



# **SIA DN Operator**

## **INTERIM FINANCIAL REPORT Q4 2021**

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## **GENERAL INFORMATION**

Name of the company	SIA DN Operator
Legal status of the company	Limited liability
Registration number, place, date	42103092209, Rīga, Latvia, 09.04.2019.
Legal address	Gustava Zemgala gatve 74, Rīga, LV-1039, Latvia
Investment broker firm license number, issuer and date	06.06.08.728/537, Financial and Capital Market Commission (FCMC) (Latvia), 21.09.2021.
Board	Member of the Board Mārtiņš Liberts (from 10.05.2019) Member of the Board Mārtiņš Pēkons (from 09.04.2019)
Business activity	Other activities auxiliary to financial services, except insurance and pension funding (66.19 NACE)
Chief accountant	Dace Rutka
Reporting period	01.01.2021. - 31.12.2021.

## PLATFORM PERFORMANCE OVERVIEW

### Key information about Debitum platform for Q4 2021

Currencies for investments: **EUR, USD\***

Registered users at the end of the reporting period: **8 360**

Investments outstanding at the end of the reporting period: **7.86 million EUR**

Client funds on Debitum platform at the end of the reporting period: **8.21 million EUR**

Number of assets available for investments at the end of the reporting period: **91**

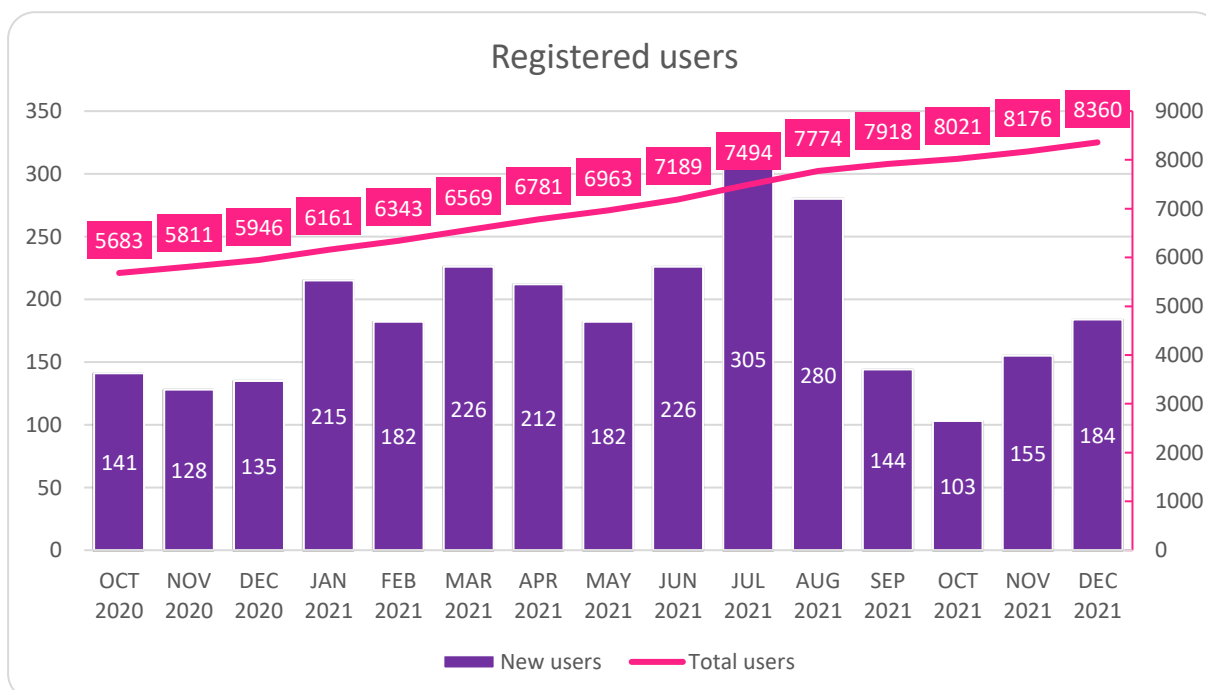
Average weighted interest rate for active assets (invested or available for investments) during the reporting period: **9.13 %**

Defaulted assets during Debitum platform operations: **0**

\* Debitum provides only EUR investments through main platform which is available for all users. USD investments are available only for few institutional investors and are not available publicly.

