



Earnings Call Presentation
12M 2019

We create the
extraordinary experience
in personal finance by
exceeding customer's
expectations.

February 2020

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Presenting

Experienced in Banking and Finance with strong self-made entrepreneurial track record



Tarmo Sild
Chief Executive Officer

- Co-founder of luteCredit
- Tarmo holds a Master's degree with distinction in Law from Vrije Universiteit Brussels
- Prior to his recent entrepreneurial engagements he was attorney at law and partner at the law firm LEXTAL in particular responsible for the implementation of EU Law, banking, project financing and securities
- Tarmo started his professional career as the only Estonian advocate in Brussels at HETA Law Offices, having good social connections with the Commission and knowledge about EU internal procedures




Kristel Kurvits
Chief Financial Officer

- Kristel has been with luteCredit since 2017
- Kristel holds a Master's degree in Financial Management from Estonian Business School
- Since 2000 and onwards she served as Chief Financial Officer for MTÜ Estonian Banking Association
- Prior to her recent engagements, Kristel was responsible amongst others for accounting of Ektornet Land Estonia OÜ (part of Swedbank Group) and financial reporting of the group companies
- Kristel started her professional career at Hansa Leasing Inkasso OÜ (part of Hansapanga Group)

IuteCredit Group Highlights

Further improvement of all key indicators lead to another great year

Number of customers

 **+620,000**
+ 86% YoY

Net loan portfolio

 **€ 79.0m**
+ 64% YoY

Total revenue

 **€ 50.8m**
+ 57% YoY


Adjusted EBITDA ¹⁾

 **20.2m**
+ 56% YoY

Customer Performance
Index (CPI)

 **87.8%**
(86.8%)

NPL's in net portfolio

 **4.9%**
(7.0%)

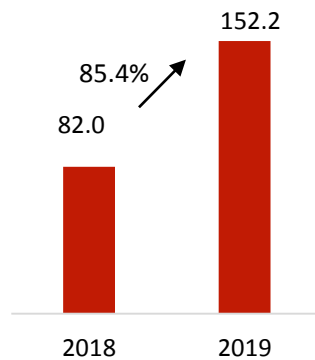
- Increase of 86% to 621.000 registered customers, 563.000 adjusted for Kosovo (FY 2018: 333.000)
- Fast growth of the pool of customers, with 50% of the customers as returning customers
- Increased diversification through geographical expansion, launch of operations in Bosnia and Herzegovina, Bulgaria will follow by February 2020
- Excellent customer repayment behaviour of performing (DPD <=30) as well as of defaulted customers (DPD >50) led to very good cashflow results
- Net profit margin improved despite increased operating expenses, expenses related to the issuance of Eurobonds in August 2019 and actions taken in regards to the revocation of the licence in Kosovo

1) Adjusted for FOREX gains/losses and discontinued operations

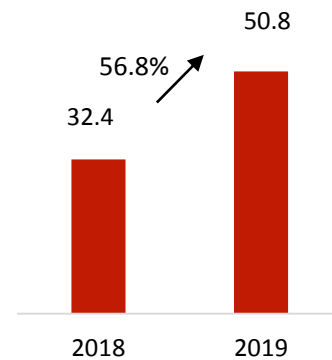
Operating Highlights

Increase in issuances continues

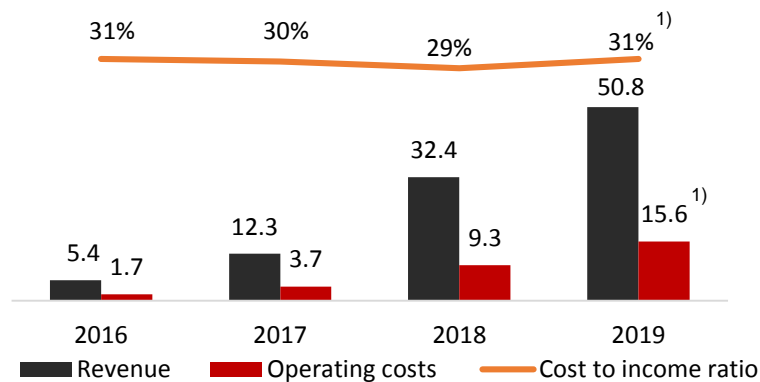
Loans issued have doubled
EURm



Strong growth of total revenue
EURm



Operating costs vs. Cost to income ratio



- Due to significant growth in loans issued major indicators have increased by double-digits
 - Increase of 49.7% to 221,901 outstanding loans (active customers) as of reporting date (FY 2018: 148,200)
 - Interest and similar income up 108% to EUR 47.0m (FY 2018: EUR 22.6m)
- Personnel increase of 49% to 347 employees as of 31.12.2019 in line with the expansion of business activities (FY 2018: 233 employees)
- Cost to income ration has remained stable over last several years despite the expansion of operations
- luteCredit is first financial company in Macedonia to offer MasterCard's debit cards

