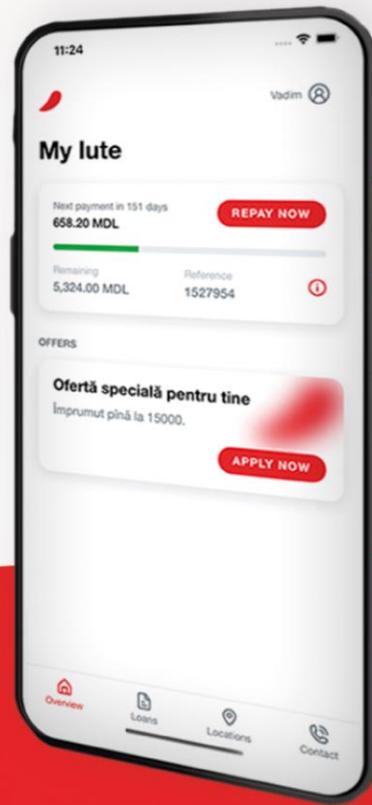




Earnings Call Presentation FY 2020

February 2021



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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
- After graduating high school with gold medal in 1994, tossed the coin, whether to study economics or law. Tarmo holds a Master's degree with distinction in Law from Vrije Universiteit Brussels
- Tarmo started his professional career as attorney in 1999 and was founding partner and manager of LEXTAL Law Firm until 2010
- Co-founded luteCredit with Allar Niinepuu in 2008, after a late-night discussion with an inspirational Estonian banker



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

The 2020 financial year was pandemic-ridden, nevertheless IuteCredit succeeded in expanding its business

Number of customers*

 **660,000+**
+97,000 (2019)

Net loan portfolio

 **€ 79.2m**
+ 0.2% (2019)

Total income

 **€ 56.0m**
+ 10% (2019)

Adjusted EBITDA

 **20.9m**
+ 4% (2019)

Customer Performance
Index (CPI 30)

 **84.7%**
87.8% (2019)

NPLs in **net** portfolio

 **16.6%**
12.4% (9M 2020)

- The breakout of the first wave of pandemic impeded IuteCredit from achieving forecasted growth, however, instant measures have been taken to overcome the crisis
- No major impact of the second COVID wave on the business, however the demand for loans in Q4 slightly fell below expectations
- Comprehensive investments into digitalization; accelerated by the COVID influence and desires to transform towards a digital wallet company
 - Profitable ATM-roll-out continuing in Moldova alongside My Iute App in Moldova and Albania
 - Web chat introduced as additional tech feature improving customer experience
- Successful EUR 10m tap on the existing EUR 40m Eurobond
- Strong capitalization ratio and solid interest coverage ratio, well above Eurobond covenants requirements

* Excluding number of customers in Kosovo

Operational Footprint

Geographical diversification

Bosnia and Herzegovina

- Launch: May 2019
- Loans issued 2020: EUR 4.9m
- Net loan portfolio 2020: EUR 2.7m
- Total income 2020: EUR 1.6m
- EBITDA 2020: EUR -1.7m
- Impairments 2020: EUR 1.0m



Moldova

- Launch: August 2008
- Loans issued 2020: EUR 48.7m
- Net loan portfolio 2020: EUR 35.1m
- Total income 2020: EUR 26.6m
- EBITDA 2020: EUR 8.1m
- Impairments 2020: EUR 8.4m



Albania

- Launch: April 2015
- Loans issued 2020: EUR 46.1m
- Net loan portfolio 2020: EUR 30.0m
- Total income 2020 : EUR 21.1m
- EBITDA 2020: EUR 8.1m
- Impairments 2020: EUR 4.7m



North Macedonia

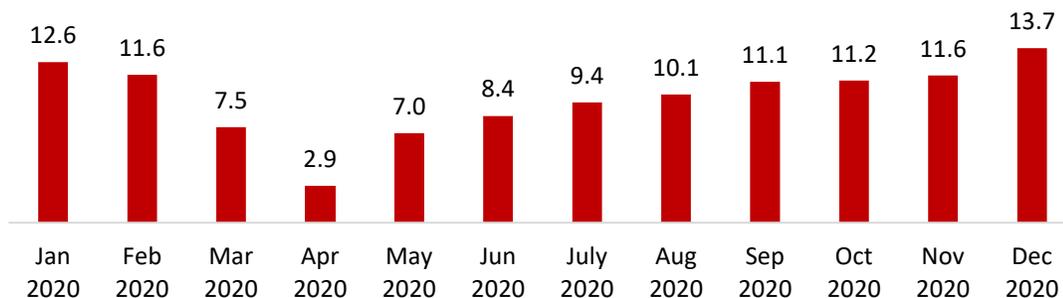
- Launch: September 2017
- Loans issued 2020: EUR 17.9m
- Net loan portfolio 2020: EUR 11.3m
- Total income 2020: EUR 6.8m
- EBITDA 2020: EUR 1.2m
- Impairments 2020: EUR 1.6m