### Platform statistics

During Q4 2021 registered users on Debitum has grown by 442 reaching 8360 registered users. This is almost 10% more than in Q4 2020 but still this is the lowest level of new user registrations in 2021. One of the reasons is whole team focusing more on tasks related to obtaining investment broker enterprise license at the end of September. Other reason is that after marketing activities on new user attraction in summer 2021, the last quarter we paid even more attention to our current users and despite lower registration level we are very satisfied with Debitum performance in Q4 and we have reached again some new milestones.



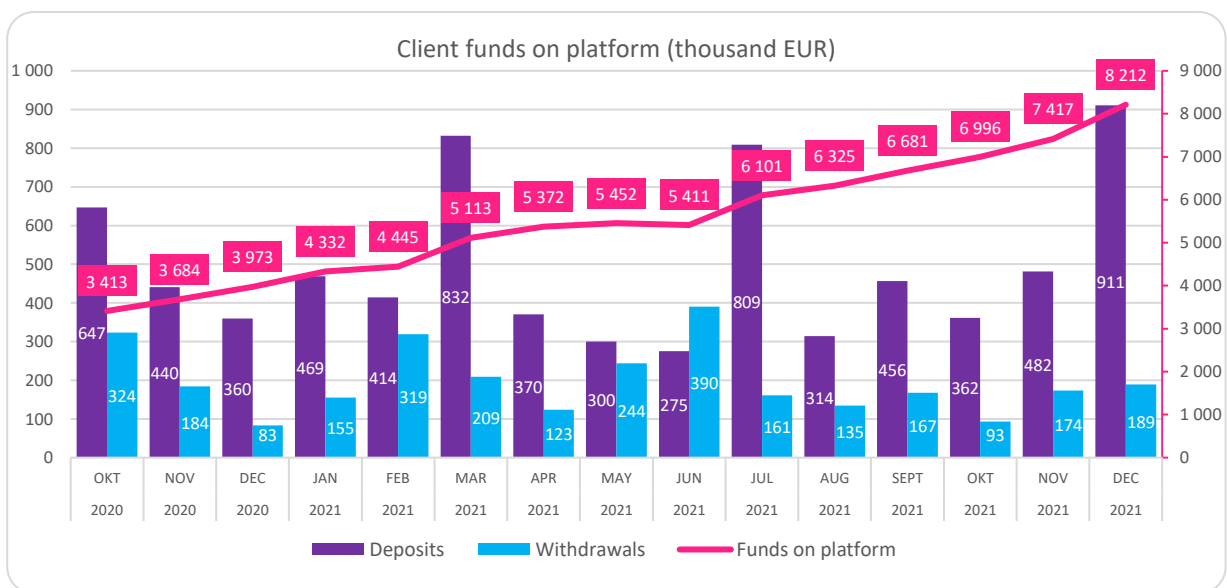
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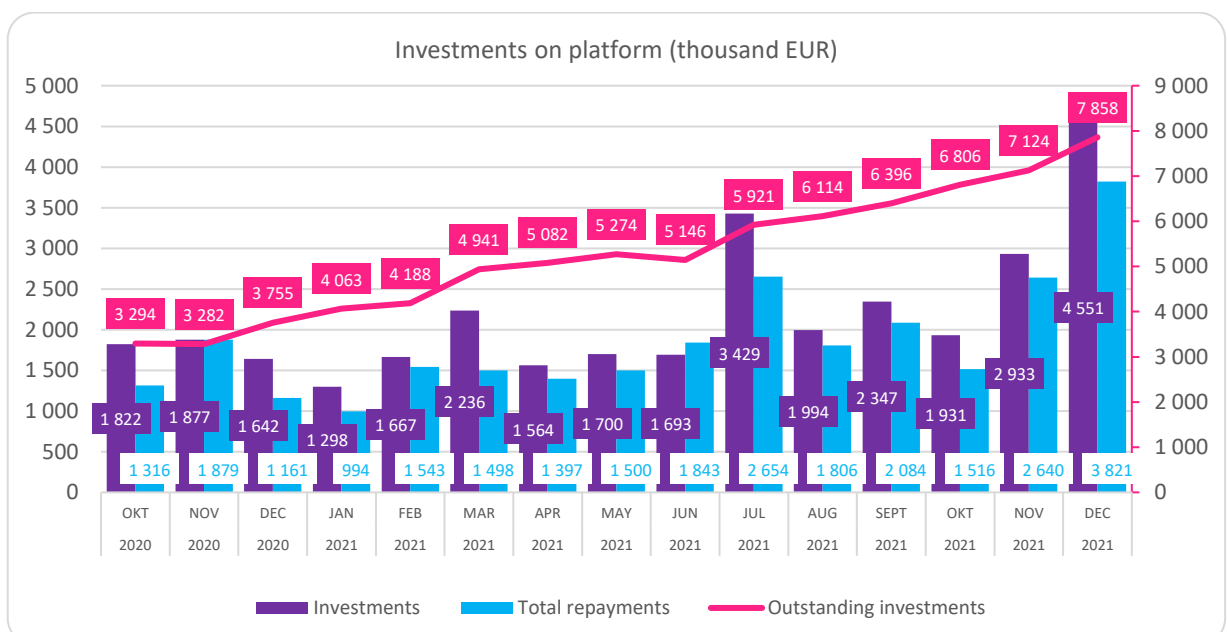
Q4 2021 brought Debitum platform a record of the highest deposit amounts in the history – 911 thousand EUR in December and 1.754 million in whole Q4 2021. In these terms whole year 2021 was excellent – as it can be seen in a graph below there were even three great months when we enjoyed especial trust of or investors by receiving deposits much above the average. In total deposit amount in Q4 2021 exceed Q3 2021 for 11% but Q4 2020 for 21%.