1) Adjusted for one-time costs of the deconsolidating Kosovo operations

Operational Footprint

Geographical diversification

Bosnia and Herzegovina

- Launch: May 2019
- Loans issued 2019: EUR 1.7m
- Net loan portfolio 2019: EUR 1.2m
- Revenue 2019: EUR 0.3m²⁾
- EBITDA 2019: EUR -0.5m
- Impairments 2019: EUR 0.1m²⁾



Moldova

- Launch: August 2008
- Loans issued 2019: EUR 60.6m
- Net loan portfolio 2019: EUR 41.3 m
- Revenue 2019: EUR 24.9m²⁾
- EBITDA 2019: EUR 11.5m
- Impairments 2019: EUR 6.9m²⁾



Albania

- Launch: April 2015
- Loans issued 2019: EUR 50.9m
- Net loan portfolio 2019: EUR 28.5 m
- Revenue 2019: EUR 15.7m²⁾
- EBITDA 2019: EUR 6.5m
- Impairments 2019: EUR 2.0m²⁾



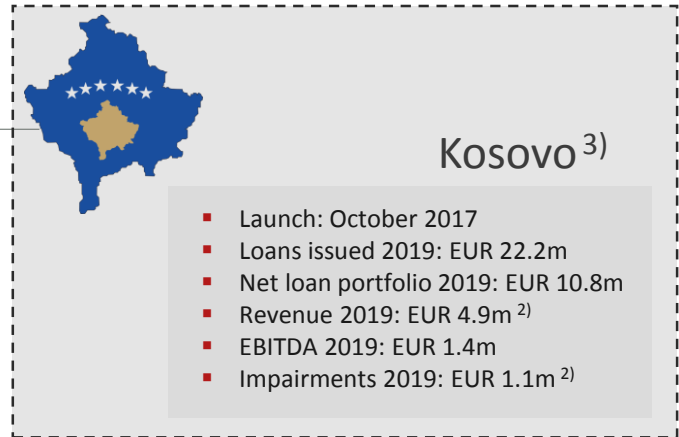
North Macedonia


- Launch: September 2017
- Loans issued 2019: EUR 16.8m
- Net loan portfolio 2019: EUR 8.0 m
- Revenue 2019: EUR 4.9m²⁾
- EBITDA 2019: EUR 1.5m
- Impairments 2019: EUR 0.8m²⁾



Kosovo³⁾

- Launch: October 2017
- Loans issued 2019: EUR 22.2m
- Net loan portfolio 2019: EUR 10.8m
- Revenue 2019: EUR 4.9m²⁾
- EBITDA 2019: EUR 1.4m
- Impairments 2019: EUR 1.1m²⁾



1)  Illustrates the share of loans issued for 2019

2) Slower revenue growth in 2019 is due to the change of revenue recognition method and the reappraisal of revenue accordingly. As of January 1, 2019, the Group accounts penalties only on received cash basis. There is no accrued revenue from penalties, and no allowances for previous accrued penalties

3) Kosovo is not part of the consolidation, but is classified as a financial instrument, measured at fair value

Kosovo's revocation of business licence

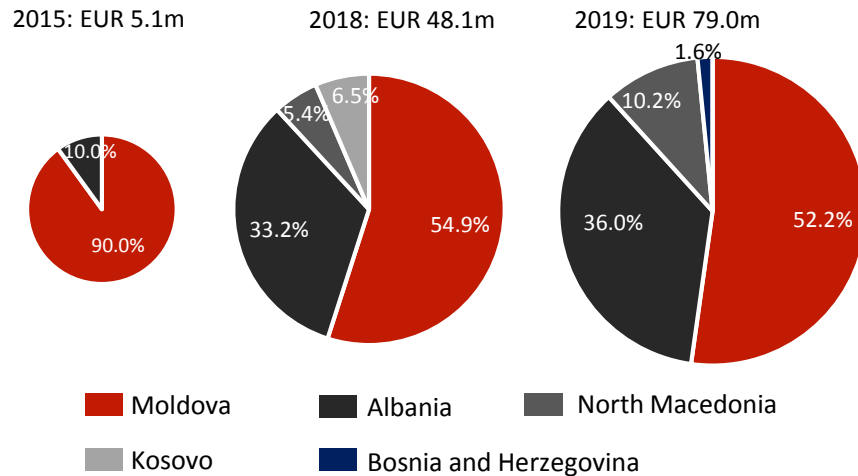
Situation under control - limited impact on the group performance



