



**CAPITALIA**  
FINANSĒJUMS UZŅĒMUMIEM

# TERMS OF OFFER OF THE FIRST BOND ISSUE

**CAPITALIA | CORPORATE FINANCING**

Prepared in Riga, August 11, 2014

Issuer:	AS Capitalia (hereafter “Capitalia”), registration number 40003933213
Securities:	Bonds
Total planned issue size:	EUR 3,000,000 (three million euro)
Initial issue size:	EUR 1,000,000 (one million euro)
Face value (nominal value):	EUR 1,000 (one thousand euro)
Initial issue, number of securities:	1,000 (one thousand)
Coupon:	Annual coupon rate 12% with payments 4 times a year: January 25, April 25, July 25 and October 25
Maturity date:	October 25, 2018

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# 1. EXPLANATION OF THE TERMS AND ABBREVIATIONS USED

<b>Issuer</b>	Capitalia, JSC, registration No. 40003933213, legal address: Riga, 13/15 Kr. Barona Street, LV-1011
<b>Terms of Offer</b>	Document that describes this bond issue
<b>Prospectus</b>	Document that is a part of bond issue in the regulated market
<b>Bonds</b>	Transferrable securities issued by the Issuer in accordance with provisions of these Terms of Offer
<b>Face Value</b>	Nominal value of a single Bond set by the Issuer
<b>FCMC</b>	Financial and Capital Market Commission, registration No. 40003167049, legal address: Riga, 1 Kungu Street
<b>LCD</b>	Latvian Central Depository, JSC, registration No. 40003242879, legal address: Riga, 1 Vaļņu Street, LV-1050
<b>Stock Exchange or NASDAQ OMX Riga</b>	NASDAQ OMX Riga, JSC, registration No. 40003167049, legal address: Riga, 1 Vaļņu Street, LV-1050
<b>ISIN</b>	International Securities Identification Number assigned to the Bonds and issued by Latvian Central Depository as a member of the Association of National Numbering Agencies
<b>Coupon</b>	Regular interest payment on a Bond
<b>Applicable Legal Acts or Legislation</b>	Legal acts of the Republic of Latvia, including regulations published by Stock Exchange, LCD
<b>Bondholder</b>	Individual or a legal entity that owns one or more Bonds
<b>Investor</b>	Individual or a legal entity that expressed a wish or plans to acquire Bonds in accordance with the procedures set in these Terms of Offer

## 2. RESPONSIBLE PERSONS

### 2.1. ACKNOWLEDGEMENT OF RESPONSIBLE PERSON

I, Juris Grišins, chairman of the board of JSC Capitalia hereby confirm that information portrayed in these Terms of Offer is accurate and there are no concealed facts that might negatively affect the Issuer:

Juris Grišins, Chairman of the Board

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### 2.2. AUDITORS

Annual reports of JSC Capitalia for the financial years of 2013 and 2012 have been audited by:

LLC Potapoviča un Andersone, Licence No. 99

Registration No.: 40003612562

Legal address: Riga, 12-45 Ūdens Street, LV-1007

LR certified auditor: Kristīne Potapoviča

## 3. RISKS

### 3.1. IMPORTANT NOTICE

Issuer is subject to macroeconomic risks, industry risks, legal and business risks, market risks and operational risks. The issue is subject to liquidity, collateral, price and tax risks. Each Investor shall individually assess the risks inherent to operations of the Issuer as such risks can substantially influence the Issuer's ability to pay regular Coupons and redeem Bonds.

Risks listed in this section can reduce the Issuer's ability to meet its obligations and in the worst case can cause insolvency. Investor has to take into account that Issuer's Bonds are not secured by any collateral and that there are no third person guarantees for payment of Coupons or redemption of Bonds. These Terms of Offer might contain incomplete list of all possible risks that might affect the Issuer's operations.

### 3.2. MACROECONOMIC RISKS

Issuer's operating activities are carried out in Latvia and Lithuania and hence Issuer is subject to the economic situation of these countries. After the rapid economic growth period until the year 2007, economies of the Baltic States (Latvia, Lithuania and Estonia) experienced a slowdown, falling GDP, increasing unemployment and deflation. Growth of GDP resumed in year 2011 and in year 2013 it reached 3.6% in Latvia and 3.3% in Lithuania. Even though economic indicators have improved and economies have demonstrated one of the most rapid growth rates among European countries, there are risks of future economic slowdown or stagnation, for instance due to problems in other EU member states. Additionally, negative economic impact can be brought on by escalating EU's sanctions with regards to trade with Russia.

### 3.3. LEGISLATIVE RISK

Currently corporate lending sector in the Baltic States is not regulated and any legal entity has the right to issue loans to other companies. Non-bank corporate lending is also unregulated in other Eastern European and Post-Soviet countries, however, any changes and potential industry regulations can cause additional administrative burden to the Issuer. Legislative risk can be also reflected through state subsidy programs that might directly compete with financial products offered by the Issuer.

### 3.4. CURRENCY RISK

The Issuer provides corporate loans only in euro currency. Furthermore, all liabilities of the Issuer are denominated in euro thus company holds no exposure to effects of currency fluctuations.

### 3.5. COMPETITION RISK

The Issuer competes with several similar non-bank corporate lending institutions in Latvia and Lithuania, however none of these companies works at equivalent scale and focus as the Issuer. Among the key competitors are companies that provide financing to specific client categories, for instance Agrocredit (for agriculture), Mogo and Paskolu Partnerai (both only against collateral loans on vehicles). Furthermore, there is a number of private investors in the Baltic States who may have flexible lending policy and can provide financing to companies at the same or better terms than Issuer. However, operations of these investors are not organized and are not core businesses of such investors. Issuer faces further competition from selected state aid programs, e.g. the state JSC Latvian Development Financial Institution ALTUM (former Mortgage and Land Bank of Latvia) that might have overlapping target client audiences with the Issuer.

In the future direct financing business models (*peer-to-peer lending*) can influence the competitive landscape of corporate lending market. Such p2p financing model is present in Estonia, but due to legislative obstacles is currently not possible in Latvia and Lithuania. Any form of competition can negatively influence operations and the market share of the Issuer, leaving negative impact on the effective yield of Issuer's portfolio. Issuer conducts a regular market on all existing and potential competitors twice a year in order to closely monitor competitive landscape.

### 3.6. CREDIT RISK

Credit risk is exposure to potential losses in case if Issuer's debtors are unable to pay their contractual obligations to the Issuer. To mitigate such potential losses Issuer has developed a set of detailed procedures for estimating credit risk both before issuing each loan and as a part of loan monitoring actions. Creditworthiness of Issuer's clients is evaluated based on

of industry, company, available collateral, as well as current and forecasted cash flow analysis. Analytics of clients' creditworthiness is performed in proprietary loan management system developed by the Issuer.