Operating Highlights

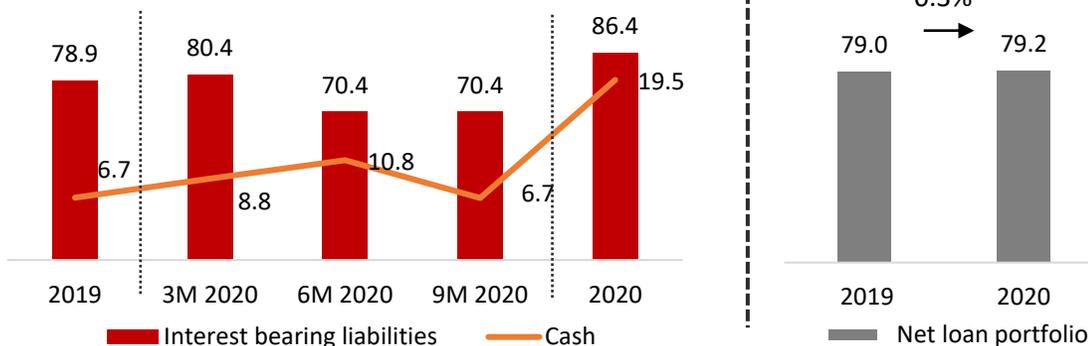
Results of the fiscal year more than gratifying

Steady growth of pay out volumes after the first COVID-19 wave
EURm



Strong cash accumulation

EURm



- The Group has introduced immediate measures as a response to the pandemic:
 - In Q2, focus was shifted towards cutting of operating costs, cashing of the receivables and disciplined contraction of the balance sheet
 - In Q3, the Group returned to the growth with pay outs returning to pre-COVID level
 - In Q4, continuation of the growth, however, loan payouts slower and behind expectations reflecting lower demand from consumers

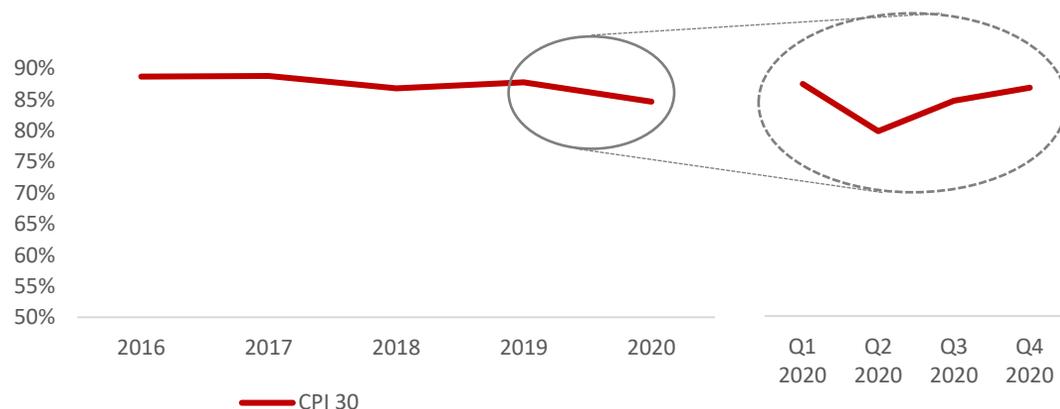
- Net loan portfolio stable at EUR 79.2m (FY 2019: EUR 79.0m) despite strong drop caused by controlled contraction and focus on cashing the receivables during Q2 2020

- Extraordinary high cash position due to the excellent customer repayment discipline and lower than expected loan issuances in Q4 2020

- After realignment in March, Bulgaria is back to operations and on a track for growth

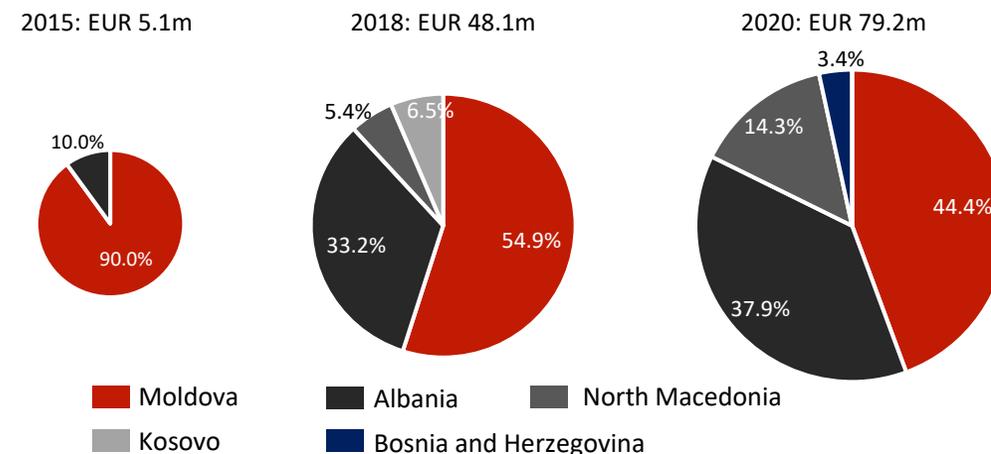
Net Loan Portfolio & Loan Repayment Behaviour

Evolution of Customer Performance Index (CPI 30)



- CPI 30 as indicator of customers' actual duly repayments against the expected payments, moderately effected since Mid-March 2020 due to public lockdown caused by COVID-19
- CPI 30 has improved in Q3 2020 to 84.6% and in Q4 2020 to 86.7% (H1 2020: 82.9%)
- Cumulatively CPI 30 for the period of 2020 stood at 84.7% (2019: 87.8%)
- Repayment behaviour of the customers remained at very high level and has not been impacted by the second wave of the pandemic