- As of 6th of December 2019 Central Bank of Kosovo revoked luteCredit Kosovo's microfinance license and initiated liquidation
- The Company immediately initiated an investigation and legal assessment of the facts in order to make full use of all available legal measures to help resolve the situation and protect the interests of luteCredit Europe as a shareholder, creditor and investor in Kosovo. The bondholder agent has been notified without delay of the events in Kosovo
- Upon loss of control luteCredit Kosovo has been taken off the consolidated balance sheet, and the retained investment was recognized as a financial instrument at fair value in the amount of EUR 4.6m. As of that moment Kosovo is not material group company anymore
- Currently, ICKO is not considered as discontinued operations, because the repayments from customers continue to be collected for the foreseeable future
- The parent company keeps the record of the portfolio and liabilities of ICKO off-balance sheet and the probability of realization is taken into account through fair value of financial investments
- Deconsolidation of Kosovo operations negatively impacted groups operating profit by EUR 6.2m whereas revaluation of impairment charge in amount of EUR 0.9m was recognized as financial gain

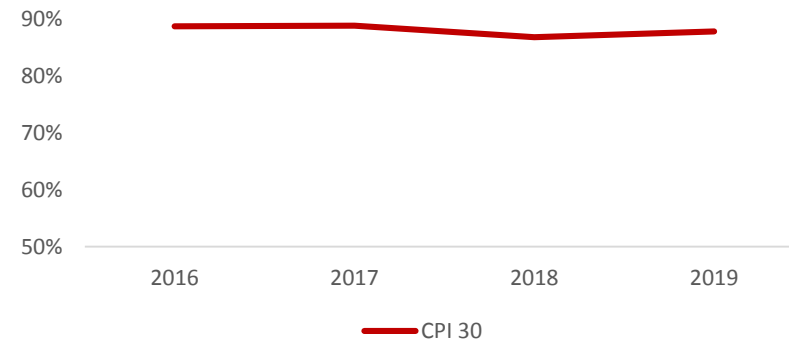
Net Loan Portfolio & Loan Repayment Behaviour - CPI

Net loan portfolio diversification



- Diversifying the risk with sustainable growth through geographical expansion
- Share in portfolio of North Macedonia, launched in 2017 continues to increase as operations matures
- The share of Kosovo in the portfolio was constantly increasing during 2019 and was slightly above 12.5 % as of revocation of the license

Evolution of customer performance index



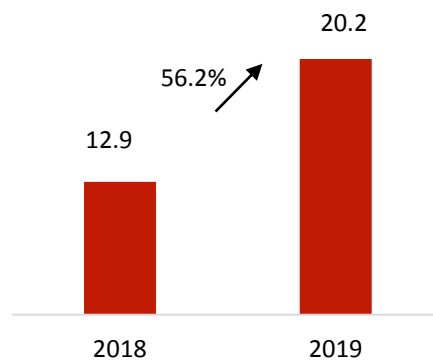
- CPI 30 as indicator of customers' actual duly repayments against the expected payments, stays high and stable during the period of last several years
- However CPI 30 has slightly improved in 2019 to 87.8% compared to the previous year (2018: 86.8%)
- For cash loans luteCredit reached a CPI 30 ratio of 85.8%. For dealer loan and car loans luteCredit had a CPI 30 performance of 90.6% and 88.5% respectively