### 3.7. REFINANCING RISK

Bond issue will make up to 75% (seventy five percent) of the total liabilities of the Issuer. Bonds are issued with four year maturity period and there is risk that at the maturity date of these debt obligations Issuer won't be able to refinance the debentures. If required by specific circumstances Bond maturity date may be prolonged in line with conditions of section 5.7 "Request for Exemption" of these Terms of Offer.

### 3.8. DEPENDENCE ON KEY EMPLOYEES

Operations of the Issuer are dependent on its ability to attract, maintain and motivate qualified employees. Situations when Issuer faces difficulties in retaining key employees and does not succeed attracting new specialists can negatively affect financial standing of the Issuer.

### 3.9. OPERATIONAL RISK

Operational risk is non-financial risk that is related to insufficient or unsuccessful internal processes, poor personnel performance and external circumstances that can lead to financial problems of the Issuer. To mitigate such risks Issuer has developed management, accounting, internal audit and human resource procedures based on the best practices of similar microlending institutions in the Eastern Europe.

### 3.10. LIQUIDITY RISK OF THE ISSUER

Liquidity is ability of the Issuer to provide for expected and unexpected requirements of additional funds to cover all financial liabilities in a timely manner. It includes ability of the Issuer to convert the assets into cash with little or no loss of value, or to borrow funds for a price that corresponds to the average long-term cost of Issuer's capital. To control for the liquidity risk Issuer follows a liquidity management policy keeping current assets in the form of cash or short term financial instruments in the target amount of 5% of the total asset value, as well as maintaining a list of potential short-term lenders.

### 3.11. RISK FACTORS ASSOCIATED WITH THE ISSUED SECURITIES

#### 3.11.1. Collateral risk

Bonds are not secured by collateral and in case of insolvency of the Issuer Bondholders' claims are recovered from the proceeds of realization of the Issuer's assets. Bondholders have to take into account that the core business of the Issuer is corporate lending and the main assets of the Issuer are comprised of a loan portfolio. Value of the portfolio can change when subject to any of the outlined risks.

#### 3.11.2. Liquidity risk

Bonds will be listed on NASDAQ OMX debt market, however, nor can Issuer nor any third party guarantee liquidity of Bonds in the secondary market. In accordance to the Terms of Offer section 4.10, the Issuer commits, at the request of a Bondholder, to provide bid and ask prices for Bonds and, with limitations, ensure to Investors possibility to buy and sell Bonds to the Issuer at the provided prices.

#### 3.11.3. Price risk

Bonds will be redeemed at maturity at their Face Value, however, prices of Bonds may be subject to fluctuation during their quotation in the secondary market. Nor Issuer nor any third party can commit to maintain certain price level of the Bonds.

#### 3.11.4. Tax risk

Applicable current tax regiment and withholding procedures to Latvian tax residents, non-residents and residents of other countries can be subject to changes. Issuer shall not be liable for compensation to Bondholders in case of changes of such tax burdens.

## **4. INFORMATION ON OFFERED SECURITIES**

### **4.1 FUNDING OBJECTIVES**

Objective of the Bond issue is to refinance existing short-term liabilities of the Issuer with long-term capital as well as to provide financing for growth of the Issuer. Future growth prospects of Issuer's corporate lending operations are highly dependent on its ability to attract capital to grow the lending portfolio. Furthermore, Bond issue facilitates Issuer's liquidity risk management and financial planning. Also Issuer expects that this Bond issue will positively affect its recognition and public image both among potential clients and investors.

### **4.2. BACKGROUND INFORMATION**

Debt securities offered by the Issuer are bearer form securities. Any person holding Bonds in their securities account has the right to receive quarterly Coupons and Face Value payment at the date of maturity. Issuer may issue a total of 3,000 (three thousand) Bonds with Face Value EUR 1,000 (one thousand euro) each, corresponding to the total value of the Issue of EUR 3,000,000 (three million euro). Size of the initial issue is 1,000 (one thousand) Bonds with the total nominal value of EUR 1,000,000 (one million euro). Issuer shall issue Bonds until the maturity date and set new offering price at the time of each issue round taking into account the accumulated Coupon income on the proposed settlement day.

According to the Financial Instrument Market Law, in the Republic of Latvia, Bond offer will be limited to 150 (one hundred and fifty) Investors. Issuer shall keep electronic register of the Investors who have been prospectus with regards to purchase of Bonds.

ISIN (International Securities Identification Number) of Bond issue that is assigned by LCD is LV0000801488.

### **4.3. LEGAL ACTS REGULATING THE ISSUE**

This Issue of Bonds shall be governed in accordance with the Commercial law, the Financial Instrument Market law, LCD rules and other effective applicable legal acts. Any claim regarding Bonds shall be settled in the court of the Republic of Latvia in accordance with legislative acts of the country. Issuer has verified information provided in the Terms of Offer in Latvian and any provided translated versions to other languages are prepared only for convenience of Investors. In case of dispute, Latvian version of the Terms of Offer has priority over translations to any other languages.

### **4.4. SECURITIES DETAILS, TYPE AND FORM**

Bonds are dematerialized bearer securities. Issue is registered by LCD that will also perform safe-custody, clearing and settlement of the Bonds.

### **4.5. ISSUE CURRENCY**

Bond Issue currency is euro.

### **4.6. COLLATERAL**

Bonds bear equal rights to other unsecured liabilities of the Issuer. In case of insolvency of the Issuer Bondholders shall have the same rights to receive their investment as other creditors of the same group in accordance with applicable legislative acts. At the time of preparation of the Terms of Offer, there are no agreements or other documents that would subordinate the claims of Bondholders to other creditors of the Issuer.

### **4.7. RIGHTS AND RESTRICTIONS RELATED TO THE FINANCIAL INSTRUMENTS**

Each Bondholder has the right to receive Coupon and Face Value payments in accordance to procedures set in the section 4.8 "Conditions of the coupon payment" and section 4.9. "Redemption of the Bonds" of the Terms of Offer.

### **4.8. CONDITIONS OF THE COUPON PAYMENT**

The annual Coupon rate is 12% and it is fixed until the redemption of Bonds. Coupon payments are paid quarterly for the past 3 calendar months period and on the following dates: January 25, April 25, July 25 and October 25. Date of calculating Coupon payment is the 5th (fifth) working day before Coupon payment date. The first Coupon payment will be made on October 25, 2014. Issuer shall determine the list of Bondholders at the Coupon calculation date.

Issuer shall make all Coupon payments through LCD. The procedure of making the Coupon payments is stipulated in LCD rules No.8 “On Payment of Dividends, Coupons, Principal, and Other Cash Proceeds”.