Net loan portfolio diversification



- Diversifying risk with more balanced geographical distribution
- After the launch in 2017, the North Macedonian market continues to mature and grow its share in total net loan portfolio
- The contraction of net loan portfolio in Q2 was offset by portfolio growth in Q3 and Q4 thus reaching EUR 79.2m, which is almost on the same level as previous year (2019: EUR 79.0m)

COVID-19 challenges have been mastered

No effect of the second COVID-19 wave on the repayment discipline of lutes' prime customers

- CPI 0 measures customers' actual loan repayment behavior compared to expected repayment behavior, without a single day past due
- First wave of the COVID-19 pandemic has had strong influence on the customer repayment behavior, since mid-March 2020 (Week 11), CPI 0 has been decreasing and reached the bottom at approximately 50% in Week 18
- Drop in the payment discipline was caused by lockdowns and payment holidays
- Steady and continues improvement from Week 19 onwards
- Pre-COVID level reached; in Week 29 CPI 0 at 67%
- Second wave of the pandemic has had no impact on the payment discipline of luteCredit's prime customers
- From Week 29 onwards, CPI 0 continued to vary in the pre-COVID range of 63% - 68%

CPI 0 development

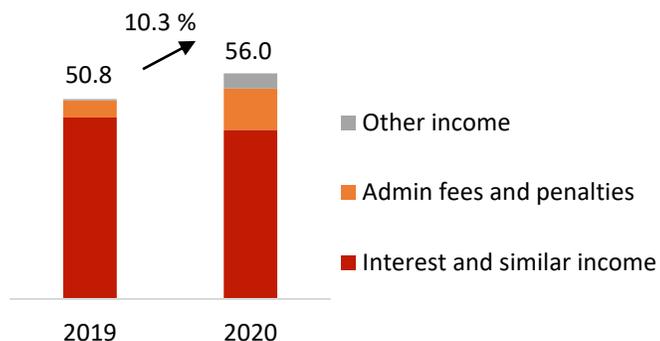


Financial Highlights

Improvement of key financial indicators

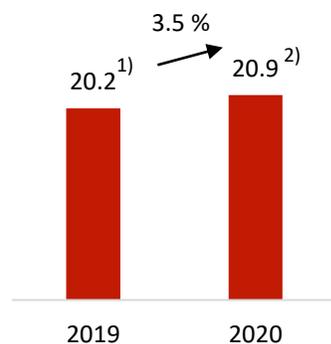
Growth of total income

EURm



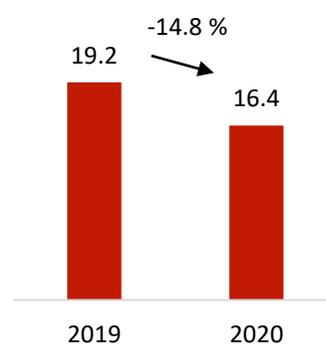
Adjusted EBITDA

EURm



Strong reduction of OPEX

EURm



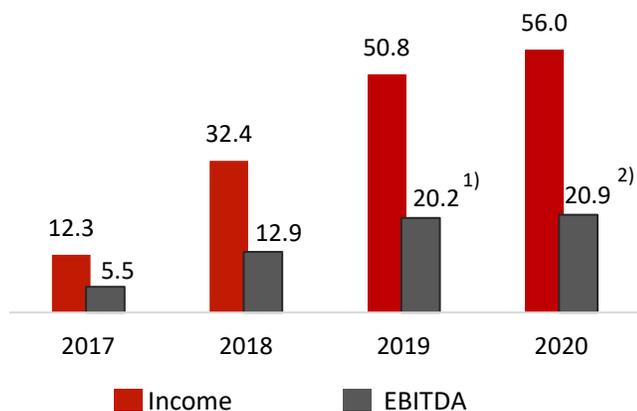
- Interest and commission fee income down by 5.4% to EUR 44.5m (2019: EUR 47.0m) caused by the adoption of payment holidays related to the pandemic, however strong growth of penalties and similar income as well as other income led to the growth of the total income
- Adjusted EBITDA increased by 3.5% to EUR 20.9m (2019: EUR 20.2m) despite high impairment allowances as response to the COVID-19 pandemic
- Strong reduction of total operating costs despite the increase of average staff number to 369 employees (2019: 347 employees)
- Depreciation of Moldavian Leu and Albanian Lek led to FX loss of EUR 2.0m for the period (2019: FX gain EUR 0.4m)
- Net profit for the period decreased by 37.4% to EUR 5.2m (2019: EUR 8.4m) due to FX loss and rise in interest expenses

1) Adjusted for FX gains/losses and discontinued operations (Kosovo)

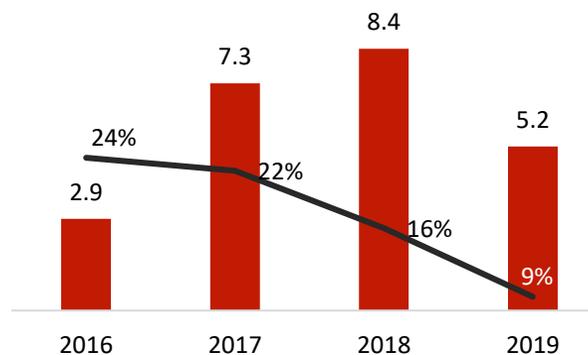
2) Adjusted EBITDA is adjusted for the FX gains/losses