Financial Highlights

Continued strong performance

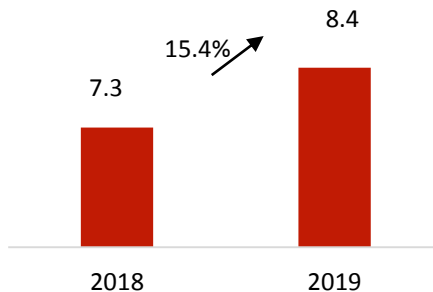
Strong improvement of adjusted EBITDA

EURm



Stable growth of net profit

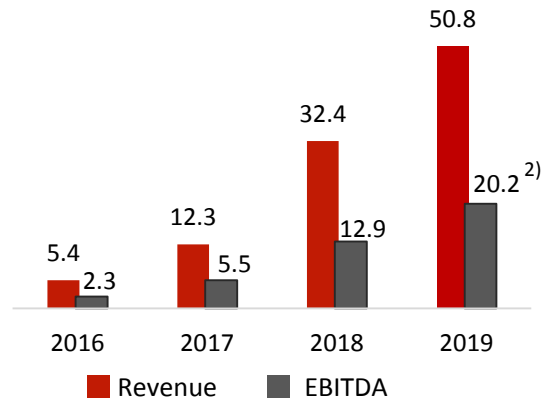
EURm



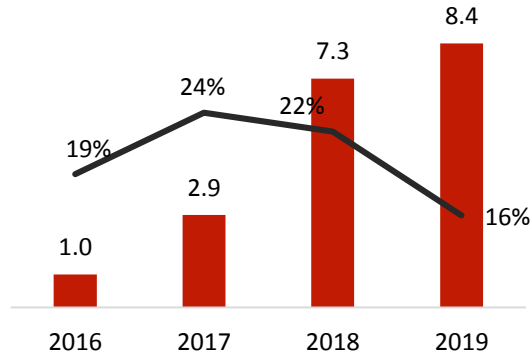
- Despite the negative impact of the revaluation of the loan book in Kosovo in the amount of EUR 5.2m, the major financial indicators have still improved
- Significant growth of adjusted EBITDA by 56.2% to EUR 20.2m (FY 2018: EUR 12.9m)
- Reduction of weighted average interest rate on liabilities due to the issuance of EUR 40m senior secured bonds listed on Frankfurt Stock Exchange
- Interest expenses for the period increased by 132.7% to EUR 9.0m (FY 2018: EUR 3.9m) due to the Eurobond issuance
- Net profit increased for the period by 15.4% to EUR 8.4m (FY 2018: EUR 7.3m)

Financial Ratios

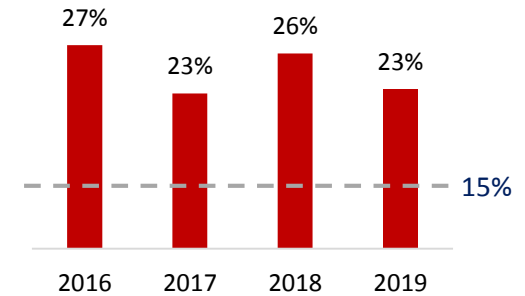
Revenue & EBITDA in EURm ¹⁾



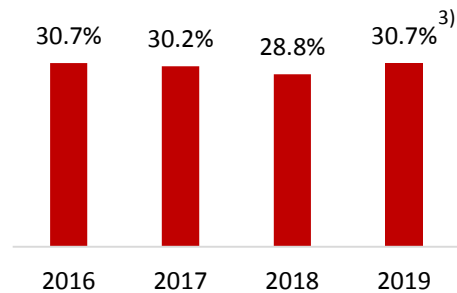
Net profit in EURm & Net profit margin ¹⁾