Should Coupon payment date should be on a public holiday, Issuer shall make Coupon payment on the next working day following such holiday. However, if the closest working day will fall in the following month, Coupon payment shall be made one day before such holiday.

Coupon payment shall be calculated as follows:

$CPN = F * C / 4$ , where

CPN – amount of accrued Coupon interest payable in the Issue currency per one Bond;

F – Face value (nominal value) of a single Bond;

C – Annual Interest Rate.

If Issuer has not paid Coupon payment as set in the Terms of Offer, Bondholder shall be entitled to submit a claim to the Issuer demanding payment of Coupon not earlier than in 5 (five) working days after the set Coupon payment date.

#### 4.9. REDEMPTION OF THE BONDS

Face Value of Bonds in the amount of EUR 1,000 (one thousand euro) per one Bond shall be repaid on the Bonds’ maturity date by making a lump-sum payment. The maturity date of Bonds is October 25, 2018.

The Issuer shall pay Face Value on the Bonds’ maturity date through LCD in accordance with LCD rules No. 8 “On Payment of Dividends, Coupons, Principal, and Other Cash Proceeds”. Should Bonds’ maturity date appear to be on a public holiday, Issuer shall pay Face Value of Bonds on the next working day following such holiday.

Should Issuer fail to make the settlement of the Bonds on the date set forth in the Terms of Offer, Bondholders shall be entitled to submit a claim to Issuer demanding payment of Face Value not earlier than in 5 (five) working days after the set Bonds’ maturity date.

#### 4.10. EARLY REDEMPTION AND REPURCHASE OF THE BONDS

Before the Bond maturity date Issuer has the right to redeem Bonds (*call option*) on each Coupon payment date for the price equal to 100% of the Face Value. Issuer has further right to redeem any Bonds that Issuer has purchased in the secondary market. If Issuer decides to redeem Bonds, Issuer shall submit a notice to the Bondholders at least 10 (ten) working days before the date of redemption by publishing such information in the Stock Exchange NASDAQ OMX Riga information system and the Central Storage of Regulated Information (ORICGS). Until Bonds will be listed on NASDAQ OMX Riga public market, information to Bondholders will be distributed in accordance to procedure as set in section 5.1.

Issuer will ensure to Bondholders an opportunity to trade Bonds by providing (upon request) bid and ask prices for which Issuer would be ready to buy or sell Bonds taking into consideration the following conditions:

- Difference between Bond sales and purchase prices (bid/ask spread) shall not exceed EUR 50 (fifty euro). Bond price (the clean price) is calculated using the formula indicated in the section 4.12. of the Terms of Offer;
- By providing the purchase and sales price offer, Issuer indicates the amount of Bonds it would be ready to buy or sell;
- Issuer shall not be entitled to repurchase Bonds from Bondholders if such transaction can lead to liquidity risk to the Issuer. Liquidity risk is defined as having cash reserves less than 5% of the total assets in accordance to the last published quarterly financial data of the Issuer.

Bondholders shall submit applications for sale or purchase of Bonds by email to address [info@capitalia.lv](mailto:info@capitalia.lv) indicating the preferred amount (number of Bonds), type of transaction (buy/sell) and identification data of the Bondholder (name, surname and personal code). In case if during one day Issuer receives Bond repurchase applications from more than one Bondholder, requests shall be executed in full or partial amount. If the requests are executed partially (because of limitations related to the liquidity risk) such requests should be filled proportionally to the requested repurchase amount. Requests that are received on different dates Issuer will process in the order of reception. Minimum number of Bonds that Issuer shall trade with the Bondholder is 1 (one) Bond. Deals exceeding 100 (one hundred) Bonds will be published in the Stock Exchange NASDAQ OMX Riga information system and the Central Storage of Regulated Information (ORICGS). Until

Bonds will be listed on NASDAQ OMX Riga public market, information to Bondholders will be distributed in accordance to procedure as set in section 5.1. Repurchased Bonds Issuer can re-sell to other Bondholders or redeem.

#### 4.11. METHOD OF CALCULATING ACCRUED INTEREST INCOME

Coupons will begin to accumulate from September 1, 2014. For calculation purposes it will be assumed that one year consists of 360 (three hundred sixty) days and one month consists of 30 (thirty) days (Day count convention – “European 30/360”). Between Coupon payment dates, amount of accrued Coupon income shall be calculated as follows:

AI = F x C / 360 x D, where

AI– accrued interest;

F – Face Value of a single Bond;

C – Annual Interest Rate;

D – number of days since the beginning of the interest accrual period, using 30/360 day count convention.

#### 4.12. METHOD OF CALCULATING THE BOND PRICE

Bond price shall be calculated as discounted price to Face Value, using the following formula. Calculated price is the “dirty” price of the Bonds (*dirty price*) that includes the value of interest accruing on the following Coupon payment.

$$P = \left[ \sum_{k=1}^N \frac{100 \times \frac{c}{f}}{\left(1 + \frac{r}{f}\right)^{\left(k-1 + \frac{a}{b}\right)}} \right] + \left[ \frac{FV}{\left(1 + \frac{r}{f}\right)^{\left(N-1 + \frac{a}{b}\right)}} \right] - \left[ 100 \times \frac{c}{f} \times \frac{b-a}{b} \right], \text{ where}$$

P – Bond price;

FV – Bond Face Value;

r – annual interest rate (*yield*);

f – number of Coupon payments per year;

c – annual Coupon rate;

N – number of remaining Coupon payments;

a – number of days from the settlement day till the next Coupon payment;

b – number of days from the last Coupon payment day till the next Coupon payment.

#### 4.13. REPRESENTATION OF THE BONDHOLDERS

Under the Issue described in these Terms of Offer, there are no provisions for restrictions on rights to establish an organization for the Bondholders’ representatives. In case of Issuer’s insolvency, each Investor shall be entitled to represent its interests at the meetings of creditors and any Investor’s rights to get back its investment shall be equal to those of other similar creditors.

#### 4.14. DECISIONS ON THE BOND ISSUE

Bonds are issued pursuant to the Issuer’s decision of the meeting of shareholders, dated 1 February 2014 (No.1/2014). The Board of the Issuer made a decision on public offering of securities and approved the Terms of Offer on July 18, 2014 (No.2/2014).

#### 4.15. RESTRICTIONS ON FREE TRANSFERABILITY OF THE BONDS

There are no restrictions on transferability of securities in the secondary market. Bondholders are not entitled to make a public offering of the Bonds, except when in accordance with applicable legislative acts.

#### 4.16. PLACEMENT OF THE BONDS

##### 4.16.1. Total value of the issue

The total nominal value of the Bond issue is EUR 3,000,000 (three million euro). Total nominal value of the first round of Bonds issue is EUR 1,000,000 (one million euro).