Financial Ratios

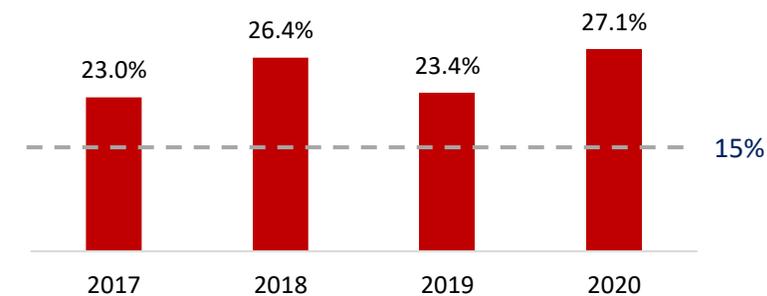
Income & EBITDA in EURm



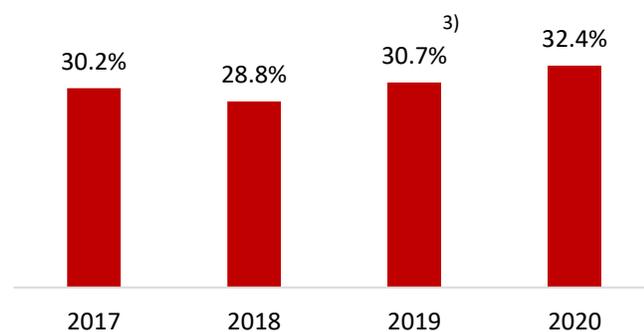
Net profit in EURm & Net profit margin



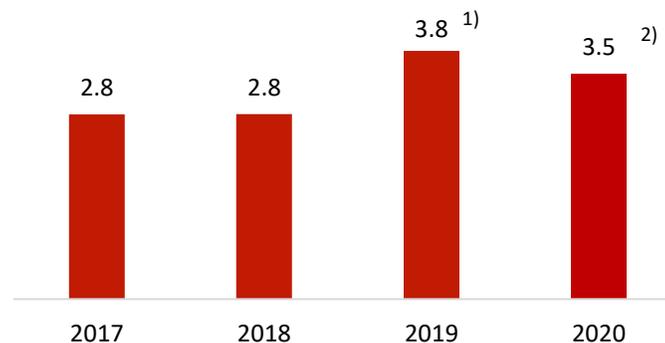
Capitalization ratio



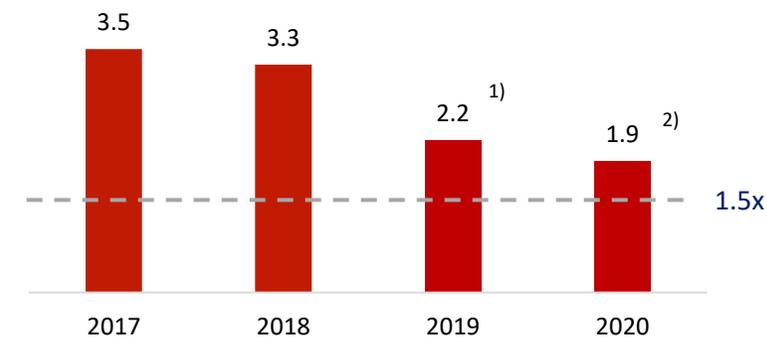
Cost to income ratio



Leverage ratio



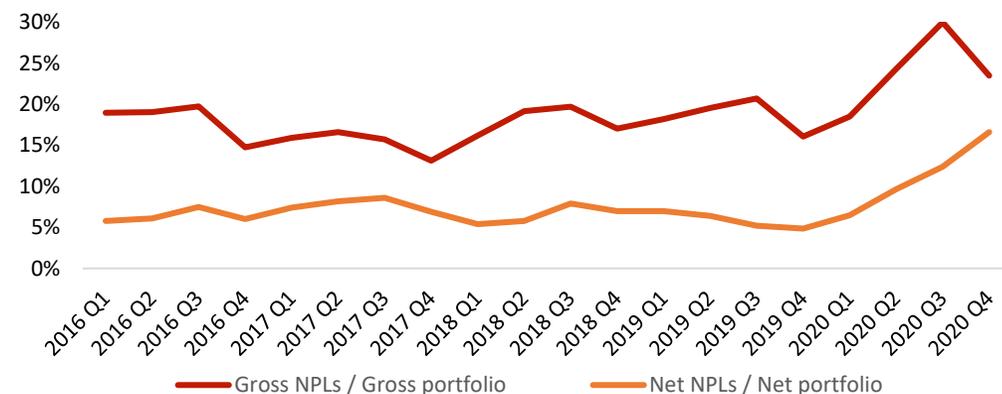
Interest coverage ratio



1) Adjusted for FX gains/losses and discontinued operations
 2) Adjusted for FX gains/losses
 3) Adjusted for one-time Kosovo expenses