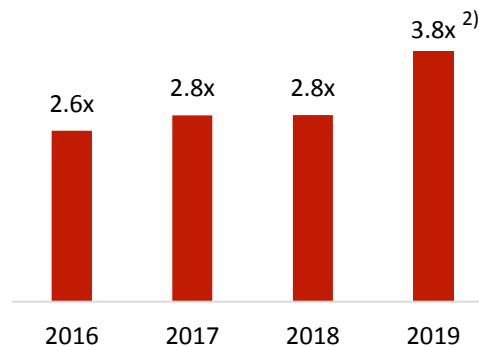
Capitalization ratio



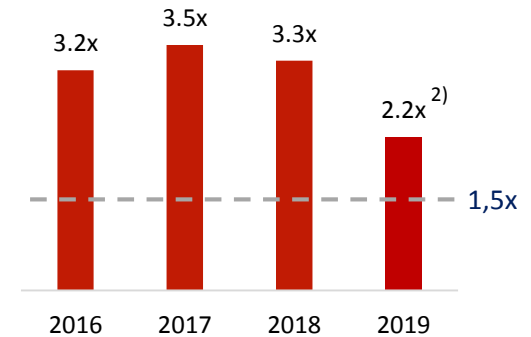
Cost to income ratio ¹⁾



Leverage ratio ¹⁾



Interest coverage ratio ¹⁾



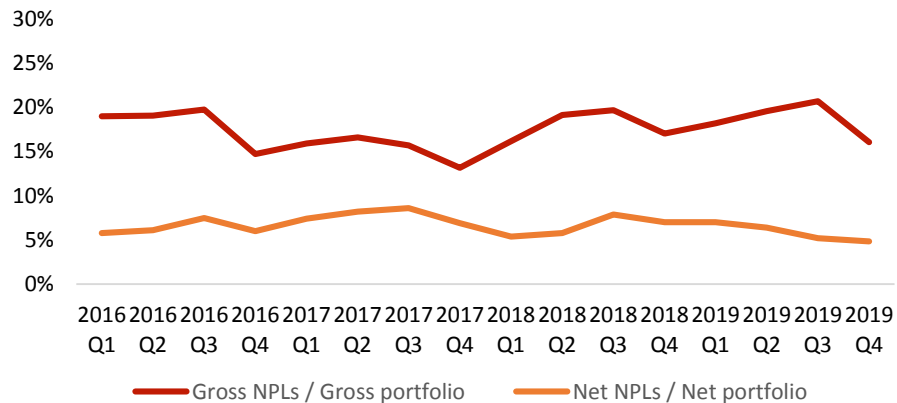
1) Slower revenue growth in 2019 due to the change of revenue recognition method and the reappraisal of revenue accordingly. As of January 1, 2019, the Group accounts penalties only on received cash basis.

2) Adjusted for FOREX gains/losses and discontinued operations

3) Adjusted for one-time Kosovo expenses

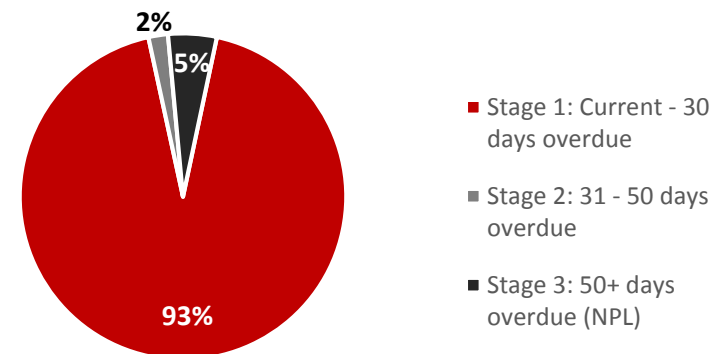
Non-Performing Loans

Gross and net NPL (50+ DPD) portfolio



- NPL ratios in line with targeted ratios
- Prudent impairment policy, with effective impairment rate of 16.1% from gross loan portfolio (as of 31.12.2019)
- Provision coverage (Total provisions/Gross NPL) ratio 88.5%

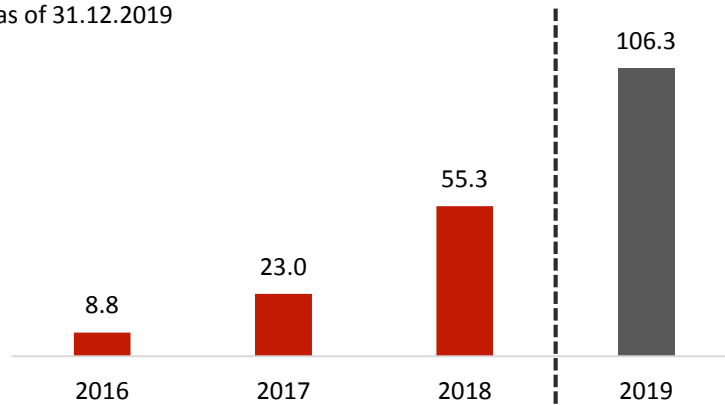
Net loan portfolio quality analysis, 2019



- Conservative internal NPL definition
- Loans that are more than 50 days overdue are recognized as non-performing loans (NPLs); in 2016 and 2017 NPLs have been defined as 70+ DPD, in 2015 and earlier as 90+ DPD
- luteCredit has always followed the ECL method prescribed by IFRS 9
- luteCredit creates and accounts provisions “online” at the moment of the issue of the loans
- As of 31.12.2019, NPLs represented 9.7% of total loans issued in 2019

Assets & Liabilities

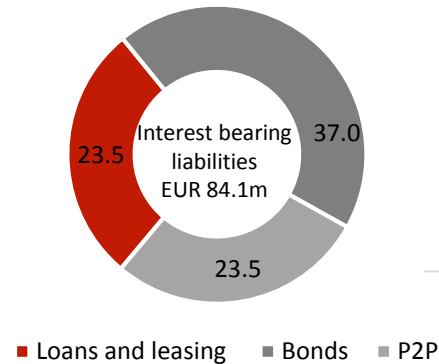
Assets in EURm
as of 31.12.2019



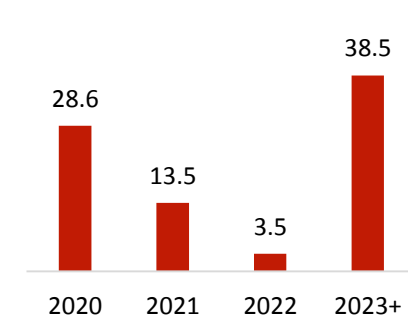
	2016	2017	2018	2019
Capitalization ratio	27.0%	23.0%	26.4%	23.4%
Return on average assets	14.1%	18.7%	18.5%	10.4%

