2021 is as follows:

Group	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying value as at 1 January 2021	34 973 852	1 056 260	2 226 012	36 195	38 292 319
New assets originated or purchased	37 151 616	-	-	-	37 151 616
Assets settled or partly settled	(30 552 701)	(61 692)	(179 430)	-	(30 793 823)
Assets written off	(1 796 947)	(476 058)	(424 392)	(36 195)	(2 733 592)
Effect of interest accruals	64 434	81 615	39 397	-	185 446
Transfers to Stage 1	355 244	(202 180)	(153 064)	-	-
Transfers to Stage 2	(1 533 802)	1 749 089	(215 287)	-	-
Transfers to Stage 3	(711 576)	(224 983)	936 559	-	-
At 30 September 2021	37 950 120	1 922 051	2 229 795	-	42 101 966

Group	Stage 1	Stage 2	Stage 3	POCI	Total
ECL as at 1 January 2021	1 894 525	369 159	1 354 780	-	3 618 464
New assets originated or purchased	1 415 862	-	-	-	1 415 862
Assets settled or partly settled	(1 780 749)	(20 825)	(138 032)	-	(1 939 606)
Assets written off	(107 723)	(75 444)	(306 085)	-	(489 252)
Effect of interest accruals	8 863	49 169	39 456	-	97 488
Transfers to Stage 1	153 556	(54 337)	(99 219)	-	-
Transfers to Stage 2	(86 418)	233 037	(146 619)	-	-
Transfers to Stage 3	(35 480)	(58 816)	94 296	-	-
Impact on period end ECL due to transfers between stages and due to changes in inputs used for ECL calculations	477 990	286 525	451 941	-	1 216 456
At 30 September 2021	1 940 426	728 468	1 250 518	-	3 919 412

c) Age analysis of claims against debtors for loans issued:

	Group 30 September 2021 EUR	Group 31 December 2020 EUR
Receivables not yet due	34 436 233	32 473 188
Outstanding 1-30 days	3 513 888	2 508 354
Outstanding 31-90 days	1 922 052	1 056 261
Outstanding 91-180 days	541 312	989 467
Outstanding for 181-360 days	805 449	428 390
Outstanding for more than 360 days	883 032	836 658
Total claims against debtors for loans issued	42 101 966	38 292 318

Notes (continued)

Loans and receivables (continued)

d) Age analysis of provision for bad and doubtful trade debtors:

	Group 30 September 2021 EUR	Group 31 December 2020 EUR
For trade debtors not yet due	1 393 713	1 769 822
Outstanding 1-30 days	492 428	123 306
Outstanding 31-90 days	728 468	369 159
Outstanding 91-180 days	254 902	554 341
Outstanding for 181-360 days	468 730	244 996
Outstanding for more than 360 days	581 171	556 840
Total provisions for bad and doubtful trade debtors	3 919 412	3 618 464

Loan loss allowance has been defined based on collectively assessed impairment.

(9) Share capital

As at 30 September 2021, the Parent Company's share capital is EUR 4 000 000, which consists of 40 000 000 ordinary shares, each of them with a nominal value of EUR 0.10. All shares are fully paid.

(10) Bonds issued

	Group 30 September 2021 EUR	Group 31 December 2020 EUR
Bonds issued	13 480 000	8 481 000
Bonds commission	(17 384)	(39 283)
Total long-term part of bonds issued	13 462 616	8 441 717
Bonds issued	4 885 000	5 000 000
Bonds commission	(1 328)	(1 232)
Interest accrued	30 270	23 884
Total short-term part of bonds issued	4 913 942	5 022 652
Bonds issued, total	18 365 000	13 481 000
Interest accrued, total	30 270	23 884
Bonds commission, total	(18 712)	(40 515)
Bonds issued net	18 376 558	13 464 369

As of 30 September 2021, the Parent company of the Group has outstanding bonds (ISIN LV0000802213) in the amount of EUR 4 885 000, registered in the Latvia Central Depository on the following terms – number of securities issued: 5 000, nominal value 1 000 euros per each security, coupon rate - 14%, coupon is paid once a month on the 25th date. The principal amount (EUR 1 000 per each bond) is to be repaid on 25 October 2021. The bonds issue in full amount was traded on NASDAQ Baltic First North Alternative market as of 19.03.2018. The bond is secured by a commercial pledge on the property and claims of the Company and all its subsidiaries.