The same time withdrawals amount brought a record of lowest paid out amount this year – only 93 thousand EUR in October and 456 thousand EUR in the whole quarter.

This lead us to platform growth for 1.53 million EUR (23%) comparing to end of Q3 2021 and total amount of client funds on platform exceeded 8 million EUR. Debitum platform during year 2021 has doubled the volume and we are very grateful to our investors for their trust.



Outstanding investments grew by 1.46 million EUR (22.9%). For continuous portfolio growth it is important that repaid money from matured assets is reinvested again. Although, with bigger repayments we have noticed higher activity of withdrawals, still we see that investors trust our platform and the most investor funds are reinvested again in new assets.



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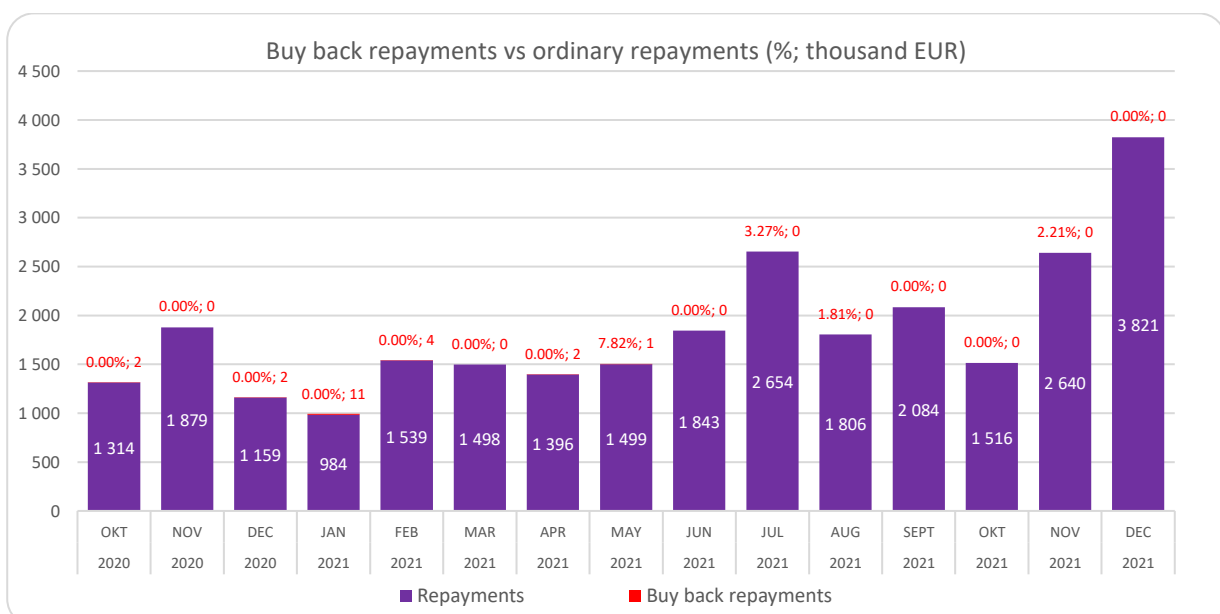
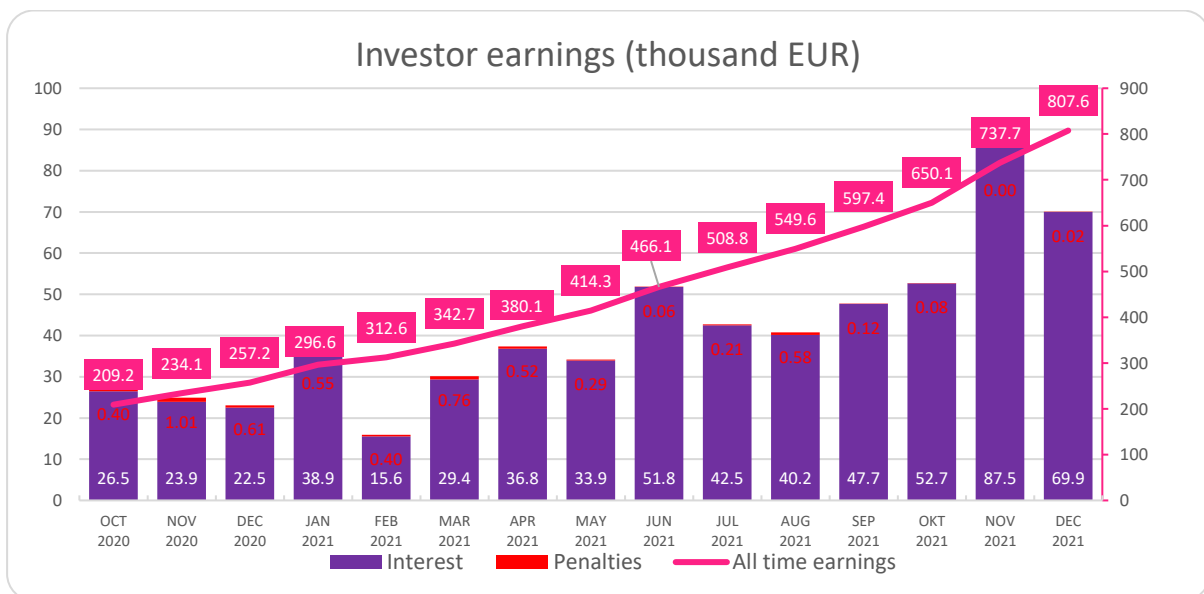
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Investor earnings on Debitum platform keep increasing. Since in November we changed repayment procedure and started to repay interest at the last day of the month for assets with monthly repayment terms, quarter data is not comparable because November data includes interest payments at the beginning of the month and at the end of the month.

We are proud for the lowest penalties total in Q4 2021. Borrowers and loan originators repay loans mostly on time or with very small delays. Let us remind you that during year 2021 we off boarded some loan originators and we can see that asset quality in overall has increased. Our investors have always been able to feel safe about their investments and these statistics provides even more proof.

**We are excited to remind that in platform history none of the assets has ever defaulted.** Investors have never suffered losses. This is guaranteed by scrupulous and continuous due diligence process performed by Debitum team working with loan originators, 3<sup>rd</sup> party risk assessment of every loan we provide to our users, and by buy back obligation from loan originators (if a loan repayment is late for 60 or 90 days (depends on agreement) the loan originator must buy it back). This means users can feel safe to increase exposure in one asset.

