IuteCredit reports unaudited results for 9M/2020

Back on profitable growth path in Q3/2020 heading towards pre-crisis levels

Operational Highlights

- Loan payouts picked up towards pre-crisis levels.
- Repayment discipline (Customer Performance Index, CPI) recovered almost to pre-crisis level.
- Reinvestment of cash into performing installment loans and repayment of liabilities, after cash accumulation target was achieved in Q2.
- Lowest level of interest-bearing liabilities since issue of IuteCredit bonds in August 2019.
- Balance sheet back to growth at 97,5 million EUR (Q2/2020: 96,7 million EUR) following controlled contraction (Q1/2020: 105.6 million EUR).
- Number of loans signed in period under review up y-o-y 21% to 162.125 (9M/2019: 134.479).
- Principal amount of loans issued decreased y-o-y 23% to 80,5 million EUR (9M/2019: 105,0 million EUR).
- Gross loan portfolio up 5% to 96 million EUR (31 December 2019: 92 million EUR).
- Net loan portfolio down 10% to 71 million EUR (31 December 2019: 79 million EUR).

Strategic Highlights

- Expansion of Fintech services – Launch of My Iute App in Moldova as signing platform laying foundation for future payment services.
- ATM-roll-out using 1-time-passwords enlarging cash-infrastructure and expanding payout capabilities.
- Mastercard issuance in Macedonia continued to develop promisingly.

Financial Highlights

- Interest and commission fee income up slightly 1% to 32,5 million EUR (9M/2019: 32,1 million EUR).
- Net interest and commission fee income down 5% to 24,4 million EUR (9M/2019: 25,6 million EUR).
- Total income up 26% to 42,3 million EUR (9M/2019: 33,6 million EUR).
- Cost to income ratio at 26,6% (9M/2019: 38,8%), reflecting temporary operational cost cutting.
- EBITDA increased by 11% to 15,7 million EUR (9M/2019: 14,1 million EUR).
- Net profit for the period decreased 33% to 3,8 million EUR (9M/2019: 5,7 million EUR).
- Strong capitalization and resilient profitability exceeding Eurobond covenants.

Statement of the Management

IuteCredit has delivered a strong Q3. We made money. We increased the customer pool. We restarted expanding our balance sheet again, after the period of disciplined contraction. At the same time, capital spending on the development of new technologies continued. New technologies started rolling out in October, first in the Republic of Moldova. Both MyIute app and the cardless ATMs will expand the scope of financial services and increase revenue.

The decisions we took in March and April in anticipation of the economic impact of the pandemic have paid off. Our focus was on the incoming cash flows, on learning how customers behave in the thoroughly bad times and on maintaining a steady course in the development of strategic technologies. Our internal momentum and the preconditions for future growth were preserved.

As forecasted in our H1 report, we indeed returned to the growth trajectory in Q3. With more than 30 million EUR in loans issued in Q3, we are seeing an almost complete recovery in our installment loan business to pre-pandemic levels. Albeit more cautious, selective on both our supply side and our customers' demand side.

The credit discipline reveals itself in the actual repayments of our customers. The weekly customer performance index looks since mid-June again like the heartbeat protocol of a healthy athlete. Even in Q2, cash inflows were sufficient to start accumulating in Group Treasury, while at the same time Group repaid interest-bearing liabilities. By 30 June, we completed bold maneuvering into secure, liquid, but nonproductive assets. The set target of 12% of the Group's balance sheet in cash and liquid assets was achieved. We had also a net loan portfolio of 68 million EUR, 22 million EUR of buffers to cover potential loan losses, and interest-bearing liabilities of 75 million EUR. From Q3 onwards we started to reinvest the funds into performing installment loans. At the end of Q3, cash and liquid assets represented 9% of the balance sheet, while the net loan portfolio increased to 71 million EUR and interest-bearing liabilities decreased to 74 million EUR. It is noteworthy that our interest-bearing liabilities consequently fell to their lowest level since the issue of IuteCredit bonds on the Frankfurt Stock Exchange in August 2019.

The balance sheet and the profit and loss account could look even more positive, but we set aside an additional 3 million EUR buffer for potential loan losses. The total amount set aside for loan losses exceeds 25% of the balance sheet and is almost twice as high as the last pre-pandemic provision of 13 million EUR. We are confident, even in the light of a possible “second wave” that the provisions are adequate, to counteract possible economic downturns and, as a result, the solvency of our customers. In IuteCredit’s finance management philosophy, real profit lies in the customers' cash repayments. Repayment and cash is a fact. Receivable is an opinion.

It should be kept in mind that the pandemic has not yet been contained. We stand at a fine line between the acceptable price for the stable containment of the virus and the ability of society as a whole, and the financial sector, in particular, to bear the cost of containment. The Balkan countries in which we are active, seem to have chosen a path forward where society must learn to live with the coronavirus and accept its negative medical consequences, without limiting society's activities into further isolation. We do not expect serious lockdowns, although the number of positive tests is increasing again and infection rates are among the highest in Europe. We have marked as the most likely scenario, a gradual increase in demand for consumer credit until we return to pre-pandemic levels. That growth is however not a certainty. Last but not least, government-supported currency devaluations, especially in Moldova, are still to be expected in the course of the economic upswing.

On the upside side, there is the strength of our cash flows, which is the result of our customers' payment performance as well as our operational efficiency and successful selection of customers. We are on the right track with the irreversible trend of digitization in the credit and payment industry. Already in current Q4 2020, we are launching MyIute App as a signing platform and Iute ATMs using 1-time passwords, which allow cash withdrawals without the need for a credit or debit card. Along with our Mastercard issuances in Macedonia, digitization continues to develop promisingly. The bottom line is that IuteCredit is strong enough and structurally set to make attractive acquisitions as part of our long-term strategy to become both lending and payment services provider.

Looking ahead to Q4 and beyond, we are optimistic. We expect total assets at the end of the year to exceed the 2019 level of 106 million EUR. The 2020 total income and net profit should reach, despite challenging market conditions, almost the 2019 levels, respectively 50 million EUR and 7 million EUR. We expect the 25 million EUR buffer of loan provisions to largely reverse into profits in 2021 and 2022, subject to actual loan repayments by customers.