#### 4.16.2. Subscription terms and procedure

Orders for the purchase of Bonds can be submitted from August 1, 2014 until the Bond maturity date. The first round of the initial offering will close on September 1, 2014. Investors shall submit orders for purchasing Bonds electronically by submitting such request to email address [info@capitalia.lv](mailto:info@capitalia.lv) or delivering a written request to the legal address of the Issuer.

Submitted order for purchasing Bonds shall include the personal code or registration number, securities account number, contact information, amount of Bonds to be acquired, payment date (shall be no more than 5 (five) working days after the order submission date) and the total payable amount. All orders submitted after September 1, 2014 shall include the offered Bond's purchase price if it differs from the Bond's Face Value. In case of electronic submission, representative of the Issuer will contact the Investor to confirm the received information. Submitted orders are irrevocable and unchangeable. Issuer has right to reject any Investor's submitted order. Minimum number of the Bonds that a single Investor may apply for is 10 (ten) Bonds but the maximum number is 1,000 (one thousand) Bonds. Submitted orders shall be processed in the order of submission. If two or more orders are submitted simultaneously Bonds shall be issued to Investors in the amount set by the Issuer but not more than requested in the submitted order.

#### 4.16.3. Bond price

Any Investor can purchase the Bonds for price that is 92% of the Bond's Face Value, if the payment date indicated in the submitted order is before or including September 1, 2014. In the submitted orders with indicated payment date after September 1, 2014 Investor shall specify its Bond price offer that the Issuer can accept or reject. After September 1, 2014 Bond price and yield that the Issuer and Investor agrees on the date of signing shall be calculated according the formula indicated in the section 4.12. of the Terms of Offer. All individual costs related to the Bond purchase are covered by Investor.

#### 4.16.4. Settlement method and delivery of the Bonds

On the settlement date Investors shall transfer the payments to the following account of the Issuer: LV27HABA0551017085790, AS "Swedbank", in the amount equal to the total payment value indicated in the submitted Bond purchase order. After receiving full payment Issuer will submit order to LCD to transfer Bonds to Investor's account as indicated in the application. Payment for the Bonds can be made through a netting transaction.

If Investor transfers less than the total payment value or makes the transfer after the settlement date, Issuer shall return the transferred payment in full amount within 5 (five) working days. If the Investor transfers larger amount than the total payment value, Issuer shall return the difference to Investor within 5 (five) working days.

#### 4.16.5. First purchase right

No Investor is entitled to have first purchase rights of the Bonds.

#### 4.16.6. Depository

Functions of the depository shall be performed by LCD.

## 5. SPECIAL CONDITIONS

### 5.1. DISCLOSURES

Until maturity of Bonds, Issuer shall publish all information according to the applicable legal acts, including NASDAQ OMX Riga rules. Before admission to the regulated market Issuer shall inform all Bondholders on relevant information by e-mail, but after the admission – through NASDAQ OMX Riga information system and in the Central Storage of Regulated Information system OOICGS.

### 5.2. ISSUER'S INSOLVENCY

Each of the following cases is considered to be an insolvency situation:

- Issuer has not paid regular Coupon payment in full amount for more than 5 working days after set payment date;
- The Issuer has not paid Face Value of Bonds in full amount for more than 5 working days after set payment date;
- The Issuer has been declared insolvent;
- The Issuer has filed for liquidation in accordance to the legislation of the Republic of Latvia;
- The Issuer has violated conditions set in the Terms of Offer section 5.4 “Limitations” or 5.6 “Capital adequacy”.

### 5.3. PENALTIES

If Issuer has not paid the agreed Bond payment in full amount to any Bondholder at the set payment date, upon request of the Bondholder Issuer shall pay a penalty in the amount of 0,05% (zero point zero five percent) per day of the overdue amount, calculating from the set payment date (excluding) till the actual payment date (including).

### 5.4. LIMITATIONS

From the Bond issue date until the Bond maturity Issuer and its subsidiaries shall not do any of the following activities without explicit permission from Bondholders owning more than 51% of Bonds:

- to close deals with any Related parties except if the transaction corresponds the market price and the deals are identified in the quarterly reports to Bondholders;
- to invest in shares of other companies, except if at least 51% of the shares are acquired and the company operations are related to the core business of the Issuer;
- to sell, lease or in any other form allow third parties to use the registered trademarks of Issuer and its subsidiaries;
- to attract secured creditors that would subordinate the rights of Bondholders in amount that exceeds 20% of the Issuer's assets;
- to use Bond issue proceeds for purposes not related to the micro-lending objectives stated in the Terms of Offer;
- to initiate liquidation or to reduce share capital of the Issuer.

The Issuer has to obtain the consent from the Bondholders in accordance with rules set in section 5.7. “Request for Exemption” of the Terms of Offer.

For additional clarification the term “Related parties” refers to any private or legal person that with respect to Issuer is (a) shareholder or (b) board member or (c) employee or (d) spouse to any of the (a) – (c) mentioned persons.

### 5.5. PREMATURE REDEMPTION

In case of Issuer's insolvency (as long as the insolvency situation remains) Bondholder is entitled to submit a written claim to Issuer to request immediate repayment of Bonds owned by the Bondholder. Issuer shall repay Face Value and accrued interest within 5 (five) working days.

### 5.6. CAPITAL ADEQUACY

Issuer ensures that the equity capital and subordinated liabilities to Bonds amounts to at least 20% (twenty percent) of the total assets at the date of each quarterly report (capital adequacy requirement). If the requirement is not met Issuer shall conduct corrective measures until the next quarterly report date and indicate the conducted actions to reach the set minimum criteria.

### 5.7. REQUEST FOR EXEMPTION

Issuer has the right to request an exemption to the conditions set in the Terms of Offer or to receive permission for activities set in the section 5.4. "Limitations" of the Terms of Offer.

Changes to the Terms of Offer can include amendments to any of the sections and is not limited to such Bond parameters as currency, Bond maturity date, Coupon rate, method of calculating the Coupon payment, Coupon and Face Value payments, Bond maturity date and other terms if such terms are not contradictory to the legal acts of the Republic of Latvia.

To request an exemption Issuer shall make the information publicly available at the Stock Exchange NASDAQ OMX Riga web page and in the Central Storage of Regulated Information system (OOICGS) by providing the following information:

- description of the proposed changes;
- reasons for the proposed changes;
- date, when the list of Bondholders that shall express their permission (vote) shall be determined;
- deadline and the given time period during which Bondholder shall support or reject the proposed exemption;
- guidelines on the voting procedure with respect to the proposed exemption;
- announcement that Bondholders have to inform Issuer in case they support the proposed exemption by the set deadline, provision of no information will be considered as rejection of the proposed exemption;
- contact information of Issuer that shall be used for voting and communication (information phone number, address for mailing the filled voting forms, list of addresses of offices of Issuer and its subsidiaries, where Bondholders shall submit the voting forms in person, list of persons authorized by Issuer);
- other relevant information.