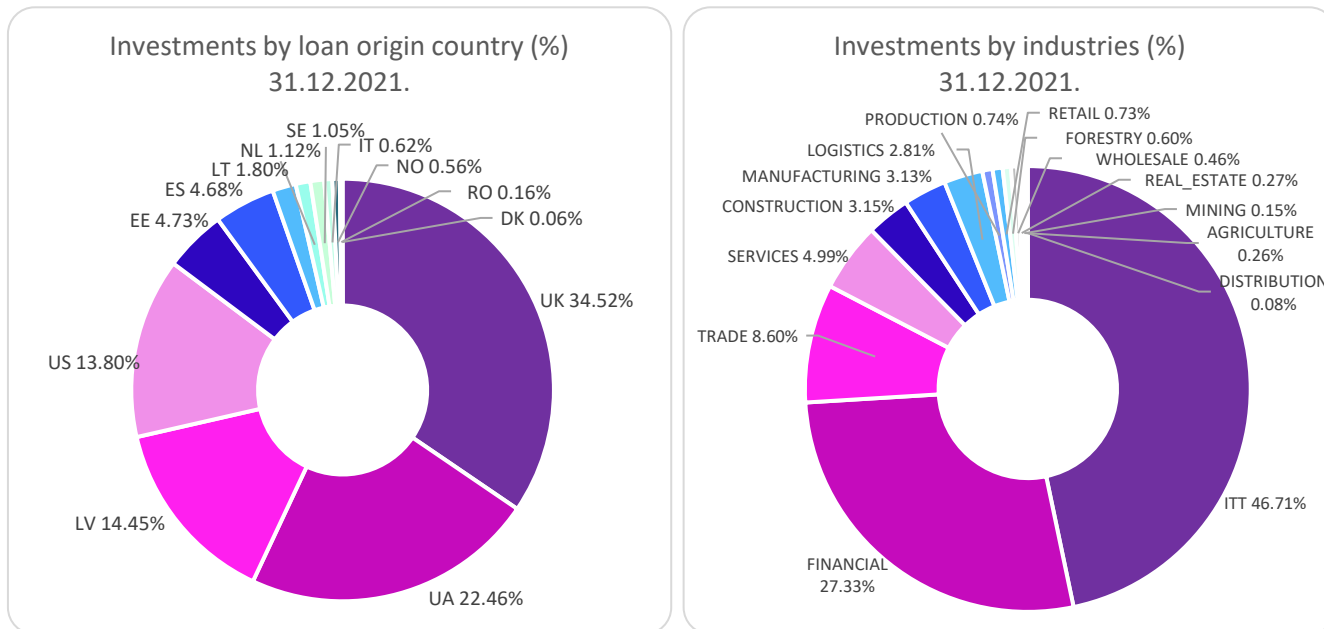
Similarly as is Q3, in Q4 2021 there were no need to initiate any buy back procedure.



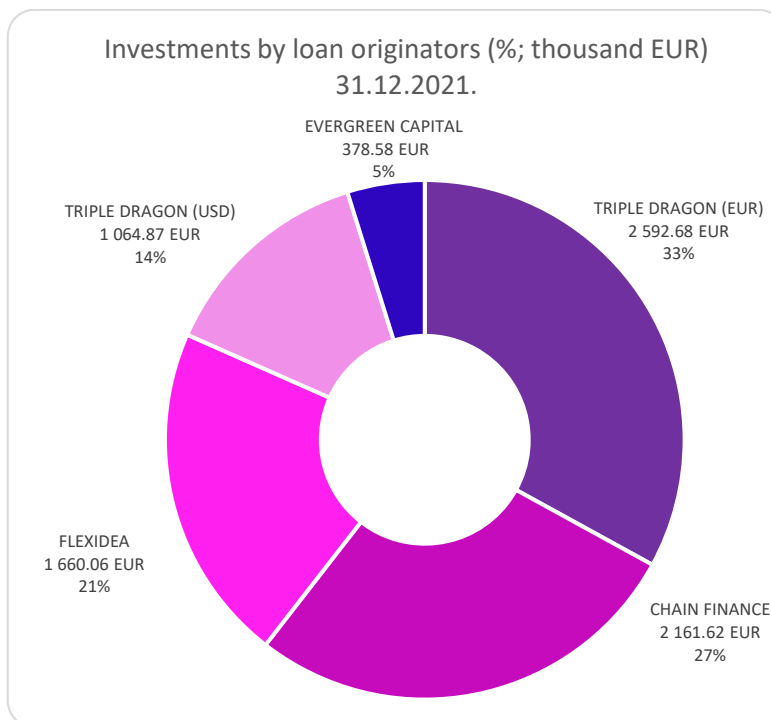
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During Q4 2021 no rapid changes happened in exposure of investments by countries. Ukrainian origin assets kept increasing and reached 22.46% (16.66% at the end of Q3 2021) of total Debitum investors portfolio and due to high interest rates, we expect the same trend in future. Long-time leader IT&T gained back the leader position after financial industry had surpassed it in Q3 2021. Overall, more than 85% on investments at the end of Q4 2021 were in IT&T, financial, trade and services industries in United Kingdom, Ukraine, Latvia and USA.