Tarmo Sild
CEO of IuteCredit Group

Key consolidated financial figures

	30 Sep 2020	31 Dec 2019	Δ in %	30 Sep 2019
Capitalization				
Gross loan portfolio (in thousand EUR)	96.360	92.105	4,6%	77.215
Net loan portfolio (in thousand EUR)	71.230	79.005	-9,8%	64.692
Assets (in thousand EUR)	97.484	106.254	-8,3%	79.954
Equity (in thousand EUR	20.936	18.505	13,1%	14.804
Equity to assets ratio	21,5%	17,4%	23,6%	18,5%
Capitalization ratio	29,4%	23,4%	25,6%	22,9%
Interest coverage ratio	1,9	2,2	-10,3%	2,2
	9M/2020	9M/2019	Δ in %	FY/2019
Profitability				
Interest income	32.477	32.075	1,3%	46.994
Net interest margin	30,2%	37,5%	-19,5%	56,2%
Cost to income ratio	26,6%	38,8%	-31,4%	42,8%
Post-allowances operating profit margin	18,8%	26,7%	-29,6%	40,5%
EBITDA	15.685	14.131	11,0%	20.165
Profit margin before tax	16,2%	23,0%	-29,6%	22,3%
Net profit	3.838	5.716	-32,9%	8.371
Return on assets	3,8%	7,1%	-42,3%	10,4%
Return on equity	19,5%	39,0%	-50,0%	53,7%
	30 Sep 2020	31 Dec 2019	Δ in %	30 Sep 2019
Assets quality				
Cost of risk	17,5%	14,3%	22,4%	9,9%
Impairment coverage ratio	86,8%	88,5%	-1,9%	86,8%
Gross NPL ratio	30,0%	16,1%	86,3%	23,3%
Net NPL ratio	12,4%	18,7%	-33,7%	0,7%

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About IuteCredit:

IuteCredit - established in 2008 - is a leading European personal finance company. The Group is specialized in consumer credits via its 100% subsidiaries using equity and loan capital. IuteCredit serves customers currently in Moldova, Albania, North Macedonia, Bulgaria as well as Bosnia and Herzegovina.

IuteCredit's loan products are unsecured consumer loans with maturities between 1 month and 36 months and car-secured loans with maturities up to 60 months.

The mission of IuteCredit is to create the extraordinary experience in personal finance by exceeding customers' expectations.

www.iutecredit.com

MANAGEMENT REPORT

Company Overview

AS IuteCredit Europe (**ICE**) is a holding company that issues consumer credits and offers personal finance services via its 100% owned operating subsidiaries in local markets (**Subsidiaries**). As of 30 September 2020, ICE had seven operating subsidiaries: ICS OMF IuteCredit SRL (**ICM**) in Moldova, IuteCredit Albania SHA (**ICA**), IuteCredit Macedonia DOOEL–Skopje (**ICMK**) in North Macedonia, IutePay Bulgaria EOOD (**IutePay Bulgaria**) and IuteCredit Bulgaria EOOD (**ICBG**), MKD IuteCredit BH d.o.o. Sarajevo (**ICBH**) in Bosnia and Herzegovina as well as IuteCredit Finance S.a.r.l. (**ICF**) in Luxembourg.

IuteCredit Kosovo JSC (**ICKO**) was also considered as part of the consolidated group until it has been deconsolidated and reclassified as a financial investment at the end of November 2019.

IutePay Albania SH.P.K. (**IutePay Albania**), incorporated on 2 July 2018, remained in inactive status until the liquidation date of 15 September 2020.

At the beginning of July 2019, ICG acquired IuteCredit Finance S.a.r.l. to act as a financing intermediary for the entire Group. In July 2019, IuteCredit Finance S.a.r.l. (Luxembourg), for the first time, issued 40 million EUR of senior secured bonds (hereafter referred to as Eurobond) listed on the Frankfurt Stock Exchange.

The Subsidiaries and ICE together form the IuteCredit Group (**ICG**). ICG consisted of nine companies, regardless that one of them was unconsolidated and reclassified.

ICE is responsible for strategic management, including:

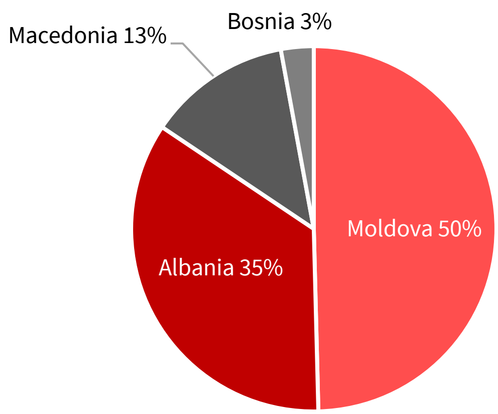
- Strategic targeting
- Organizational structure and manning of the management teams
- Human resource and customer experience framework rules and targeting guidance
- Financial management framework rules and targeting guidance
- Sales and marketing framework rules and targeting guidance
- Service process design and technological development
- Risk management, including loan products approval and general compliance framework
- Data harvesting
- The Group's financing and investor relations

Subsidiaries implement the processes designed by ICE and offer customers the services. Furthermore, the individual subsidiaries develop the business in the local competition field according to strategic guidance and targets, financing, and technology provided by ICE. Finally, subsidiaries consist of local teams, local customers, local loan portfolios, and develop local investor relations and relations with regulatory authorities and partners.

Business Model

ICG's loan products are unsecured consumer loans with a maturity range between 1 month and 36 months and pledge (usually pledge on the car) secured loans with maturities of up to 60 months. The median loan amount is above 400 EUR, whereas loan amounts range between 25 EUR and 10 thousand EUR. The weighted average annual percentage rate (APR) is 52% and effective interest rate (EIR) 82% depending on the loan amount, maturity and status of customer (new or recurring client with good payment history).