Issuer shall request the list of Bondholders from LCD on date that is the 5th (fifth) working day after information is published on the Stock Exchange's web page. The offered time period during which the Bondholder shall support or reject the proposed exemption shall not be shorter than 14 (fourteen) calendar days from the date when the information is published on the Stock Exchange's web page.

Bondholders shall submit signed voting forms with their decision to Issuer by the date set in the published request for exemption. The voting forms shall be delivered to Issuer as a registered letter by mail either in person or by courier at the office of Issuer against signature of an authorized person. The submission date of the voting form shall be considered the date of the postmark or the date of the signature of the authorized person at the moment of receiving the voting form in the office or by fax. The exemption shall be considered accepted if Bondholders owning at least 51% from the remaining Bonds (excluding Bonds owned by Issuer and the related parties – subsidiaries, shareholders, board members or employees) have supported the request for exemption. Bonds owned by Issuer and the related parties (subsidiaries, shareholders, board members or employees) shall not be used to participate in the voting for the exemption.

Issuer shall summarize the submitted votes and announce the results to Bondholders within one working day after the set deadline for submission of the votes. Announcement shall be made by sending information to Bondholders' e-mail addresses or, after admission to the regulated market, by publishing the information in the Stock Exchange NASDAQ OMX Riga information system and in the Central Storage of Regulated Information system (OOICGS).

Any amendments to the Terms of Offer shall take effect the next working day after the information is provided to Bondholders or publication in the Stock Exchange NASDAQ OMX Riga information system (after admission to the regulated market). If the accepted changes to the Terms of Offer refer to Bond parameters, method of calculating the coupon payment, Coupon and Face Value payments the Issuer shall immediately inform LCD.

## **6. ADMISSION TO THE MARKET AND TERMS OF TRADING**

The regulated market maker of Bonds shall be NASDAQ OMX Riga (Stock Exchange), legal address: Riga, 1 Vaļņu Street, LV-1050, Latvia. Phone number +371 67212431, fax +371 67229411, e-mail: riga@nasdaqomx.com. The official web page for general information - [www.nasdaqomxbaltic.com](http://www.nasdaqomxbaltic.com).

Issuer shall submit the required documents for including Bonds in NASDAQ OMX Riga Baltic bond list after it has distributed at least 500 (five hundred) Bonds and after the information prospectus is registered at the FCMC. Trading of the Bonds will be initiated not earlier than at the day when the Stock Exchange decision on listing of the Bonds is received. Stock Exchange bond list shall include all Bonds sold within the initial offering. Bonds distributed in the further issues shall be immediately included in Stock Exchange bond list. Issuer has no arrangements to maintain Bond liquidity in the secondary market.

## **7. ADDITIONAL INFORMATION**

### **7.1. ADVISORS TO THE BOND ISSUE**

None.

### **7.2. INDEPENDENT AUDIT OF THE INFORMATION INCLUDED IN THE TERMS OF OFFER**

The information included in the Terms of Offer has not been examined by independent auditors.

### **7.3. STATEMENTS OR REPORTS OF PERSONS MENTIONED IN THE TERMS OF OFFER**

None.

### **7.4. CREDIT RATINGS**

The Issuer and the Issuer's Bonds have not been assigned a credit rating.

## 8. TAXATION IN LATVIA

Information provided in this Terms of Offer section shall not be treated as legal or tax advice. This section does not contain complete information on all taxes applicable to Investor and investment in Bonds. Tax rates and payment conditions may change during the period from approval of these Terms of Offer till redemption of Bonds. Before making investment decision, Investor should independently and, if necessary, with help of a tax advisor, estimate taxes applicable to this investment, pursuant to the provisions of both the Republic of Latvia legal acts and foreign legal acts, in case if Investor is not a resident of the Republic of Latvia.

For tax purposes, an individual shall be considered a resident of the Republic of Latvia if he permanently resides in the Republic of Latvia, or stays in the Republic of Latvia for more than 183 days within any 12-month period, or is a citizen of the Republic of Latvia employed abroad by the Republic of Latvia government. If an individual does not meet the above criteria, he shall not be considered a resident of the Republic of Latvia for tax purposes. A legal entity shall be considered a resident of the Republic of Latvia for tax purposes if it is established and registered in the Republic of Latvia pursuant to provisions of the Republic of Latvia legal acts. Other legal entities shall be considered non-residents of the Republic of Latvia for tax purposes.

If there is a tax treaty made with the residence country of a non-resident, the tax reliefs set in the treaty shall be complied with. The procedures for application of reliefs are set in the Republic of Latvia Cabinet Regulations No. 178 “Procedures for Application of Tax Relief Determined in International Agreements for Prevention of Double Taxation and Tax Evasion”, adopted on April 30, 2001 and published in the public journal of the Republic of Latvia “Latvijas Vēstnesis” on May 4, 2001. Issuer shall ensure tax payments in the amount and order as set in the Republic of Latvia legal acts.

Legal form	Interest Income tax rate	Capital Gain tax rate	Description
Private individual, resident	10%	15%	Tax on Interest Income is withheld by the payer of income.
Legal entity, resident	0%	0%	As defined in the Republic of Latvia Law on Enterprise Income Tax.
Private individual, non-resident	10%/5% <sup>1</sup>	- <sup>2</sup>	Interest income tax is withheld by the payer of income. <sup>1</sup> 5% shall be applied only if provision of reduced tax rate is defined in the tax convention of the Republic of Latvia and the according country of residence <sup>2</sup> Non-residents can be subject to payment of capital gains tax at their country of residence.
Legal entity, non-resident	0% <sup>3</sup> /15% <sup>4</sup>	- <sup>5</sup>	<sup>3</sup> If the non-resident (except the legal entities registered in a low-tax or tax-free country or territory) receives interest income of publicly traded securities from the EU or the European Economic Area (EEA). <sup>4</sup> If the non-resident – legal entity is registered in a low-tax or tax-free country or territory than tax of 15% shall be withheld by the payer of interest. <sup>5</sup> Non-residents can be subject to payment of capital gains tax at their country of residence.

## 9. INFORMATION ABOUT THE ISSUER

### 9.1. BASIC INFORMATION ABOUT THE ISSUER

The following section of the Terms of Offer summarizes the main legal and operational aspects related to Issuer, including Issuer's history and key events since publishing of the last annual report.

#### 9.1.1 Issuer's name

Issuer's company name is joint stock company Capitalia.