- 81% of assets consists of net loan portfolio and cash
- High cash position of EUR 6.7m
- Simple and clear structured balance sheet
- Stable and healthy capitalization

Liabilities in EURm
as of 31.12.2019



Liability maturities in EURm
as of 31.12.2019



- Total liabilities increased by EUR 45.1m to EUR 87.7m (FY 2018: EUR 42.6m)
- As of 31.12.2019, loans and borrowings amounted to EUR 84.1m (FY 2018: EUR 39.2m), accounting for 95.8% of all liabilities (FY 2018: 92.0%)
- Due to the high cash position of EUR 6.7m, net interest-bearing debt amounts to EUR 77.3m as of 31.12.2019
- Weighted average interest rate reduced to 11.8% (FY 2018: 13.7%)

Summary & Outlook

Becoming the fastest and most comfortable instalments loan provider

Summary

- Double growth of assets with good asset quality
- Geographical diversification through launch of business activities in Bosnia and Herzegovina
- Improvement of all key performance indicators despite increased operating expenses, revocation of the licence in Kosovo and expenses related to issuance of Eurobond
- Successful diversification of funding sources lead to lower cost of funds
- The situation in Kosovo remains contested but it will not create distractions for the Group's management

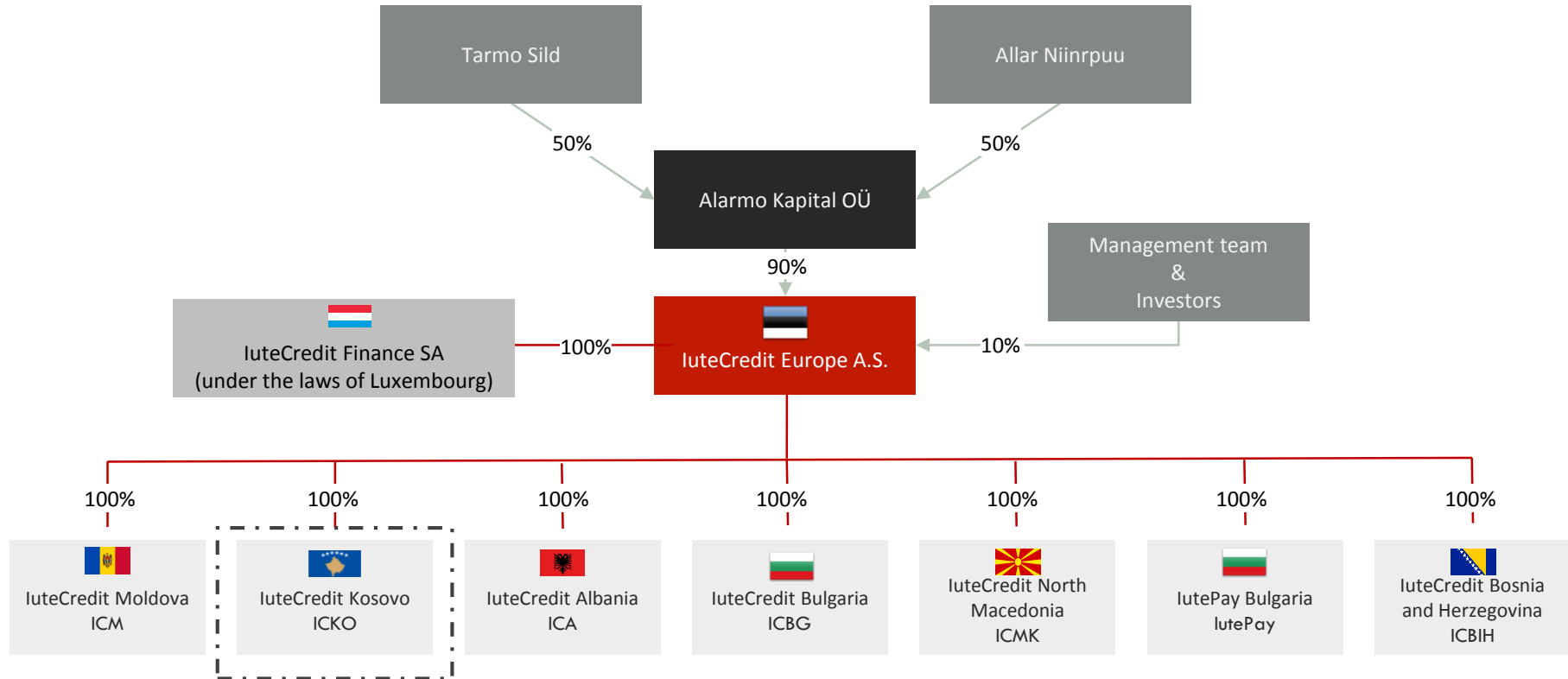
Outlook

For the full year 2020:

- IuteCredit expects to exceed EUR 210.0m in loans issued to over 300.000 customers (corresponding to a net loan portfolio of approx. EUR 140.0m)
 - Total revenue is expected exceed EUR 75.0m with net profit margin of 20.0%
 - IuteCredit expects to reach break even in Bosnia and increase growth in Bulgaria to at least 3.0% of the Group's total assets