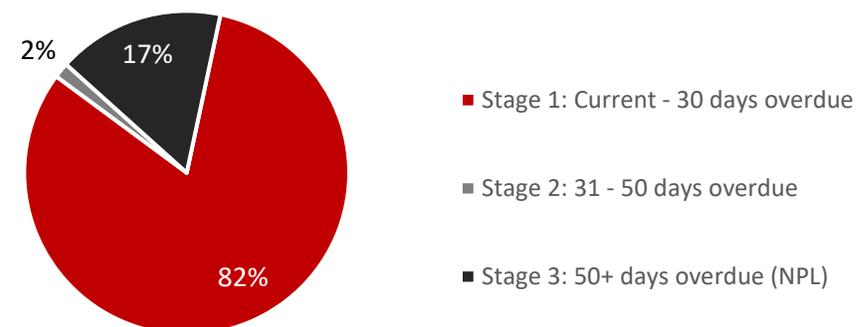
Non-performing loans

Gross and net NPL (50+ DPD) portfolio



- Rise in both Gross and Net NPLs in Q2 and Q3 due to the adverse impact of COVID-19 whereas consistent prudent underwriting standard
- Decline of Gross NPLs in Q4 caused by written off loans, however Net NPLs grew due to the rise in LGD caused by worsening macroeconomic forecasts
- Loan provisions increased to a total of EUR 15.9m (2019: EUR 13.1m), representing 16.7% of the gross loan portfolio

Net loan portfolio quality analysis, FY 2020

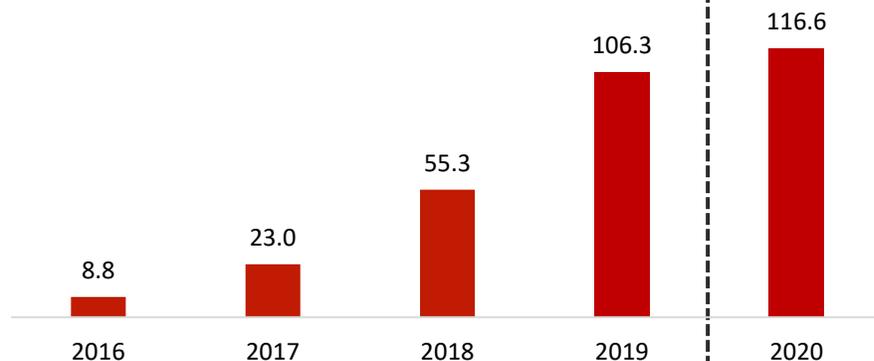


- Conservative internal NPL definition
- Loans 50+ DPD recognized as non-performing loans (NPLs); in 2016 and 2017 NPLs have been defined as 70+ DPD, in 2015 and earlier as 90+ DPD
- luteCredit has always followed the ECL methodology prescribed by IFRS 9
- luteCredit creates and accounts for provisions simultaneously when loans are being issued

Assets & Liabilities

Assets in EURm

as of 31.12.2020

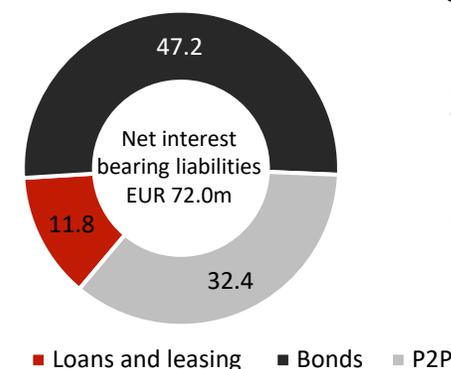


	2016	2017	2018	2019	2020
Capitalization ratio	27.0%	23.0%	26.4%	23.4%	27.1%

- 85% of total assets consist of net loan portfolio as well as cash and liquid assets
- Simple and clearly-structured balance sheet
- Stable and healthy capitalization

Liabilities in EURm

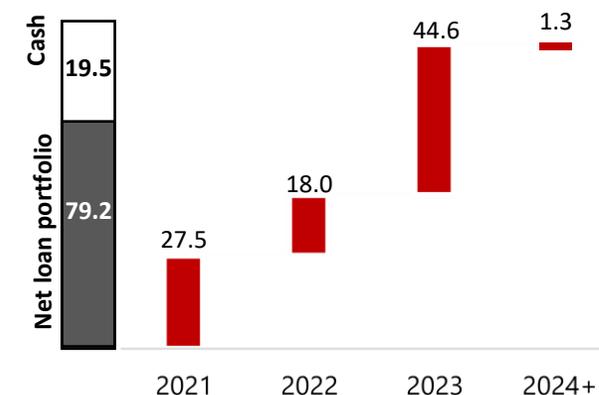
as of 31.12.2020



■ Loans and leasing ■ Bonds ■ P2P

Liability maturities in EURm

as of 31.12.2020



- Total liabilities increased by EUR 7.4m to EUR 95.1m (2019: EUR 87.7m)
- As of 31.12.2020, loans and borrowings amounted to EUR 91.4m (2019: EUR 84.1m), accounting for 96.1% of all liabilities (2019: 95.8%)
- Due to the high cash and liquid assets position of EUR 19.5m, net interest-bearing debt amounted to EUR 72.0m as of 31.12.2020

Summary & Outlook

Challenges mastered – optimistically looking towards 2021

Summary

- The 2020 financial year was pandemic-ridden. Nevertheless, due to the immediate actions taken to overcome the crisis and increased social acceptance of digitalization in the credit and payment industry, luteCredit has managed to grow and turn 2020 into a positive year
- Expansion of Fintech services – luteCredit is well on track to become digital wallet company
 - Introduction of Mylute App, cardless ATMs and next-generation omnichannel technology for online and more efficient interaction with customers
- luteCredit succeeded in both staying true to its mission of providing its customers with exceptional personal finance experiences and still operating profitably in times of crisis. At year-end 2020, luteCredit had more than 130,000 performing loan customers in four countries and achieved a net profit of EUR 5m
- luteCredit is a responsible and socially inclusive lender with full commitment towards high ESG standards