Breakdown of portfolio diversification as of 30/09/2020

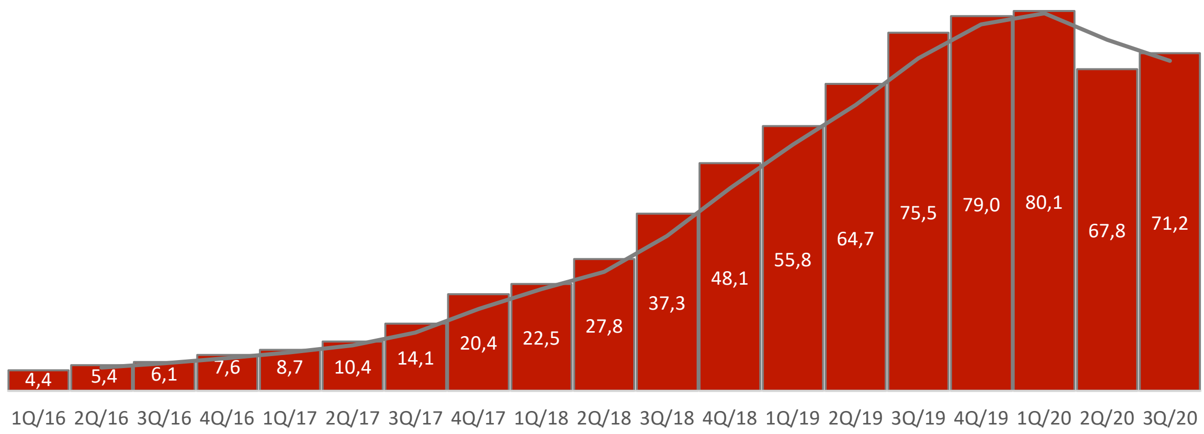


Since Bosnia commenced operations only in June 2019, its share of the Group's loan portfolio is still insignificant as of 30 September 2020.

ICG aims to serve only clients with a permanent workplace and stable income. The loan underwriting process is based on personal identification, personal income assessment, and personal loan performance data. Approximately 61% of loan applications by individual customers across the Group are approved on average.

Loans are handled via established partners network (such as shops, money transfer companies, postal agencies), web portals and other online channels, as well as IuteCredit branches (retail offices). By the end of September 2020, IuteCredit had 40 IuteCredit branches and 2.300 shops, and thousands of other points of sale. ICG handles money only via bank accounts or over the counter through its agents and does not perform cash operations itself.

Breakdown of net portfolio development in EUR (million)



Earnings, financial and asset position

Condensed statement of profit and loss

(in thousand EUR)	9M/2020	9M/2019	Δ in %
Interest and similar income	32.477	32.075	1,3%
Interest and similar expense	-8.061	-6.512	23,8%
Net interest and commission fee income	**24.416**	**25.562**	**-4,5%**
Loan administration fees and penalties	5.760	1.484	288,2%
Total loan administration fees and penalties	**5.760**	**1.484**	**288,2%**
Other income	4.028	2	>1.000%
Allowances for loan impairment	-16.464	-6.899	138,6%
Net operating income	**17.740**	**20.149**	**-12,0%**
Personnel expenses	-5.624	-4.552	23,6%
Depreciation/amortization charge	-1.117	-638	75,0%
Other operating expenses	-4.492	-7.834	-42,7%
Total operating expenses	**-11.233**	**-13.024**	**-13,7%**
Foreign exchange gains/losses	-1.239	260	-576,0%
Total foreign exchange gains/losses	**-1.239**	**260**	**-576,0%**
Profit before tax	**5.268**	**7.385**	**-28,7%**
Income tax expense	-1.430	-1.669	-14,3%
Net profit for the period	**3.838**	**5.716**	**-32,9%**

IuteCredit's business model is focused on performing customers and avoiding poorly performing or defaulting customers. Accordingly, fee income predominantly results from performing customers and primary fees. Primary loan agreement commission fees are charged for receiving, processing loan applications and issuing loans, or modifying valid loan conditions. Interest is charged on the outstanding principal loan amounts. Other primary fees are charged for various services. Secondary fees are applied as consequence of non-performance of loan repayment payments on due date. Secondary fees are used to offset the Group's exposure to payments past due related to the original loan agreements. Secondary fees are accounted as collected, whereas primary fees are accounted as accrued.

Total income

Total income before expenses consisting of interest income and similar income, penalties and similar income, and other income increased by 25,9% to 42.265 thousand EUR (9M/2019: 33.561 thousand EUR).

Breakdown of total income

(in thousand EUR)	9M/2020	9M/2019	Δ in %
Interest and similar income	32.477	32.075	1,3%
Penalties and similar income	5.760	1.484	288,2%
Other income	4.028	2	>1.000%
Total income	**42.265**	**33.561**	**25,9%**

Other income

Other income in 9M/2020 of 4.028 thousand EUR included, in particular, income of 2.500 thousand EUR from sales of defaulted loan portfolio as well as revenues generated with IuteCredit Mastercard.

Interest income

Interest income for the period increased by 1.3% to 32.477 thousand EUR (9M/2019: 32.075 thousand EUR) compared to the 21% increase in the average net loan portfolio. The divergent development reflects the adoption of the payment holidays related to the COVID-19 pandemic.

Breakdown of interest income

(in thousand EUR)	9M/2020	9M/2019	Δ in %
Total value of loan principal issued	80.474	104.962	-23,3%
Average net loan portfolio	75.118	62.106	21,0%
Principal	79.620	56.163	41,8%
Accrued interest	16.740	5.944	181,6%
Average annualized interest rate on net portfolio	45,9%	65,9%	-30,4%
Interest income	32.477	32.075	1,3%

Breakdown of interest income by countries

	9M/2020	Total share in %	9M/2019	Total share in %	Δ in %
Moldova	16.838	51,8%	14.702	45,8%	14,5%
Albania	11.706	36,0%	10.783	33,6%	8,6%
Macedonia	2.904	8,9%	2.970	9,3%	-2,2%
Bosnia	1.029	3,2%	65	0,2%	>1.000%
Kosovo	0	0,0%	3.555	11,1%	-100,0%
In total	**32.477**	**100,0%**	**32.075**	**100,0%**	**1,3%**

Interest expense

Interest expense for the period increased by 23,8% to 8.061 thousand EUR (9M/2019: 6.512 thousand EUR), in connection with the borrowing resulting from the expansion of business activities in 2019. Most notably, was the issue of a four-year corporate bond 2019/23 for 40 million EUR in August 2019.

Breakdown of interest expense

(in thousand EUR)	9M/2020	9M/2019	Δ in %
Interest on amounts due to creditors	-4.026	-3.866	4,1%
Interest on financial lease liabilities	-72	-301	-76,1%
Interest on bonds	-3.963	-2.345	69,0%
Total	**-8.061**	**-6.512**	**23,8%**

Loan administration fees and penalties

Income from other fees and penalties almost threefold to 5.760 thousand EUR (9M/2019: 3.257 thousand EUR) reflecting penalties and delay interests, resigns, deduction by dealer bonuses, and other secondary fees. The revenue of the previous year period was influenced by the reappraisal of penalties and delay interest, which gives a more conservative approach. Assessment is done on the cash-based method since 2019 according to what penalties are recorded from the moment of receiving the cash. The retrospective effect to the previous periods is unmeasurable.