As of 30 September 2021, the Parent company of the Group has outstanding bonds (ISIN LV0000802379) in the amount of EUR 5 000 000, registered in the Latvia Central Depository on the following terms – amount of emissions recorded 5 000, amount of emissions recorded with nominal value 1 000 euro per each bond, coupon rate - 14%, coupon is paid once a month on the 25th date. The principal amount (EUR 1 000 per each bond) is to be repaid by 25 November 2022. The bonds issue was traded on NASDAQ Baltic First North Alternative market as of 11.08.2020. The bonds are secured by a commercial pledge on the property and claims of the Company and all its subsidiaries.

As of 30 September 2021, the Parent company of the Group has outstanding bonds (ISIN LV0000802429) in the amount of EUR 3 480 000, registered with the Latvia Central Depository and issued in a closed offer on 30 September 2020 on the following terms – amount of emissions 3 500, amount of emissions recorded with nominal value 1 000 euro per each bond, coupon rate - 12%, coupon is paid once a month on the 25th date. The principal amount (EUR 1 000 per each bond) is to be repaid by 25 November 2022. The bonds are not secured.

As of 30 September 2021, the Parent company of the Group has outstanding bonds (ISIN LV0000850048) in the amount of EUR 5 000 000, registered with the Latvia Central Depository and issued in a closed offer on 9 July 2021 on the following terms – amount of emissions 5 500, amount of emissions recorded with nominal value 1 000 euro per each bond, coupon rate – 9.75%, coupon is paid once a month on the 25th date. The principal amount (EUR 1 000 per each bond) is to be repaid by 25 August 2023. The bonds are not secured.

As of 30 September 2021, AS DelfinGroup owns its own bonds (ISIN LV0000802213) in the amount of EUR 115 000. The bonds asset is deducted in the financial statements from bonds liabilities.

The Group has registered a commercial pledge by pledging its property and receivables, with a maximum claim amount of EUR 40.5 million as collateral on the pari passu principle among bondholders of notes issues ISIN LV0000802213, and ISIN LV0000802379, as well as for SIA Mintos Finance. As of 30 September 2021, the amount of secured liabilities constitutes EUR 4 885 000 for bonds ISIN LV0000802213, EUR 5 000 000 for bonds ISIN LV0000802379 and EUR 14 859 077 (31.12.2020: 17 286 857) for AS Mintos Finance.

Notes (continued)

(11) Other borrowings

	Group 30 September 2021 EUR	Group 31 December 2020 EUR
Other long-term loans	5 144 325	6 816 925
Total other long-term loans	5 144 325	6 816 925
Other short-term loans	9 768 649	10 869 932
Total other short-term loans	9 768 649	10 869 932
Total other loans	14 912 974	17 686 857

The remaining amount on other borrowings is represented by loans received from a crowdfunding platform SIA Mintos Finance, a company registered in the European Union. The weighted average annual interest rate as of 30 September 2021 is 10.0%. According to the loan agreement with SIA Mintos finance the loan matures according to the particular loan agreement terms concluded by the Company with its customers.

(12) Related party transactions

The interim condensed consolidated financial statements only show those related parties with whom there have been transactions during the reporting period or during the comparative period. All transactions with related parties are carried out in accordance with general market conditions.

	Transactions for 9 months 2021 EUR	Transactions in 2020 EUR
Group's transactions with:		
Owners of the parent company		
Interest received		
AE Consulting SIA	9 090	26 804
L24 Finance SIA	775	1 575
EC finance SIA	-	11
Services received		
AE Consulting SIA	-	(1 698)
Services delivered		
AE Consulting SIA	75	2 965
L24 Finance SIA	-	360
EC finance SIA	-	300
Goods sold		
AE Consulting SIA	59	1 090
Board members	-	992
Investment in shares		
L24 Finance SIA	-	(1 921)
Companies and individuals under common control or significant influence		
Interest paid		
Board members	-	(1 598)
Services delivered		
EA investments AS	153	300
Other related companies		
Interest received		
Banknote commercial properties SIA	-	1 661
EuroLombard Ltd	-	1 570
Services received		
Banknote commercial properties SIA	-	(15 569)
Services delivered		
Banknote commercial properties SIA	-	938
EL Capital, SIA	3 211	447
EuroLombard Ltd.	1 545	6 139
OBDO Gin, SIA	-	8 418
KALPAKS, SIA	-	321
Goods received		
OBDO Gin, SIA	-	(43)
Fixed assets sold		
OBDO Gin, SIA	-	160