-

Appendix

Legal Structure



Note: Kosovo is currently not part of the consolidation

Income Statement

in EURm	2016	2017	2018	2019 ¹⁾
Interest and commission fee income	3.8 (69.7%)	8.8 (70.9%)	22.6 (69.8%)	47.0 (92.5%)
Loan administration fees and penalties	-	3.6 (29.1%)	9.4 (29.1%)	3.0 (6.0%)
Other income	1.6 (30.3%)	-	0.3 (1.1%)	0.7 (1.5%)
Total Revenue	5.4 (100.0%)	12.3 (100.0%)	33.4 (100.0%)	50.8 (100.0%)
Interest expense	(0.7) (13.4%)	(1.5) (12.5%)	(3.9) (11.9%)	(9.0) (17.7%)
Allowances for loan impairment	(1.5) (27.8%)	(3.2) (26.2%)	(10.4) (32.0%)	(11.0) (21.5%)
Total operating income	3.2 (58.9%)	7.6 (61.2%)	18.2 (56.1%)	30.9 (60.8%)
Salaries and other personnel expenses	(0.6) (11.5%)	(1.5) (11.9%)	(3.9) (12.0%)	(6.3) (12.4%)
Other operating expenses	(1.0) (18.5%)	(2.2) (17.7%)	(5.2) (16.1%)	(14.2) (28.0%)
Depreciation/amortization charge	(0.0) (0.7%)	(0.1) (0.6%)	(0.2) (0.7%)	(1.2) (2.4%)
Financial assets measured at fair value	-	-	-	1.0 (1.9%)
Foreign exchange gains/losses	0.1 (1.1%)	0.2 (1.3%)	0.7 (2.0%)	0.4 (0.7%)
Profit or loss before taxes	1.6 (29.3%)	4.0 (32.4%)	9.5 (29.3%)	10.5 (20.6%)
Income tax	(0.5) (9.9%)	(1.1) (8.7%)	(2.2) (6.9%)	(2.1) (4.1%)
Net profit for the year	1.0 (19.4%)	2.9 (23.7%)	7.3 (22.4%)	8.4 (16.5%)
Other comprehensive income	0.0 (0.9%)	0.1 (1.0%)	0.5 (1.6%)	(0.3) (0.6%)
Total comprehensive income for the year	1.1 (20.3%)	3.0 (24.7%)	7.8 (24.0%)	8.1 (15.9%)

1) Slower revenue growth in 2019 is due to the change of revenue recognition method and the reappraisal of revenue accordingly. As of January 1, 2019, the Group accounts penalties only on received cash basis.