Breakdown of administration fees and penalties

(in thousand EUR)	9M/2020	9M/2019	Δ in %
Penalties under loans and delay interests	5.380	3.257	65,2%
Reappraisal of secondary revenue	0	-2.084	-100,0%
Resigns under customer loans	408	549	-25,6%
Dealer bonuses	-405	-516	-21,5%
Total	377	278	35,7%
	5.760	**1.484**	**288,2%**

Allowances for loan impairment

Change in allowances for loan impairment increased to 16.464 thousand EUR (9M/2019: 6.899 thousand EUR) in line with an intentionally more conservative provisioning approach as a response to the COVID-19 pandemic creating an additional risk buffer.

Breakdown of allowances for loan impairment

(in thousand EUR)	9M/2020	9M/2019	Δ in %
At the beginning of the period	**-13.100**	**-12.465**	**5,1%**
Allowances for loan impairment	-16.464	-6.899	138,6%
Other charges	1.572	177	788,1%
Utilized	2.861	2.829	1,1%
Exchange differences	0	-177	-100,0%
At the end of the period	**-25.131**	**-16.535**	**52,0%**

(in thousand EUR)	9M/2020	9M/2019	Δ in %
Impairment charges on loans	-17.653	-9.753	81,0%
Recovery from written-off loans	1.189	2.855	-58,4%
Net impairment charges	**-16.464**	**-6.899**	**138,6%**

Overall net impairment losses represented 50,1% of interest income (9M/2019: 21,5%). The cost of risk, expressed as net impairment charges to average gross loan portfolio, equaled 17,5% (31 December 2019: 14,3%).

Operating expenses

Operating expenses for the period decreased by 18.3% to 10.116 thousand EUR (9M/2019: 12.386 thousand EUR). Advertising expenses accounted for 7,3% (9M/2019: 19,7%) of operating expenses. The cost to income ratio for the period dropped by more than one-third to 26,6% (9M/2019: 38,8%), reflecting fully-fledged cost-cutting.

Breakdown of operating expenses

(in thousand EUR)	9M/2020	9M/2019	Δ in %
Personnel	-5.624	-4.552	23,6%
Advertising expenses	-739	-2.434	-69,6%
Research and development	0	-1.940	-100,0%
IT	-602	-358	68,2%
Debt collection	-243	-342	-29,0%
Legal and consulting	-417	-441	-5,5%
Rent and utilities	-56	-181	-69,2%
Taxes	-284	-222	27,7%
Travel	-186	-295	-36,9%
Other	-1.965	-1.622	21,1%
Total	**-10.116**	**-12.386**	**-18,3%**

Excluding personnel expenses, operating expenses mainly in advertising services decreased by 42,7% to 4.492 thousand EUR (9M/2019: 7.835 thousand EUR).

Personnel expenses

Personnel expenses, mainly salaries and bonuses, and social security expenses increased more than the build-up in headcount by 23,6% to 5.624 thousand EUR (9M/2019: 4.552 thousand EUR), mostly due to employment of highly qualified specialists (in-house IT department) and one-time motivational bonuses paid out for the subsidiaries whose result was negative. The average staff number in full-time equivalents increased by 6,4% to 363 employees (9M/2019: 341 employees).

Breakdown of personnel expenses

(in thousand EUR)	9M/2020	9M/2019	Δ in %
Salaries and bonuses	-4.779	-3.507	36,3%
Social security expenses	-771	-853	-9,7%
Medical insurance expenses	-69	-30	131,6%
Other expenses	-5	-162	-96,7%
Total	**-5.624**	**-4.552**	**23,6%**
Number of employees adjusted to full-time	363	341	6,4%

Foreign exchange gains/losses

Foreign exchange movements resulted in a loss of 1.239 thousand EUR (9M/2019: 260 thousand EUR) reflecting, in particular, EUR/MDL and EUR/ALL conversion rates.

Profit before tax

Consolidated profit before tax decreased by 28,7% to 5.268 thousand EUR (9M/2019: 7.385 thousand EUR). The profit margin before tax equaled 16,2% (9M/2019: 23,0%).

Income tax expense

Income tax expense decreased by 14,3% to 1.430 thousand EUR (9M/2019: 1.669 thousand EUR), in particular, as a result of different taxation regulations in home markets, i.e., differences between provisions accounting in national GAAP and IFRS.

Breakdown of income tax

(in thousand EUR)	9M/2020	9M/2019	Δ in %
Consolidated profit before tax	5.268	7.385	-28,7%
Current income tax expense	-1.430	-1.669	-14,3%
Net profit for the period	**3.838**	**5.716**	**-32,9%**

Profit for the period

Net profit for the period decreased by 32,9% to 3.838 thousand EUR (9M/2019: 5.716 thousand EUR).

Transition statement of non-IFRS measures EBITDA and Adjusted EBITDA

Breakdown of transition to adjusted EBITDA

(in thousand EUR)	9M/2020	9M/2019	9M Δ in %	12M/2019	12M/2018	12M Δ in %
Profit for the period	3.838	5.716	-32,9%	8.371	7.256	15,4%
Provision for corporate income tax	1.430	1.669	-14,3%	2.096	2.244	-6,6%
Interest expense	8.061	6.512	23,8%	8.968	3.855	132,7%
Depreciation and amortization	1.117	638	75,0%	1.239	220	464,2%
EBITDA	**14.446**	**14.536**	**-0,6%**	**20.674**	**13.574**	**52,3%**
Adjustments	-1.239	405	-405,9%	510	662	-23,0%
Adjusted EBITDA	**15.685**	**14.131**	**11,0%**	**20.165**	**12.913**	**56,2%**

Breakdown of adjustments to EBITDA

(in thousand EUR)	9M/2020	9M/2019	9M Δ in %	12M/2019	12M/2018	12M Δ in %
Discontinued operations	0	145	-100%	0	0	0,0%
Foreign exchange gains/losses	-1.239	260	-576,0%	510	662	-23,0%
Adjustments	**-1.239**	**405**	**-405,7%**	**510**	**662**	**-23,0%**