Outlook

- For 2021, luteCredit remains positive with a view to the credit and payments industry adapting to the challenges of the pandemic
- Mylute App and ATMs will be roll out to all countries
- Growth of the business in Bulgaria
- On the balance sheet side, luteCredit expects loans and payment services to almost double to EUR 200m. Additionally, total income of over EUR 70m and net profit of at least EUR 10m with over 200,000 high-performing customers should be reached by the end of 2021

Appendix

Corporate Social Responsibility

luteCredit - Responsible and socially inclusive lender

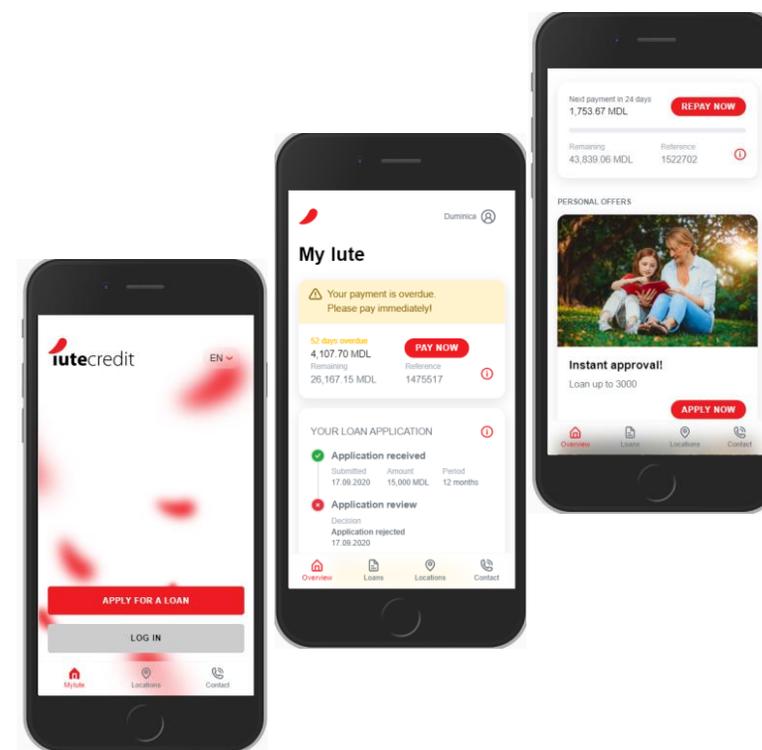
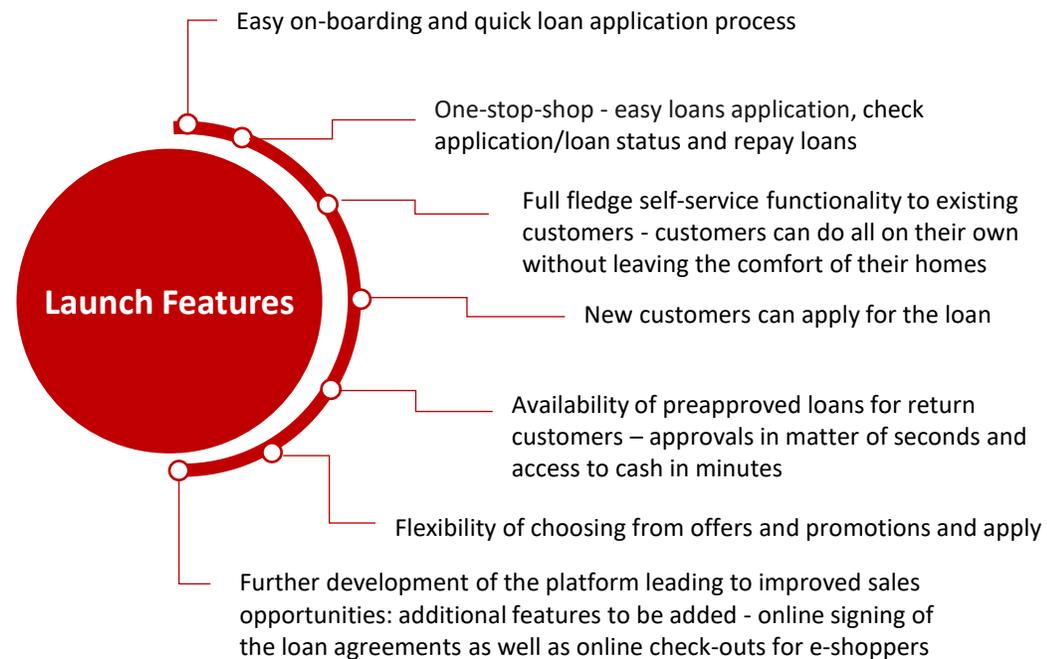
- **Markets:** Most of lute's markets are characterized as small developing countries and are not in focus of the international actors
- **Affordability:** Longer tenors allow customers to limit the monthly cash flow burden oppose the offer from pay day lenders
- **Larger tickets:** Customers can meet their requirements without having to tap into multiple pay day lenders
- **Equitable and smart risk scoring:** 360° risk profile based on alternative data-sources and advanced analytics
- **Transparency:** Clear pricing, moderate APRs and no hidden costs
- **Speed:** Quick decisions so customers have access to credit in a timely manner to live a life, without wasting time