Notes (continued)

Related party transactions (continued)

Loan debts to shareholders and management

	Group 30 September 2021 EUR	Group 31 December 2020 EUR
AE Consulting SIA	-	381 796
L24 Finance SIA	-	83 688
EA investments AS	-	9 000
	<u>-</u>	<u>474 484</u>

(13) Segment information

For management purposes, the Company is organised into three operating segments based on products and services as follows:

Pawn loan segment	Handling pawn loan issuance, sale of pawn shop items in the branches and online.
Consumer loan segment	Handling consumer loans to customers, debt collection activities and loan cessions to external debt collection companies.
Other operations segment	Providing loans for real estate development, general administrative services to the companies of the Group, transactions with related parties. Loans for real estate development are no longer issued and are fully recovered.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance, as explained in the table below, is measured differently from profit or loss in the consolidated financial statements. Income taxes are managed on a group basis and are not allocated to operating segments. For the costs, for which direct allocation to a particular segment is not attributable, the judgement of the management is used to allocate general costs by segments, based on the following cost allocation drivers – loan issuance, segment income, segment employee count, segment employee costs, the amount of segment assets.

The following table presents income and profit and certain asset and liability information regarding the Group's operating segments. Based on the nature of the services, the Group's operations can be divided as follows (statement of profit or loss positions and other information is compared for the same period of the previous year, balance sheet positions are compared to the data as at 31.12.2020):

EUR	Pawn loans		Consumer loans		Other activities		Total	
	For 9 months ended 30 September 2021	For 9 months ended 30 September 2020	For 9 months ended 30 September 2021	For 9 months ended 30 September 2020	For 9 months ended 30 September 2021	For 9 months ended 30 September 2020	For 9 months ended 30 September 2021	For 9 months ended 30 September 2020
Assets	8 298 684	8 300 669	38 769 841	32 445 009	-	5 213 467	47 068 525	45 959 145
Liabilities of the segment	7 911 852	7 946 424	30 460 187	24 606 904	-	4 154 355	38 372 039	36 707 683
Income	7 466 287	8 153 411	10 863 424	8 630 639	69 434	220 165	18 399 145	17 004 215
Net performance of the segment	1 347 435	1 773 086	4 738 523	4 366 169	140 115	32 994	6 226 073	6 172 249
Financial (expenses)	(458 355)	(430 557)	(2 274 901)	(1 800 826)	(12 667)	(286 341)	(2 745 923)	(2 517 724)
Profit/(loss) before taxes	889 081	1 342 529	2 463 621	2 565 343	127 448	(253 347)	3 480 150	3 654 525
Corporate income tax	(210 534)	(181 953)	(583 386)	(347 682)	(30 180)	34 336	(824 100)	(495 299)
<i>Other information</i>								
Fixed assets and intangible assets (NBV)	2 651 147	2 787 597	1 150 876	883 880	-	359 090	3 802 023	4 030 567
Depreciation and amortisation during the reporting period	(543 033)	(520 287)	(235 734)	(164 971)	-	(67 022)	(778 767)	(752 280)
Loans issued	11 501 509	13 984 017	25 650 107	20 640 830	-	26 000	37 151 616	34 650 847
Loans received	11 497 859	13 778 327	14 559 258	14 195 524	4 806 601	1 540 235	30 863 718	29 514 086

Notes (continued)

(14) Guarantees issued, pledges

The Group has registered a commercial pledge by pledging its property and receivables, with the maximum claim amount of EUR 40.5 million as collateral on the pari passu principle among bondholders of notes issues ISIN LV0000802213, and ISIN LV0000802379, as well as for SIA Mintos Finance. As of 30 September 2021, the amount of secured liabilities constitutes EUR 4 870 000 for bonds ISIN LV0000802213, EUR 5 000 000 for bonds ISIN LV0000802379 and EUR 14 859 077 (31.12.2020: 17 286 857) for AS Mintos Finance.