Condensed statement of financial position

(in thousand EUR)	30 Sep 2020	31 Dec 2019	Δ in %
ASSETS			
Cash and bank accounts	6.659	6.734	-1,1%
Loans to customers	71.230	79.005	-9,8%
Prepayments	462	913	-49,4%
Other assets	2.062	2.489	-17,1%
Assets held for sale	3	5	-40,0%
Other financial investments	9.693	9.908	-2,2%
Property, plant and equipment	1.009	1.025	-1,6%
Right-of-use assets	2.362	2.850	-17,1%
Intangible assets	4.004	3.326	20,4%
Total assets	**97.484**	**106.254**	**-8,3%**
LIABILITIES AND EQUITY			
Liabilities			
Loans and bonds from investors	73.765	84.073	-12,3%
Trade and other payables	567	1.031	-45,0%
Current income tax liabilities	185	455	-59,3%
Deferred tax liabilities	430	289	49,0%
Other liabilities	1.601	1.901	-15,8%
Total liabilities	**76.548**	**87.749**	**-12,8%**
Equity			
Share capital	10.000	10.000	0,0%
Legal reserve	536	398	34,8%
Unrealized foreign exchange differences	-697	72	>1.000%
Retained earnings	11.097	8.035	38,1%
Total equity	**20.936**	**18.505**	**13,1%**
Total equity and liabilities	**97.484**	**106.254**	**-8,3%**

Assets

Total assets slightly decreased by 8,3% to 97.484 thousand EUR as of 30 September 2020 (31 December 2019: 106.254 thousand EUR). The main changes related to the reduction in the net loan portfolio.

Loan portfolio

The net loan portfolio decreased by 9,8% to 71.230 thousand EUR as of 30 September 2020 (31 December 2019: 79.005 thousand EUR). The decrease largely resulted from redeeming customer loans and additionally from a more conservative provisioning approach in response to the COVID-19 pandemic.

Breakdown of net portfolio

(in thousand EUR)	30 Sep 2020	Total in %	31 Dec 2019	Total in %	Δ in %
Moldova	35.310	49,6%	41.268	52,2%	-14,4%
Albania	24.755	34,8%	28.465	36,0%	-13,0%
Macedonia	9.035	12,7%	8.031	10,2%	12,5%
Bosnia	2.130	3,0%	1.241	1,6%	71,6%
Total net loan portfolio	**71.230**	**100,0%**	**79.005**	**100,0%**	**-9,8%**

Breakdown of loan applications

	9M/2020					9M/2019					Δ in %		
in pcs	Processed	Approved	Paid out	Approval rate %	Active rate %	Processed	Approved	Paid out	Approval rate%	Active rate %	Processed	Approved	Approval rate%
Moldova	121.865	73.547	68.399	60,4%	93,0%	192.362	110.581	92.158	57,5%	83,3%	-36,6%	-33,5%	5,0%
Albania	95.508	61.877	59.086	64,8%	95,5%	119.014	77.992	73.496	65,5%	94,2%	-19,8%	-20,7%	-1,1%
Macedonia	41.630	23.751	23.502	57,1%	99,0%	63.064	33.204	30.990	52,7%	93,3%	-34,0%	-28,5%	8,4%
Kosovo	0	0	0	0,0%	0,0%	89.554	34.686	33.045	38,7%	95,3%	-100,0%	-100,0%	-100,0%
Bosnia	10.437	4.125	4.037	39,5%	97,9%	5.216	1.425	1.330	27,3%	93,3%	100,1%	189,5%	44,7%
In total	**269.440**	**163.300**	**155.024**	**60,6%**	**94,9%**	**469.210**	**257.888**	**231.019**	**55,0%**	**89,6%**	**-42,6%**	**-36,7%**	**10,3%**

Breakdown of issued loans APR on country level

(in %)	9M/2020	9M/2019	Δ in %
Moldova	55,2%	57,5%	-4,1%
Albania	56,1%	68,2%	-17,7%
Macedonia	41,7%	60,1%	-30,6%
Kosovo	0,0%	59,3%	-100,0%
Bosnia	56,4%	73,3%	-23,1%
ICG average	**52,3%**	**63,7%**	**-17,8%**

The decline in average annual percentage rates (APR) at group level in 9M/2020 is mainly attributable to the COVID-19 pandemic and the related introduction of grace periods and payment holidays as well as increased competition in other countries. In June 2020, higher annual percentage rates could again be charged for new payouts.

Breakdown of customer performance index (CPI30)

The following table sets out the ratio of actual loan repayments compared to expected repayments according to loan repayment schedules, plus 30 days tolerance, i.e., Customer Performance Index (CPI30).

(in %)	9M/2020	9M/2019	Δ in %
Moldova	83,5%	87,0%	-4,0%
Albania	81,0%	89,4%	-9,4%
Macedonia	88,3%	85,3%	3,5%
Kosovo	0,0%	87,6%	-100,0%
Bosnia	73,6%	82,8%	-11,1%
ICG weighted average	**81,6%**	**86,4%**	**-5,6%**

After a temporary decline, customer repayment discipline (Customer Performance Index, CPI) is on the road to recovery. CPI0 and CPI30 are slightly below pre-Covid-19 levels at the end of 9M/2020.

Breakdown of portfolio classification

The following tables set out the classification of the Group's net loan portfolio in terms of overdue buckets as well as the total impairment coverage ratio. Non-performing loans are recorded according to DPD+50.

	30 Sep 2020				31 Dec 2019			
(in thousand EUR)	Gross amount	Provisions	Net amount	% of net portfolio	Gross amount	Provisions	Net amount	% of net portfolio
Performing	67.420	-5.016	62.404	87,6%	77.307	-2.147	75.160	95,1%
Non-Performing	28.940	-20.114	8.826	12,4%	14.798	-10.953	3.845	4,9%
Total portfolio	**96.360**	**-25.130**	**71.230**	**100,0%**	**92.105**	**-13.100**	**79.005**	**100,0%**

(in thousand EUR)	30 Sep 2020	Total share in %	31 Dec 2019	Total share in %
Stage 1	60.962	85,6%	73.681	93,3%
Stage 2	1.442	2,0%	1.526	1,9%
Stage 3	8.826	12,4%	3.798	4,8%
Total net portfolio	**71.230**	**100,0%**	**79.005**	**100,0%**
Gross NPL ratio	**30,0%**		**16,1%**	
Impairment coverage ratio	**86,8%**		**88,5%**	

The total share of poorly performing loan portfolio (Stage 2 and Stage 3) increased due to the COVID-19 pandemic which has had a negative impact on customer payments.