#### 9.1.2. Issuer's place of registration and registration number

Issuer was founded on June 21, 2007 in Riga, Latvia with registration number 40003933213.

#### 9.1.3. Legal information

Issuer's legal address is Riga, Kr.Barona Street 13/15, LV-1011, phone number is +371 28800880 and e-mail [info@capitalia.lv](mailto:info@capitalia.lv). Legal form of the company is joint stock company and the country of incorporation is the Republic of Latvia. Issuer operates pursuant to the commercial law and other applicable legal acts of the Republic of Latvia. Bond placement in the secondary market is regulated in accordance with requirements of the Financial Instrument Market law and regulations of the NASDAQ OMX Riga and LCD.

#### 9.1.4. Issuer's history and development

Issuer's history since the foundation is as follows:

2007	Company was founded with a goal of conducting direct investments in private companies
2009	Capitalia starts to provide financial consulting services to SME companies in Latvia
2010	Capitalia starts issuing short-term corporate loans. Through an associated company Capitalia Kredīti, SIA short-term loans of up to EUR 25,000 are offered to business in Latvia. Loans are financed through an open-ended fund structure
2011	Capitalia Kredīti, SIA opens a branch in Lithuania
2012	Capitalia Korporatīvās Finances, SIA is founded and operates under franchise agreement to offer corporate finance advisory to SME companies; 100% owner is Pāvels Šnejersons
2012	Capitalia is selected by European Investment Fund to receive JASMINE Technical Assistance that is designed to increase the quality of internal processes of microfinance institutions (MFIs) active in the European Union
Apr 2013	Capitalia acquires company POScredit, SIA, competing business in the corporate lending segment. Acquisition strengthens Capitalia's position in the non-bank lending sector in Latvia
Jun 2013	Capitalia begins to take over lending operations from Capitalia Kredīti, SIA on account of the expected legislation amendments and to increase the transparency of the operations. Liquidation of Capitalia Kredīti, SIA is initiated
Sep 2013	Within the reorganization process Capitalia is merged with POScredit, SIA and Rinovus, SIA to simplify the legal structure of the group of related companies
Oct 2013	Capitalia starts reorganization from limited liability to joint-stock company
Mar 2014	Merger with POScredit, SIA and Rinovus, SIA and re-organisation has been concluded
May 2014	Capitalia introduces two new business financing products – factoring and revenue-based financing
May 2014	Capitalia merges with Capitalia Investīciju Pārvalde, SIA and Capitalia Konsultācijas II, SIA, increasing the total share capital to EUR 226,490
Jun 2014	Agreement with governmental institution Latvian Guarantee agency, SIA is signed acquiring the right to manage SME microlending portfolio with state aid to support (co-financing)

### 9.1.5. Recent events

Since the day of publishing the last audited annual report, Issuer has had no events that might significantly affect the Issuer's solvency in the current or the following financial periods.

## 9.2. BUSINESS OVERVIEW

The core business of Capitalia is providing short and medium term business loans in Latvia and Lithuania. Lending operations in Lithuania are provided through a limited liability daughter company Capitalia Kreditai. Issuer has two offices –in Riga and in Vilnius.

At the date of preparation of the Terms of Offer Issuer provides the following corporate lending products:

- **Microloan.** Loan in amount from EUR 1,000 to EUR 25,000 with loan term from 6 to 36 months. Product is available in Latvia and Lithuania and at the end of year 2013 was 83% of all issued loans. Target clients for the product are companies with turnover of EUR 100-500 thousand.
- **Express loan.** Loan in amount from EUR 1,000 to EUR 25,000 with loan term from 1 to 6 months. Product is available in Latvia and Lithuania and at the end of year 2013 was 11% of all issued loans. Target clients for the product are companies with turnover from EUR 500-2000 thousand, which require short term financing.
- **POS credit.** Factoring type of financing in amount of EUR 1,000 to EUR 25,000 with loan term up to 12 months. Product is available only in Latvia. It is an automated financing product developed in collaboration with the commercial bank Citadele. POS credit is suitable for merchants and service providers that use POS terminals for customer payments. At the end of year 2013 POS credit formed 6% of all issued loans.
- **Factoring.** Factoring product in amount of EUR 7,000 to EUR 25,000 to factorize accounts receivable from Latvian and Lithuanian companies. The product has been offered in test mode since the second half of 2013 and publicly launched to the market in May 2014.
- **Revenue-based financing.** Financing product in amount from EUR 25,000 with loan term from 6 to 36 months. Product is available only in Latvia. Instead of paying a fixed interest rate clients repay loans as a fixed portion from the monthly revenue. Product is offered in the market since May 2014.

In specific circumstances Issuer provides loan in excess of maximum indicated range under a condition that the total loan amount to one company does not exceed 5% of the total assets of Issuer. Depending on the product and risk assessment of the client loans are issued with interest rates from 20% per annum. Issuer provides financing to companies that require additional capital for investment or working capital. Issuer does not finance businesses in financial difficulties or with signs of insolvency regardless of the requested loan amount or provided collateral. Lending decisions are made based on proprietary evaluation and administration methodology that is developed from best practices of commercial banks and through consultation of European Investment Fund specialists (within the JASMINE Technical assistance program).

Loans are issued according to the following general lending policy:

- The loan term shall not exceed 36 months;
- Total loan amount to one company (and its related parties) shall not exceed 5% of the total assets of the Issuer;
- Loans to businesses operating in one industry shall not exceed 30% of the total assets of the Issuer;
- Loans shall not be issued to businesses in financial difficulties or with signs of insolvency.

New customers are attracted through advertising channels like online advertising and print media as well as through distribution of information among partner institutions (such as business incubators and commercial banks). Telemarketing and direct mail channels are also utilized for campaign activities.

Credit risk assessment methodology evaluates client's cash flow, collateral and other (including soft) factors. Evaluation is based on the financial data provided by the company, bank account statements and other requested data (as necessary). Loans are evaluated by loan officers, while the final decisions are conducted by credit committee that consists of at least two members. All loans are secured by personal guaranties with additional collateral like pledge of fixed assets, vehicles or real estate required based on the loan amount and risk of the client. Amortization of the issued loans starts from the first payment, one month after issuance of the loan. Financial situation of clients is monitored following a separate set of procedures.

Clients that are late on regular payment are subject to specific monitoring conditions. If necessary, site visit and collateral inspection is arranged. For all clients that are late more than 15 days or whose payment schedule has been restructured, provisions for potential loan losses are established.

Whenever possible Issuer aims to resolve any disputes with clients through mutual negotiations and seeks an acceptable solution to both parties either through sale of collateral or restructuring of liabilities. Clients that are not responsive to negotiations, and in cases of fraud or continually delayed payments (delay exceeds 30 days) Issuer submits the cases to outsourced debt collection agencies in Latvia and Lithuania.