Largest (95%) loan originators at the end of Q4 2021 are Triple Dragon Funding Delta (UK) with assets on EUR and USD platforms, Chain Finance (EE) and Flexidea (LV).



At the beginning of October were fully repaid assets of Cube Funder (Tallaght Financial Ltd; UK). Offboarding process started already in Q3 2021. Debitum regularly evaluates loan originators and it was concluded that Cube Funder metrics and approaches to due diligence differ from ours and in the interests of our investors we decided to stop partnership with this company.

### **Future plans**

Debitum received investment broker firm license at the end of Q3 2021. At the end of December transitional period was prolonged from 3 months to 5 months since some of the necessary steps required from state institutions took more time than anticipated. This means that the most important task for Q1 2022 is to finish all the complicated legal tasks and launch financial instrument ABS (asset backed security) on the platform.

The new product will make investment process easier and quicker and more professional. Average amount per one asset will increase, thus investors will be able to spend less time in the investing process. ABS will also give opportunity to make investments really quick – user will just need to decide between term of investment most appropriate for ones needs, select acceptable risk, desired interest rate and preferred loan originator with whose assets the financial instrument is backed.

In Q1 we will prolong agreement with our 3<sup>rd</sup> party risk assessor Creditreform to ensure that credit ratings on the platform remain trustworthy and independently assessed.

Since we have closed partnership with several loan originators in 2021, another important task is to onboard new partners and offer more assets to our investors as well as to grow portfolios of our existing partners. The same time we would like to emphasize that quality and safety of the assets will remain most important factors when onboarding new loan originators.

***Disclaimer:*** Investments in financial products are subject to market risk and any investment should only be done with risk capital. The above references an opinion and is for information purposes only. It is not intended to be investment advice. Seek a duly licensed professional for investment advice.



**FINANCIAL REPORTS****Off-balance items: the balance of Debitum platform**

Since SIA DN Operator as a platform operator takes no risks according to those assets and liabilities but earns only commissions from servicing them, according to legislation these assets and liabilities are not included in balance sheet of the company but only shown on off-balance.

Servicing assets are loans that loan originators have placed on Debitum platform and where investors have made investments, as well as other receivables covering investors deposits.

Servicing liabilities consists of investment amounts due to investors.

<b>Off-balance (servicing) assets</b>	<b>31.12.2021., EUR</b>	<b>31.12.2020., EUR</b>
Claim rights purchased on the platform	7 857 821	3 754 241
Accrued interest and penalty	7 823	25 046
Current receivables from loan originators*	5 793	211 801
Other current receivables	11	-
Receivables from previous platform operator**	-	6 313
Cash in bank	578 659	-
<b>Off-balance assets total</b>	<b>8 450 107</b>	<b>3 997 401</b>

<b>Off-balance (servicing) liabilities</b>	<b>31.12.2021., EUR</b>	<b>31.12.2020., EUR</b>
Users' accounts balance	353 470	218 114
Users' investments in claim rights purchase agreements	7 857 821	3 754 241
Pending users' deposits and withdrawals	9 334	-
Current liabilities to loan originators***	219 336	-
Other current liabilities	2 324	-
Users' accrued interest and penalty	7 823	25 046
<b>Off-balance liabilities total</b>	<b>8 450 107</b>	<b>3 997 401</b>

\* Receivables from loan originators according to regular investment reports of investments made and loans repaid. Term of payment - 5 working days.