Distribution principles between stages

	30 Sep 2020	30 Sep 2019
Stage 1	DPD <=30	DPD <=30
Stage 2	30 < DPD <=50	30 < DPD <=50
Stage 3	DPD > 50	DPD > 50

Other assets and prepayments

Breakdown of other assets and prepayments

(in thousand EUR)	30 Sep 2020	31 Dec 2019	Δ in %
Deferred tax assets	86	22	290%
Prepayments of rent	65	18	272%
Prepayment of taxes	188	700	-73,1%
Prepayments to suppliers and deferred expenses	123	174	-29,3%
Prepayments in total	**462**	**913**	**-49,4%**
Receivables from collection companies	288	452	-36,2%
Other receivables	30	23	28,8%
Deposit receivables from partners	1.747	2.013	-13,2%
Trade and other receivables in total	**2.065**	**2.489**	**-17,0%**
TOTAL	**2.527**	**3.402**	**-25,7%**

The tax prepayments were reduced in accordance with the responsible authorities in order to increase the ability to act as a result of the mounting cash holdings.

Liabilities

As of 30 September 2020, total liabilities decreased by 12,8% to 76.548 thousand EUR (31 December 2019: 87.749 thousand EUR). The changes mainly relate to the repayment of loans from investors.

Breakdown of loans and borrowings

Loans and borrowings decreased by 12,3% to 73.765 thousand EUR (31 December 2019: 84.073 thousand EUR), accounting for 96,4% of all liabilities (31 December 2019: 95,8%).

(in thousand EUR)		30 Sep 2020	31 Dec 2019	Δ in %
Loans from investors		**33.875**	**41.954**	**-19,3%**
	Due date during next 12 months	17.425	25.397	-31,4%
	Due date after 12 months	16.450	16.557	-0,6%
Bond liabilities		**36.493**	**36.967**	**-1,3%**
	Due date during next 12 months	0	0	n/a
	Due date after 12 months	36.493	36.967	-1,3%
Lease liabilities		**2.285**	**2.794**	**-18,2%**
	Due date during next 12 months	802	863	-7,1%
	Due date after 12 months	1.483	1.931	-23,2%
Accrued interest		**1.112**	**2.357**	**-52,8%**
TOTAL		**73.765**	**84.073**	**-12,3%**
	weighted average interest rate	*10,7%*	*11,8%*	*9,3%*
	currency	*EUR, MDL, USD; ALL; MKD*	*EUR, MDL, USD; ALL; MKD*	

Loans from investors decreased by 19,3% to 33.875 thousand EUR (31 December 2019: 41.954 thousand EUR), of which 25.991 thousand EUR (31 December 2019: 23.415 thousand EUR) is accounted for by P2P loans from the Mintos platform.

IuteCredit Finance S.a.r.l., wholly owned Luxembourg subsidiary of ICG, issued and placed in August 2019 40 million EUR senior secured bonds (Eurobond), with a maturity of 4 years and a coupon of 13%, guaranteed by ICG and its subsidiaries. The Bonds are listed on Frankfurt Stock Exchange and were included into the Regulated Market in Q3/2020.

Eurobond covenant ratios

	30 Sep 2020	31 Dec 2019	Δ in %
Capitalization			
Capitalization ratio *(equity/net loan portfolio)*	29,4%	23,4%	25,5%
Financial covenant at least	15%		
	9M/2020	**9M/2019**	**Δ in %**
Profitability			
Interest coverage ratio (ICR), times	1,9	2,2	-10,3%
(adjusted EBITDA/interest expenses)			
Financial covenant at least	1,5		

Distribution of investor loan (Mintos)

	Mintos loans			Net loan portfolio			
(in thousand EUR)	**30 Sep 2020**	**31 Dec 2019**	**Δ in %**	**30 Sep 2020**	**Total share in %**	**31 Dec 2019**	**Total share in %**
Moldova	11.873	11.806	0,6%	35.310	33,6%	41.268	28,6%
Albania	11.952	10.123	18,1%	24.755	48,3%	28.465	35,6%
Macedonia	2.166	1.487	45,7%	9.035	24,0%	8.031	18,5%
Bosnia	0	0	0,0%	2.130	0,0%	1.241	0,0%
Total	**25.991**	**23.415**	**11,0%**	**71.230**	**37,6%**	**79.005**	**30,1%**

Other liabilities

Breakdown of other liabilities

(in thousand EUR)	30 Sep 2020	31 Dec 2019	Δ in %
Trade payables	567	1.031	-45,0%
Payables to employees	179	601	-70,2%
Corporate Income Tax payables	185	455	-59,3%
Other Tax payables	430	289	48,8%
Dealer loan liabilities	627	1	>1.000%
Over-/wrong payments from customers	427	205	108,0%
Other liabilities	367	1.093	-66,4%
TOTAL	**2.783**	**3.676**	**-24,3%**

Equity

As of 30 September 2020, equity increased by 13,1% to 20.936 thousand EUR (31 December 2019: 18.505 thousand EUR), representing an equity to assets ratio of 21,5% (31 December 2019: 17,4%). The equity to net loan portfolio ratio increased to 29,4% (31 December 2019: 23,4%), reflecting the Group's strong capitalization, and exceeds IuteCredit Eurobond covenants of at least 15% significantly.

Off-balance sheet arrangements

Future receivable commission fees, guarantee fees, administration fees, collaterals of car loan credit and penalties (penalties are also called: secondary receivables) are not accounted in the Group's balance sheet, although the customers have legally binding, irreversible obligation to pay those receivables in full according to the terms of signed loan agreements.

The debt of ICKO in front of Mintos was recognized as off-balance sheet for the Group as of 30 November 2019. The parent company (ICE) carried the liability itself. Following the repayment of outstanding debts by ICE in mid-June 2020, there is no longer a principal liability as of 30 September 2020.

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated statement of comprehensive income

(in thousand EUR)	9M/2020	9M/2019	Δ in %
Interest and similar income	32.477	32.075	1,3%
Interest and similar expense	-8.061	-6.512	23,8%
Net interest and commission fee income	**24.416**	**25.562**	**-4,5%**
Loan administration fees and penalties	5.760	1.484	288,2%
Loan administration fees and penalties in total	**5.760**	**1.484**	**288,2%**
Other income	4.028	2	>1.000%
Allowances for loan impairment	-16.464	-6.899	138,6%
Net operating income	**17.740**	**20.149**	**-12,0%**
Personnel expenses	-5.624	-4.552	23,6%
Depreciation/amortization charge	-1.117	-638	75,0%
Other operating expenses	-4.492	-7.834	-42,7%
Total operating expenses	**-11.233**	**-13.024**	**-13,7%**
Foreign exchange gains/losses	-1.239	260	n/a
Total foreign exchange gains/losses	**-1.239**	**260**	**n/a**
Profit before tax	**5.268**	**7.385**	**-28,7%**
Income tax expense	-1.430	-1.669	-14,3%
Profit for the reporting period	**3.838**	**5.716**	**-32,9%**
Other comprehensive income			
Other comprehensive income to be classified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations	-769	-178	333,2%
Other comprehensive income total	**3.069**	**5.539**	**-44,6%**
Profit attributable to:			
Equity holders	3.069	5.539	-44,6%
Total comprehensive income attributable to:			
Equity holders	3.069	5.539	-44,6%