In order to ensure automatization of the main operating functions, Issuer has developed internal loan management and CRM system, which is maintained by outsourced IT specialists.

The Issuer's primary market is Latvia with 75% of the total credit portfolio being issued in this country. Average issued loan term in Lithuania is 6.9 months, in Latvia – 9.1 months. Average issued loan amount in Lithuania is EUR 7.0 thousands, in Latvia – EUR 9.3 thousands.

### 9.3. COMPETITION AND MARKET SITUATION

After the financial crisis of 2008 and 2009, commercial banks have substantially decreased their lending activities to SME sector. With the economic recovery in 2010 businesses were actively looking for alternative growth and investment opportunities experiencing lack of financing from traditional sources. Such gap in financing has been filled by financing products offered by Issuer.

Issuer competes with a number of similar non-bank corporate institutions in Latvia and Lithuania. In both markets direct competitors are companies with local capital that have started their operations in 2013 - MVU Centrs (Latvia), Agrocredit (Latvia), Nordic Finance (Latvia) and Paskolu Partnerai (Lithuania). Further indirect competitors of the Issuer are private investors, investment companies of the private investors, short-term lenders (for private individuals) and commercial banks. The main competitive advantages of Issuer are: short loan evaluation time and simple lending procedure, wide partner network for attracting new customers, as well as the tailored micro-lending procedures. Such procedures have been substantially improved through the training program under JASMINE Technical Assistance by European Investment Fund.

### 9.4. DEVELOPMENT PLANS

Issuer aims to consolidate its position as the leading non-banking corporate lender in the Baltic States. By combining under a single brand financial advisory services and financing products (micro-lending and mezzanine investments) Capitalia can ensure proprietary deal-flow and maintain long-term relationships with its clients. Issuer has positioned itself in the market as institution that provides financing and financial advice for companies that are unable to attract bank financing. In the future Issuer plans to enter new geographic markets (for example, Estonia) and to introduce new financing products, as well as fine-tune existing product offering.

### 9.5. EMPLOYEES

Issuer's team combines experience of commercial lending, mezzanine financing, investment banking, venture capital, restructuring and entrepreneurship. Daily operations of the company are managed by two loan managers in Latvia and one in Lithuania. Accounting, legal, marketing, IT and debt collection services are outsourced. All external partners are selected through a tender and/or through recommendations.

All key investment, restructuring and other operating decisions are made by investment committee that consists of the following members:

**Juris Grišins.** International experience in investment banking and investment field working for the leading corporate finance houses in Eastern Europe, Iceland and Sweden. Since 2006 Juris managed one of the largest local venture capital funds in Latvia with the total asset size of EUR 9.3m. Currently Juris is board member of Latvian Venture Capital association and founder of REA Mentorship club and Business Angel's network. Education - Stockholm School of Economics in Riga (BSc), Warwick Business School (MBA).

**Pāvels Šnejersons.** Business management professional with more than 10 years of experience in various managerial positions. Pāvels was instrumental in successful development of the leading local commercial bank AB.LV, where he held various executive positions, including head of corporate lending department. Education – Latvian University Legal department (Bsc), Stockholm School of Economics in Riga (Executive MBA).

## 9.6. STRUCTURE OF THE ISSUER AND RELATED PARTIES

Issuer has the following daughter companies:

Company	Registration No.	Share, %	Business profile
Capitalia Kredítai, UAB (Lithuania)	302718931	100%	Corporate micro-lending operations in Lithuania
Capitalia Kredīti, SIA (Latvia)	40103290697	100%	No active operations, liquidates troubled loan portfolio

Issuer has the following related companies:

Company	Registration No.	Owner	Business profile
Capitalia Korporatīvās Finances, SIA	40103581678	Pāvels Šnejersons (100%)	Provides corporate finance services to small and medium sized companies in Latvia. Operates under Capitalia brand (franchise agreement)

## 9.7. ISSUER'S GOVERNANCE STRUCTURE

The governance structure of the Issuer is comprised of shareholder meeting, council and board. Daily operating activities are conducted by the board.

### 9.7.1. Issuer's council:

Name, surname	Position held	Position held besides the Issuer's Council
Mārtiņš Krūtainis	Chairman of the Council	Superia, SIA, Manager. Company provides corporate finance advisory in the Baltic States
Andrejs Strods	Deputy Chairman of the Council	Blue Bridge Technologies, SIA, Manager. Company develops IT software for healthcare industry
Jānis Dubrovskis	Member of the Council	Baltikums Bank, AS, Chief Financial Officer. Licensed commercial bank in Latvia

### 9.7.2. Issuer's board:

Name, surname	Position held	Main responsibilities
Juris Grišins	Chairman of the Board	Ensures the operating and administrative management of the company

### 9.7.3. Government, management and supervisory member activities besides Issuer

The members of Issuer's council hold shares in other companies with participation of at least 50%, but such holding have no relations to operations of the Issuer. Board member of Issuer owns shares in the following companies:

Company	Registration No.	Share, %	Business profile
CK3, SIA	40103791729	100%	Provides financial and strategic advisory to corporate clients

### 9.7.4. Potential conflicts of interest

Persons listed in the above section may have conflicts of interest with respect to Issue. To avoid potential conflicts of interest and to minimize consequences of the potential conflicts, Issuer follows restrictions set in the legislation of the Republic of Latvia with respect to transactions with related parties. In addition, Issuer follows internal set of procedures dealing with management of internal conflicts of interest. At the date of preparation of these Terms of Offer all members of the Issuer's council are also creditors of the company.

## 9.8. ISSUER'S SHAREHOLDING STRUCTURE

The paid-in statutory share capital of Issuer is 226,490 (two hundred twenty-six thousand four hundred and ninety) shares with the total nominal value in amount of EUR 226,490 (two hundred twenty-six thousand four hundred and ninety euro). All shares of Issuer are owned by a citizen of the Republic of Latvia. Issuer has no information on agreements that could lead to changes in the shareholder structure.

## 9.9. MANAGEMENT PRACTICES

Management policies of the company are based on the best governance practice examples in Latvia and internationally. Management of the company is supervised by independent council. Company has set accounting and internal audit policies. In addition, the Issuer has developed lending, administrating and human resource management procedures and guidelines.

## 9.10. CONTRACTS

Issuer and its subsidiaries have not entered in any undisclosed contracts with responsibilities or liabilities that might affect Issuer's ability to meet its obligations towards Bondholders.

## 9.11. LEGAL AND ARBITRATION PROCEEDINGS

According to the information available to the board of Issuer as on the date of these Terms of Offer Issuer is not involved in any legal and arbitrary proceedings that could significantly affect Issuer's financial position and solvency or influence the obligations with respect to the Bond issue described in the Terms of Offer.