\*\* Balance of cash in platform accounts of previous operator SIA Prosperitu. According to terms of business transfer agreement this amount must be transferred to platform account of SIA DN Operator in 3 working days from the date of business delivery and acceptance certificate.

\*\*\* Liabilities to loan originators according to regular investment reports of investments made and loans repaid. Term of payment - 5 working days.

**Balance sheet of SIA DN Operator**

Assets	31.12.2021., EUR	31.12.2020., EUR
<b>Long-term investments</b>	<b>146 050</b>	<b>5 000</b>
<b>Intangible investments</b>	<b>143 250</b>	<b>5 000</b>
Other intangible investments	4 000	5 000
Advance payments for intangible investments	139 250	-
<b>Long-term financial investments</b>	<b>2 800</b>	<b>-</b>
Participation in the capital of related undertakings	2 800	-
<b>Current assets</b>	<b>128 432</b>	<b>309 861</b>
<b>Debtors</b>	<b>22 596</b>	<b>-</b>
Purchasers and commissioning party debts	1 838	-
Other debtors	1 744	-
Next period costs	1 370	-
Accrued revenue*	17 644	-
<b>Cash</b>	<b>105 836</b>	<b>309 861</b>
<b>Assets total</b>	<b>274 482</b>	<b>314 861</b>

Liabilities	31.12.2021., EUR	31.12.2020., EUR
<b>Equity</b>	<b>222 590</b>	<b>306 811</b>
Stock or share capital (fixed capital)	310 000	310 000
Retained profit or losses from previous years	(3 189)	(55)
Profit or losses for the reporting year	(84 221)	(3 134)
<b>Creditors</b>	<b>51 358</b>	
<b>Short-term creditors</b>	<b>51 358</b>	<b>8 050</b>
Accounts payable to suppliers and contractors**	29 855	0
Taxes and State mandatory social insurance payments	6 578	50
Other creditors	8 196	0
Accrued liabilities***	7 263	8 000
<b>Liabilities total</b>	<b>274 482</b>	<b>314 861</b>

\* Commission earnings on last month of reporting period which are invoiced at the beginning of next month.

\*\* Invoices received with the last date of reporting period but paid next month.

\*\* Costs for which invoice is received after reporting period.

**Statement of profit or loss of SIA DN Operator**

Article	2021, EUR	2020, EUR*,**
Net turnover	138 442	-
Production cost price of produce sold, purchase costs for goods sold or services provided***	(60 420)	-
<b>Gross profit or loss</b>	<b>78 022</b>	<b>-</b>
Seles costs	(26 961)	-
Administrative costs	(135 317)	(3 084)
Other revenue from economic activities costs	413	-
Other costs of economic activity	(378)	-
<b>Profit or loss before enterprise income tax</b>	<b>(84 221)</b>	<b>(3 084)</b>
Enterprise income tax for the reporting year	0	(50)
<b>Profit or loss after calculation of enterprise income tax</b>	<b>(84 221)</b>	<b>(3 134)</b>
<b>Profit or losses for the reporting period</b>	<b>(84 221)</b>	<b>(3 134)</b>

\* SIA DN Operator became the operator of the Debitum platform on 31 December 2020. Before that the platform was operated by SIA Prosperitu, but in accordance with licensing process it was agreed to separate the platform operations into SIA DN Operator.

\*\* Audited results.

**Management comment**

Statement of profit or loss includes only operational expenses of the Company.

Client funds are separated from Company funds therefore this report does not affect performance of investments. Use of the Debitum platform is free of charge for investors. The only income of the company is service fees paid by loan originators.

Debitum is quite a small platform, SIA DN Operator operates it starting from 1 January 2021 and currently we suffer losses due to fixed costs being larger than the turnover. As a fintech the platform is built the way that fixed costs should remain on similar level while volume of investments, number of investors, volume of assets available grow month over month.

We accept our current situation because it is normal to have losses at the beginning. We invest in development of the platform, and we work on attracting assets and investors. The losses are covered by our shareholder in form of share capital of 310 000 EUR.