Consolidated statement of financial position

(in thousand EUR)	30 Sep 2020	31 Dec 2019	Δ in %
ASSETS			
Cash and bank accounts	6.659	6.734	-1,1%
Loans to customers	71.230	79.005	-9,8%
Prepayments	462	913	-49,4%
Other assets	2.062	2.489	-17,1%
Assets held for sale	3	5	-40,0%
Other financial investments	9.693	9.908	-2,2%
Property, plant and equipment	1.009	1.025	-1,6%
Right-of-use assets	2.362	2.850	-17,1%
Intangible assets	4.004	3.326	20,4%
Total assets	**97.484**	**106.254**	**-8,3%**
LIABILITIES AND EQUITY			
Liabilities			
Loans and bonds from investors	73.765	84.073	-12,3%
Trade and other payables	567	1.031	-45,0%
Current income tax liabilities	185	455	-59,3%
Deferred tax liabilities	430	289	49,0%
Other liabilities	1.601	1.901	-15,8%
Total liabilities	**76.548**	**87.749**	**-12,8%**
Equity			
Share capital	10.000	10.000	0,0%
Legal reserve	536	398	34,8%
Unrealized foreign exchange differences	-697	72	n/a
Retained earnings	11.097	8.035	38,1%
Total equity	**20.936**	**18.505**	**13,1%**
Total equity and liabilities	**97.484**	**106.254**	**-8,3%**

Consolidated statement of cash flows

(in thousand EUR)	9M/2020	9M/2019	Δ in %
Paid prepayments (-)	-6.197	-3.082	101,1%
Received pre- and overpayments (+)	104	2.426	-95,7%
Paid deposits, i.e., MasterCard, collection, Mintos and other partners (-)	-1.562	-5.616	-72,2%
Received deposits, i.e., MasterCard, collection, Mintos and other partners (+)	27.769	6.218	346,6%
Paid trade payables outside the Group (-)	-7.960	-8.754	-9,1%
Received debts from buyers and received other claims (+)	816	407	100,4%
Received from collection companies (+)	17.390	9.161	89,8%
Paid net salaries (-)	-3.986	-3.292	21,1%
Paid tax liabilities, exc. CIT (-)	-2.148	-2.128	0,9%
Corporate income tax paid (-)	-1.437	-2.719	-47,2%
Change in MasterCard settlement account (+/-)	-5.318	0	n/a
Loan principal repayments from customers related to MasterCard (+)	2.449	0	n/a
Paid out to customers outside the Group (-)	-31.240	-55.473	-43,7%
Principal repayments from customers outside the Group (+)	22.297	30.840	-27,7%
Interest, commission and other fees received outside the Group (+)	10.593	13.348	-20,6%
NET CASH FLOWS FROM OPERATING ACTIVITIES	**21.569**	**-18.664**	**n/a**
Purchase of fixed assets outside the Group, incl. prepayments (-)	-172	-564	-69,5%
Net cash flow from acquisition of subsidiaries (+/-)	0	-5	n/a
Received from the sale of affiliates(+)	0	159	n/a
Payments for other financial investments (-)	-2.513	0	n/a
Receipts from other financial investments (+)	504	0	n/a
NET CASH FLOWS FROM INVESTING ACTIVITIES	**-2.180**	**-410**	**431,8%**
Loans received from investors outside the Group (+)	25.593	66.779	-61,7%
Repaid loans to investors outside the Group (-)	-31.277	-37.078	-15,6%
Change in overdraft (+/-)	-5.162	4.634	n/a
Change in Mastercard (MC) settlement account	0	-386	n/a
Paid out loans to customers related to MasterCard (-)	0	-100	n/a
Loan principal repayments from customers related to MasterCard (+)	0	41	n/a
Principal payments of financial lease contracts (-)	-642	-494	30,0%
Interests paid outside the Group (-)	-7.148	-4.017	77,9%
Dividends paid outside the Group (-)	-499	-1.629	-69,3%
Payments for other financing activities (-)	-38	0	n/a
Receipts from other financing activities (+)	3	0	n/a
NET CASH FLOWS FROM FINANCING ACTIVITIES	**-19.171**	**27.750**	**n/a**
Change in cash and cash equivalents	**218**	**8.676**	**-97,5%**
Cash and cash equivalents at the beginning of the period	**6.734**	**2.628**	**156,2%**
Change in cash and cash equivalents	218	8.676	-97,5%
Net foreign exchange difference	-293	-12	> 1.000%
Cash and cash equivalents at the end of the period	**6.659**	**11.292**	**-41,0%**

Cash and cash equivalents comprise	9M/2020	9M/2019	Δ in %
Cash on hand	4	69	-94,1%
Non-restricted current account	6.655	11.223	-40,7%

Consolidated statement of changes in equity

(in thousand EUR)	Share capital	Legal reserve	Share premium	Unrealized foreign exchange differences	Retained earnings	Total
01/01/19	**10.000**	**28**	**0**	**378**	**2.284**	**12.690**
Profit for the year	**0**	**0**	**0**	**0**	**5.716**	**5.716**
Other comprehensive income						
Foreign currency translation	0	0	0	-178	0	**-178**
Total comprehensive income	**0**	**0**	**0**	**-178**	**5.716**	**5.539**
Contribution to share capital	0	371	0	0	-371	0
Dividends	0	0	0	0	-1.629	**-1.629**
30/09/19	**10.000**	**398**	**0**	**201**	**6.000**	**16.599**
01/01/20	**10.000**	**398**	**0**	**72**	**8.035**	**18.505**
Profit for the period	**0**	**0**	**0**	**0**	**3.838**	**3.838**
Other comprehensive income						
Foreign currency translation	0	0	0	-769	0	**-769**
Total comprehensive income	**0**	**0**	**0**	**-769**	**3.838**	**3.069**
Allocation to reserves	0	139	0	0	-139	0
Dividends	0	0	0	0	-638	-638
30/09/20	**10.000**	**537**	**0**	**-697**	**11.096**	**20.936**