## 9.12. AVAILABLE DOCUMENTS OF THE ISSUER

The following documents of Issuer are available to Investors for evaluation:

- Capitalia, AS incorporation documents and statutes (in Latvian);
- The Issuers financial information for two financial years – 2012 and 2013 (in Latvian).

## 9.13. OTHER INFORMATION

All disputes between the Bondholders and Issuer shall be settled in the court of the Republic of Latvia in accordance with relevant legislative acts of the state. Issuer has prepared and signed the Terms of Offer in Latvian language and any provided translations to other languages are prepared only for convenience to Investors. In case of dispute, Latvian version of the Terms of Offer has priority over translations to any other languages.

## 10. FINANCIAL INFORMATION

Financial information that is included in these Terms of Issue is taken from the audited and approved Issuer's financial statements for the years 2012 and 2013. Annual report for 2013 has been prepared in accordance to International Financial Reporting standards (IFRS). Financials of Issuer's daughter company in Lithuania have not been audited. Operating financial results for the first 6 months of 2014 have been prepared separately for operations in Latvia (LAT) and Lithuania (LIT), as well as in consolidated form (GROUP).

### 10.1. BALANCE SHEET

EUR	LIT	LAT	LIT	LAT	LIT	LAT	GROUP	GROUP
	2012	2012	2013	2013	2014 1H	2014 1H	2013	2014 1H
Intangibles	0	679	0	2 021	0	387	2 021	387
Fixed assets	0	3 017	0	14 223	0	12 022	14 223	12 022
Issued loans, net	0	0	128 213	448 043	227 357	700 166	576 256	927 523
<i>Issued loans, gross</i>	-	0	141 469	458 132	243 201	721 753	599 601	964 954
<i>Provisions for losses</i>	-	0	13 256	10 090	15 844	21 587	23 345	37 431
Cash and equivalents	-	13 779	11 510	153 759	6 471	17 747	165 268	24 218
Loans to daughter companies	0	0	0	144 761	0	210 650	0	0
Other interest bearing assets	0	69 941	2 725	14 727	2 725	82 298	17 452	85 023
Other assets	0	195 740	905	13 091	1 288	18 460	11 093	16 845
<b>ASSETS</b>	-	<b>283 155</b>	<b>143 353</b>	<b>790 624</b>	<b>237 841</b>	<b>1 041 730</b>	<b>786 314</b>	<b>1 066 018</b>
Equity capital	0	25 796	-8 546	73 842	23 561	203 805	62 400	224 447
<i>Statutory capital</i>	0	2 846	2 896	123 790	2 896	226 635	123 790	226 635
<i>Reserves</i>	0	19 437	129	-16 726	-11 442	-19 421	-16 597	-30 863
<i>Current period profit</i>	0	3 513	-11 571	-33 222	32 107	-3 409	-44 793	28 675
Long term liabilities	0	93 641	143 479	109 388	207 260	5 691	109 364	5 691
Short term liabilities	0	130 193	0	582 784	0	793 977	582 784	793 977
Other liabilities	0	33 526	8 420	24 610	7 020	38 256	31 765	41 903
<b>LIABILITIES</b>	<b>0</b>	<b>283 155</b>	<b>143 353</b>	<b>790 624</b>	<b>237 841</b>	<b>1 041 730</b>	<b>786 314</b>	<b>1 066 018</b>

## 10.2. PROFIT AND LOSS STATEMENT

EUR	LIT	LAT	LIT	LAT	LIT	LAT	GROUP	GROUP
	2012	2012	2013	2013	2014 1H	2014 1H	2013	2014 1H
<b>Operating income</b>	<b>0</b>	<b>2 629</b>	<b>11 548</b>	<b>158 279</b>	<b>62 261</b>	<b>122 321</b>	<b>169 827</b>	<b>184 582</b>
Interest income	0	2 634	9 585	151 065	45 389	112 078	160 650	157 467
Comission income	0	0	1 589	3 733	3 750	5 600	5 322	9 350
Penalties and similar income	0	-5	375	3 481	13 122	4 643	3 855	17 765
<b>Operating expenses</b>	<b>0</b>	<b>10 675</b>	<b>14 840</b>	<b>123 268</b>	<b>14 675</b>	<b>72 162</b>	<b>136 524</b>	<b>75 030</b>
Interest expense	0	9 665	1 584	113 352	11 808	57 834	113 352	57 834
Change in loan loss provisions	0	0	13 256	8 804	2 588	11 498	22 060	14 085
Write-offs	0	1 010	0	0	0	1 615	0	1 615
Debt collection charges	0	0	0	1 112	280	1 215	1 112	1 495
<b>Gross income</b>	<b>0</b>	<b>-8 046</b>	<b>-3 291</b>	<b>35 011</b>	<b>47 586</b>	<b>50 159</b>	<b>33 303</b>	<b>109 552</b>
							<b>0</b>	<b>0</b>
<b>Administration expenses</b>	<b>0</b>	<b>55 742</b>	<b>9 014</b>	<b>93 128</b>	<b>15 542</b>	<b>66 177</b>	<b>102 142</b>	<b>81 720</b>
Salaries	0	2 566	3 998	12 911	6 029	31 142	16 909	37 171
Marketing costs	0	15 457	1 472	24 006	3 100	7 476	25 478	10 576
Outsourced services	0	14 224	382	10 490	1 355	9 113	10 872	10 468
Rent and similar expenses	0	1 150	2 459	23 712	3 516	10 926	26 172	14 442
Other expenses	0	22 345	702	22 008	1 542	7 521	22 711	9 063
<b>Other expenses</b>	<b>0</b>	<b>-70 845</b>	<b>-893</b>	<b>-31 126</b>	<b>-1 778</b>	<b>-12 610</b>	<b>-30 435</b>	<b>-2 556</b>
Depreciation	0	1 721	0	6 220	0	4 721	6 220	4 721
Income from daughter comp	0	147	0	1 584	0	11 830	0	-1.21
Other income	0	84 048	1 160	57 664	1 778	11 768	58 824	13 546
Other expenses	0	11 629	267	21 902	1	6 268	22 169	6 268
<b>Profit before taxes</b>	<b>0</b>	<b>7 057</b>	<b>-11 413</b>	<b>-26 991</b>	<b>33 821</b>	<b>-3 409</b>	<b>-38 404</b>	<b>30 389</b>
Corporate income tax	0	3 544	158	6 231	1 714	0	6 389	1 714
<b>Net profit</b>	<b>0</b>	<b>3 513</b>	<b>-11 571</b>	<b>-33 222</b>	<b>32 107</b>	<b>-3 409</b>	<b>-44 793</b>	<b>28 675</b>