- Increasing number of repeating customers as a proof of luteCredit's satisfied customer's experience
- Continuous investment into technology enabling improvement of customer experience and credit underwriting
- By financing local events, environment and education, luteCredit has positioned itself as an active stakeholder in the social life of the countries

Mylute App

Digitalization: Improving sales and service capabilities

Launched in Moldova and Albania



Cardless ATM Machines

investment into infrastructure to expand payout capabilities



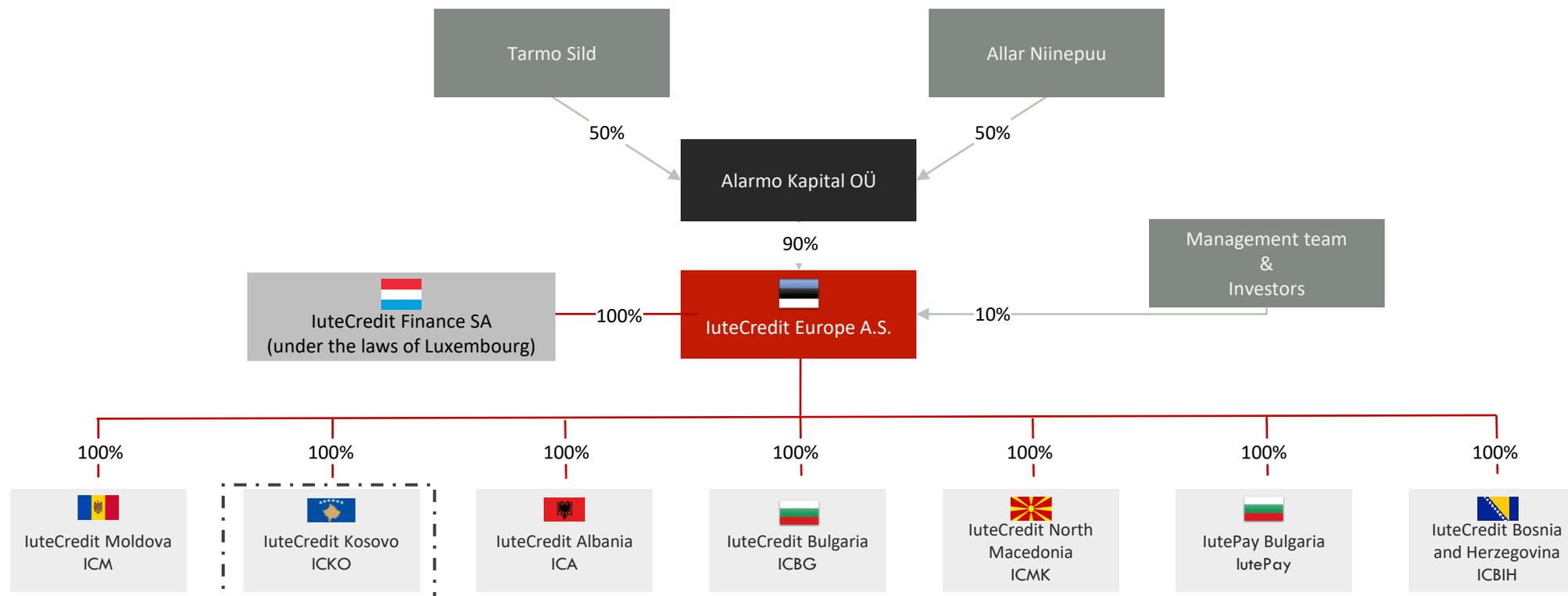
- luteCredit is establishing its own ATM network by acquiring secondhand ATM's from the banks
- The service is available in Moldova since the end of October 2020 – roll out to other markets will follow
- By investing into cash-infrastructure, luteCredit is expanding its payout capabilities, and can offer better and quicker service to its customers
- Convenience; customers can withdraw money without going to the post office
- Withdrawal possible by using one-time password - no need of credit or debit cards

COVID-19 impact on luteCredit markets

Current restrictions imposed by authorities

North Macedonia	Moldova	Albania	Bosnia and Herzegovina
			
<p>Lockdown restrictions</p> <ul style="list-style-type: none"> No overall movement restrictions; restaurants are obliged to close at 9p.m. 	<p>Lockdown restrictions</p> <ul style="list-style-type: none"> Some age-related restrictions kept Prohibition of public gatherings with 50+ participants 	<p>Lockdown restrictions</p> <ul style="list-style-type: none"> Movement restriction from 8p.m until 6a.m. 	<p>No lockdown restrictions</p> <ul style="list-style-type: none"> Movement restriction from 11p.m. until 5a.m.
<p>Moratorium Imposed</p> <ul style="list-style-type: none"> No moratoriums imposed 	<p>Moratorium Imposed</p> <ul style="list-style-type: none"> No moratoriums imposed 	<p>Moratorium Imposed</p> <ul style="list-style-type: none"> No moratoriums imposed 	<p>Moratorium imposed</p> <ul style="list-style-type: none"> No moratoriums imposed