Additional key performance indicators

Profitability	9M/2020	9M/2019	Δ in %
Return on average assets	3,8%	7,1%	-3,3%
Return on average equity	19,5%	39,0%	-19,5%
Interest income/Average interest earning assets	31,2%	39,8%	-8,6%
Interest income/Average gross loan portfolio	34,5%	42,6%	-8,1%
Interest income/Average net loan portfolio	40,8%	51,6%	-10,8%
Interest expense/Interest income	24,8%	20,3%	4,5%
Cost of funds	9,8%	9,9%	-0,1%
Cost of interest-bearing liabilities	10,2%	10,6%	-0,4%
Net interest margin	30,2%	37,5%	-7,3%
Net effective annualized yield	51,5%	57,1%	-5,6%
Net impairment/interest income	50,7%	21,5%	29,2%
Net fee and commission income/Total operating income	90,5%	100,0%	-9,5%
Earnings before taxes/Average total assets	5,2%	9,2%	-4,0%
Efficiency	**9M/2020**	**9M/2019**	**Δ in %**
Total assets/Employee (in thousand EUR)	269	309	-13,0%
Total operating income/Employee (in thousand EUR)	117	98	18,4%
Cost/Income ratio	26,6%	38,8%	-12,2%
Total recurring operating costs/Average total assets	1,3%	3,7%	-2,4%
Total operating income/ Average total assets	41,5%	41,8%	-0,3%
Personnel costs/Total recurring operating costs	426,7%	151,6%	275,1%
Personnel costs/Total operating income	13,3%	13,6%	-0,3%
Net operating income/Total operating income	42,0%	60,0%	-18,1%
Net income (Loss)/Total operating income	9,1%	17,0%	-8,0%
Profit before tax (Loss)/Interest income	16,2%	23,0%	-6,8%
Liquidity	**9M/2020**	**9M/2019**	**Δ in %**
Net loan receivables/Total assets	73,1%	71,5%	1,6%
Average net loan receivables/Average total assets	78,2%	77,3%	0,9%
Net loan receivables/Total liabilities	93,1%	84,9%	8,2%
Interest earning assets/Total assets	106,6%	76,5%	30,1%
Average interest earning assets/Average total assets	89,9%	78,0%	11,9%
Liquid assets/Total assets	16,8%	15,8%	1,0%
Liquid assets/Total liabilities	21,4%	18,7%	2,7%
Total deposits/Total assets	0,1%	5,0%	-4,9%
Total deposits/Total liabilities	0,2%	6,0%	-5,8%
Total deposits/Shareholders' equity	0,6%	32,1%	-31,5%
Tangible common equity/Tangible assets	18,1%	15,2%	2,9%
Tangible common equity/Net receivables	23,8%	21,1%	2,7%
Net Loan Receivables/Equity (times)	3,4	4,5	-24,4%
Asset quality	**9M/2020**	**9M/2019**	**Δ in %**
Loan loss reserve/Gross receivables from client	26,1%	18,0%	8,1%
Average loan loss reserve/Average gross receivables from clients	22,1%	19,2%	2,9%
Cost of risk	17,5%	9,2%	8,3%
Gross NPL ratio	30,0%	20,7%	9,3%
Impairment coverage ratio	86,8%	86,8%	0,0%
Selected operating data	**9M/2020**	**9M/2019**	**Δ in %**
Number of employees (adjusted to full-time)	363	341	6,4%
Average monthly gross salary in group (in EUR)	2.196	1.143	92,1%

DEFINITIONS

EBITDA – EBITDA means for the reporting period prior the calculation date, the consolidated net earnings of the Borrower prepared in accordance with the IFRS before any provision on account of taxation, depreciation and amortization, any interest, commissions, discounts and other fees incurred in respect of any financial debt or any interest earned on debts

Adjusted EBITDA – a non-IFRS measure that represents EBITDA (profit for the period plus tax, plus interest expense, plus depreciation and amortization) adjusted for income/loss from discontinued operations, non-cash gains and losses attributable to movement in the mark-to-market valuation of hedging obligations under IFRS, goodwill write-offs and certain other one-off or non- cash items

Adjusted interest coverage – Adjusted EBITDA / interest expense

Cost of risk – Annualized net impairment charges / average gross loan portfolio (total gross loan portfolio as of the start and end of each period divided by two)

Cost/income ratio – Operating costs / operating income

Equity/assets ratio – Total equity / total assets

Equity/net loan portfolio – Total equity / net customer receivables (including accrued interest)

Gross NPL ratio – Non-performing loan portfolio (including accrued interest) with a delay of over 50 days / gross loan portfolio (including accrued interest)

Gross loan portfolio – Total amount receivable from customers, including principal and accrued interest, after deduction of deferred income

Impairment coverage ratio – Total impairment / Gross NPL (+50 days overdue)

Intangible assets – Intangible IT assets (software and developments costs)

Interest and similar income - generated from our customer loan portfolio

Loss given default – Loss on non-performing loan portfolio (i.e., 1 - recovery rate) based on recoveries during the appropriate time window for the specific product, reduced by costs of collection, discounted at the weighted average effective interest rate

Net effective annualized yield – annualized interest income (excluding penalties) / average net loan principal

Net impairment to interest income ratio – Net impairment charges on loans and receivables / interest income

Net interest margin – Annualized net interest income / average gross loan principal (total gross loan principal as of the start and end of each period divided by two)

Net loan portfolio – Gross loan portfolio (including accrued interest) less impairment provisions

Non-performing loans (NPLs) – Loan principal or receivables (as applicable) that are over 50 days past due

Overall provision coverage – Allowance account for provisions / non-performing receivables

Profit before tax margin – Profit before tax / interest income

Performing customers – Online lending customers with open loans that are up to 30 days past due

Poorly performing customers – Online lending customers with open loans that are over 30 days and less than 50 days past due

Return on average assets – Annualized profit from continuing operations / average assets (total assets as of the start and end of each period divided by two)

Return on average equity – Annualized profit from continuing operations / average equity (total equity as of the start and end of each period divided by two)

Tangible equity – Total equity minus intangible assets

STAGE 1 – The 12mECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Group calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR.

STAGE 2 – When a loan has shown a significant increase in credit risk since origination, the Group records an allowance for the LTECLs. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.

STAGE 3 – For loans considered credit-impaired, the Group recognizes the lifetime expected credit losses for these loans. The method is similar for Stage 2 assets, with the PD set at 100%.

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