(15) Fair value measurements

a) Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- ▶ Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- ▶ Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- ▶ Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

For the purpose of fair value disclosure, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

At 30 September 2021

	Fair value hierarchy			Total
	Level 1	Level 2	Level 3	
Assets for which fair values are disclosed				
Cash and cash equivalents	2 540 546	-	-	2 540 546
Loans and receivables	-	-	38 182 554	38 182 554
Other financial assets	-	-	746 098	746 098
Liabilities for which fair values are disclosed				
Bonds issued	-	18 376 558	-	18 376 558
Other borrowings	-	-	14 912 974	14 912 974
Lease liabilities	-	-	3 332 258	3 332 258
Trade payables	-	-	778 658	778 658

b) Fair value of financial assets and liabilities not carried at fair value

Set out below is a comparison by class of the carrying amounts and fair values of the Group's financial instruments that are not carried at fair value in the Consolidated statement of financial position. The table does not include the fair values of non-financial assets and non-financial liabilities.

	Carrying value 30.09.2021	Fair value 30.09.2021	Unrecognised gain/(loss) 30.09.2021	Carrying value 2020	Fair value 2020	Unrecognised gain/(loss) 2020
Financial assets						
Cash and cash equivalents	2 540 546	2 540 546	-	4 591 954	4 591 954	-
Loans and receivables	38 182 554	39 929 592	1 747 038	34 673 854	34 261 871	(411 983)
Loans to shareholders and management	-	-	-	474 484	484 650	10 166
Other financial assets	746 098	746 098	-	654 279	654 279	-
Financial liabilities						
Bonds issued	18 376 558	18 419 402	(42 844)	13 464 369	13 463 004	1 365
Other borrowings	14 912 974	17 891 266	(2 978 282)	17 686 857	18 414 469	(727 612)
Lease liabilities	3 332 258	3 524 539	(192 281)	3 435 851	3 504 097	(68 246)
Trade payables	778 658	778 658	-	702 933	702 933	-
Total unrecognised change in fair value			(1 466 379)			(1 196 310)

Notes (continued)

(16) Subsequent events

At the end of September 2021 the Group has launched an initial public offering (IPO) on Nasdaq Riga and successfully closed it on 14 October 2021. In total 5 927 investors participated, including 10 institutional investors. At the time this was the largest ever IPO in Latvia in terms of investor activity. In total, investors subscribed for 5 319 594 new shares and the total number of AS *DelfinGroup* shares after IPO is 45 319 594. The price per new share was EUR 1,52 and gross proceeds of EUR 8,09 million were raised. At the date of signing these interim financial statements all shares are fully paid and share capital has been increased. On 20 October 2021 trading of AS *DelfinGroup* shares on the *Nasdaq Riga* Baltic Main List has commenced.

On 25 October 2021 the Parent company of the Group has redeemed bonds (ISIN LV0000802213) in amount of EUR 5 000 000 issued in 2016 and on 22 October 2021 has announced exercising of a call option to redeem bonds (ISIN LV0000802379) before maturity in amount of EUR 5 000 000 issued in 2019.

During the period from the last day of the reporting period to the date of signing these interim consolidated financial statements, no events have occurred, which would entail the necessity of making adjustments to these consolidated financial statements or that ought to be explained in these consolidated financial statements.

(17) Impact of COVID-19

In accordance with the Order No. 720 of the Cabinet of Ministers of the Republic of Latvia dated on 9 October 2021 "On Declaring a State of Emergency", from 21 October to 14 November there is announced a four-week period of security measures to limit the spread of COVID-19 infection in Latvia.

All services offered by the Group are available to customers in full scope. There are only slight changes to the availability of services offered by the Group - working hours for several Banknote branches have reduced. All services of the Group – consumer loans, Buy now pay later loans, pawn loans and retail of pre-owned goods are available online and in branches. The only exception is pawn loans, which can be applied for both online and offline, but the agreement must be concluded at a branch.

AS DelfinGroup has taken all mandatory and recommended security measures in relation to pandemic COVID-19. All business operations are technologically enabled to be carried out using remote work.

Management still regularly follows the further developments of the COVID-19 pandemic and analyses the potential of its impacts in 2021, and is properly prepared to assess and implement any further changes to accounting policies, estimates and risk management policies, as well as review the respective risk grading when necessary to ensure the sustainable growth of the Company as well as the proper and safe provision of services to clients.

Didzis Ādmīdiņš
Chairman of the Board

Kristaps Bergmanis
Board of Member

Ivars Lamberts
Board Member

This document is electronically signed with safe electronic signature and contains time stamp.

Riga, 5th November 2021