Legal structure



Note: Kosovo is currently not part of the consolidation

Income Statement

in EURm	2018	2019	2020
Interest and commission fee income	22.6 (69.8%)	47.0 (92.5%)	44.5 (79.4%)
Loan administration fees and penalties	9.4 (29.1%)	3.5 (6.9%)	8.4 (15.0%)
Other income	0.3 (1.1%)	0.3 (0.5%)	3.1 (5.6%)
Total Income	33.4 (100.0%)	50.8 (100.0%)	56.0 (100%)
Interest expense	(3.9) (11.9%)	(9.0) (17.7%)	(11.0) (19.6%)
Allowances for loan impairment	(10.4) (32.0%)	(11.0) (21.5%)	(18.8) (33.5%)
Net operating income	18.2 (56.1%)	30.9 (60.8%)	26.3 (46.9%)
Salaries and other personnel expenses	(3.9) (12.0%)	(6.3) (12.4%)	(8.1) (14.4%)
Other operating expenses	(5.2) (16.1%)	(14.2) (28.0%)	(8.3) (14.8%)
Depreciation/amortization charge	(0.2) (0.7%)	(1.2) (2.4%)	(1.7) (3.1%)
Financial assets measured at fair value	-	1,0 (1.9%)	-
Foreign exchange gains/losses	0.7 (2.0%)	0.4 (0.7%)	(2.0) (3.5%)
Profit or loss before taxes	9.5 (29.3%)	10.5 (20.6%)	6.2 (11.0%)
Income tax	(2.2) (6.9%)	(2.1) (4.1%)	(0.9) (1.7%)
Net profit for the year/period	7.3 (22.4%)	8.4 (16.5%)	5.2 (9.4%)
Other comprehensive income	0.5 (1.6%)	(0.3) (0.6%)	(1.8) (3.1%)
Total comprehensive income for the year/period	7.8 (24.0%)	8.1 (15.9%)	3.5 (6.2%)

Balance Sheet

in EURm	2018	2019	2020
<i>Assets</i>			
Cash and bank accounts	2.6	6.7	19.5
Loans to customers	48.1	79.0	79.2
Prepayments	0.3	0.9	1.3
Other assets	1.7	2.5	2.7
Other financial investments	1.5	9.9	7.2
Property, plant and equipment	0.5	1.0	1.0
Right-of-use assets	-	2.9	2.1
Intangible assets	0.7	3.3	3.7
Total assets	55.3	106.3	116.6
<i>Liabilities and equity</i>			
<i>Liabilities</i>			
Loans and borrowings	39.2	84.1	91.4
All other liabilities	3.4	3.7	3.7
Total liabilities	42.6	87.7	95.1
<i>Equity</i>			
Share capital	10.0	10.0	10.0
Legal reserve	0.0	0.4	0.5
Unrealized foreign exchange differences	0.4	0.1	(1.7)
Retained earnings	2.3	8.0	12.6
Total equity	12.7	18.5	21.5
Total equity and liabilities	55.3	106.3	116.6

Statement of Cash Flow

	in EURm	2018	2019	2020
Operating activities				
Prepayments to partners for issuance of loans		(6.3)	(11.3)	(11.4)
Received pre- and overpayments from customers		9.3	12.8	36.2
Paid trade payables		(5.9)	(10.7)	(12.3)
Received debts from buyers and received other claims		0.0	0.8	0.9
Received from collection companies		7.4	13.0	22.6
Paid net salaries		(2.3)	(4.5)	(5.3)
Paid tax liabilities, exc. CIT		(1.5)	(2.9)	(3.0)
Corporate income tax paid (CIT)		(1.4)	(3.3)	(1.9)
Paid out to customers		(39.3)	(76.2)	(47.4)
Paid out loans to customers related to MC		-	(0.1)	-
Change in MasterCard (MC) settlement account		-	(1.4)	(8.2)
Principal repayments from customers		20.4	40.3	29.4
Loan principal repayments from customers related to MC		-	0.5	4.5
Interest, commission and other fees		8.8	17.4	15.0
Net cash flows from operating activities		(10.7)	(25.6)	18.9
Investing activities				
Purchase of fixed assets		(0.8)	(0.8)	0.5
Net cash flow from aquisition of subsidiaries		(1.1)	(0.2)	-
Received from the sale of subsidiaries		-	0.2	-
Payments for other financial investments		(1.5)	(1.8)	(7.3)
Receipts from other financial investments		0.0	-	6.5
Net cash flows from investing activities		(3.3)	(2.7)	(0.3)

	in EURm	2018	2019	2020
Financing activities				
Loans received from investors		26.1	85.0	51.4
Repaid loans to investors		(10.8)	(48.5)	(42.3)
Change in overdraft		2.0	4.2	(5.2)
Principal payments of lease contracts		-	(0.9)	(0.9)
Paid interests		(3.7)	(5.2)	(8.0)
Paid dividends		(2.0)	(2.2)	0.5
Capital increase		3.2	-	-
Grants received		-	0.0	-
Payments for other financing activities		-	-	(0.0)
Receipts from other financing activities		-	-	0.0
Net cash flows from financing activities		14.9	32.4	(5.4)
Change in cash and cash equivalents		0.9	4.0	13.2
Cash and cash equivalents at the beginning of the period		1.8	2.6	6.7
Change in cash and cash equivalents		0.9	4.0	13.2
Net foreign exchange difference		(0.0)	0.0	(0.5)
Cash and cash equivalents at the end of the period		2.6	6.7	19.5

Thank you for your attention!

IuteCredit Group

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