Balance Sheet

in EURm	2015	2016	2017	2018	2019
<i>Assets</i>					
Cash and bank accounts	0.1	0.3	1.8	2.6	6.7
Loans to customers	5.1	7.8	20.4	48.1	79.0
Prepayments	0.0	0.0	0.0	0.3	0.9
Other assets	0.1	0.3	0.2	1.7	2.5
Other financial investments	0.0	0.0	0.0	1.5	9.9
Property, plant and equipment	0.1	0.1	0.2	0.5	1.0
Right-of-use assets	-	-	-	-	2.9
Intangible assets	0.0	0.2	0.4	0.7	3.3
Total assets	5.4	8.8	23.0	55.3	106.3
<i>Liabilities and equity</i>					
Liabilities					
Loans and borrowings	4.0	6.3	17.2	39.2	84.1
All other liabilities	0.1	0.4	1.1	3.4	3.7
Total liabilities	4.2	6.7	18.3	42.6	87.7
Equity					
Share capital	0.3	0.3	0.3	10.0	10.0
Legal reserve	0.0	0.0	0.0	0.0	0.4
Unrealized foreign exchange differences	-0.3	-0.2	-0.1	0.4	0.1
Share premium reserve	0.0	0.0	0.0	0.0	0.0
Retained earnings	0.5	1.0	4.5	2.3	8.0
Profit of reporting period	0.7	1.0	-	-	-
Total equity	1.2	2.1	4.7	12.7	18.5
Total equity and liabilities	5.4	8.8	23.0	55.3	106.3

Statement of Cash Flow (1/2)

	in EURm	2015	2016	2017
Operating activities				
Profit/loss		0.7	1.0	2.9
Adjustments for:				
Amortisation and depreciation		0.0	0.0	0.1
Allowance for loan impairment		0.9	1.5	3.2
Goodwill impairment				
Net FX difference		0.3	(0.1)	(0.2)
Interest and commission fee income		(2.6)	(5.4)	(8.8)
Loan and administration fees and penalties				(3.6)
Interest expense		0.5	0.7	1.5
Income tax expense		0.2	0.5	1.1
CF operating profit before changes in bs		0.1	(1.6)	(3.7)
Change in receivables from customers		(2.1)	(4.0)	(13.2)
Change in loan and bonds liabilities		0.8	2.1	10.2
Change in other assets		0.0	0.0	0.1
Change in other liabilities		(0.2)	(0.1)	0.5
Interest, commission fees received		2.1	5.1	11.0
Income tax paid				(0.9)
Interest paid		(0.5)	(0.8)	(1.7)
Net cash flows from operating activities		0.1	0.6	2.3
Investing activities				
Purchase of fixed assets		(0.1)	(0.2)	(0.4)
Net cash flow from acquisitions and other financial investments				
Net cash flows from investing activities		(0.1)	(0.2)	(0.4)
Financing activities				
Capital increase				
Dividends paid		(0.2)	(0.2)	(0.5)
Net cash flows from financing activities		(0.2)	(0.2)	(0.5)
Cash at the beginning of the year		0.2	0.1	0.3
Change in cash		(0.1)	0.3	1.4
Net FX differences		(0.0)	0.0	0.1
Cash at the end of the year		0.1	0.3	1.8

Statement of Cash Flow (2/2)

	in EURm	2018	2019
Operating activities			
Paid prepayments		(6.3)	(11.3)
Received pre- and overpayments		9.3	12.8
Paid trade payables		(5.9)	(10.7)
Received debts from buyers and received other claims		0.0	0.7
Received from collection companies		7.4	13.0
Paid net salaries		(2.3)	(4.5)
Paid tax liabilities, exc. CIT		(1.5)	(2.9)
Corporate income tax paid (CIT)		(1.4)	(3.3)
Paid out to customers		(39.3)	(76.2)
Principal repayments from customers		20.4	40.3
Interest, commission and other fees		8.8	17.4
Net cash flows from operating activities		(10.7)	(24.8)
Investing activities			
Purchase of fixed assets		(0.8)	(0.8)
Net cash flow from aquisition of subsidiaries		(1.1)	(2.6)
Received from the sale of subsidiaries		0	0.2
Payments for other financial investments		(1.5)	0.0
Receipts from other financial investments		0.0	0.0
Net cash flows from investing activities		(3.3)	(3.3)

	in EURm	2018	2019
Financing activities			
Loans received from investors		26.1	85.0
Repaid loans to investors		(10.8)	(47.8)
Change in overdraft		2.0	4.2
Change in MasterCard settlement account		0.0	(1.4)
Paid out loans to customers related to MasterCard		0.0	(0.1)
Loan principal repayments from customers related to MasterCard		0.0	0.5
Principal payments of financial lease contracts		0.0	(0.9)
Interests paid		(3.7)	(5.2)
Capital increase		3.2	0.0
Dividens paid		(2.0)	(2.2)
Grants received		0.0	0.0
Net cash flows from financing activities		14.9	32.1
Change in cash and cash equivalents		0.9	4.0
Cash and cash equivalents at the beginning of the period		1.8	2.6
Change in cash and cash equivalents		0.9	4.0
Net foreign exchange difference		(0.0)	0.0
Cash and cash equivalents at the end of the period		2.6	6.7

Thank you for your attention!

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