IuteCredit reports unaudited results for 3M/2021

Drive for growth is stronger than third-wave headwinds

Operational Highlights

- Loan payouts increasing y-o-y but miss internal growth targets reflecting impact of third wave on consumer demand.
- Growing share of repeating customers in maturing markets drives longer maturities above 18 months, while portfolio amortization slows.
- Number of performing loan customers remained at 136,000.
- Repayment discipline (Customer Performance Index, CPI) fully recovered and above pre-pandemic levels.
- Balance sheet up 1,9% to 118,9 million EUR with growth ruling over third pandemic wave.
- Number of loans signed up y-o-y 1,4% to 32.589 (3M/2020: 32.152) steadily increasing as of March.
- Principal amount of loans issued increased 2,6% to 32,6 million EUR (3M/2020: 31,7 million EUR).
- Gross loan portfolio stable at 94,5 million EUR (31 December 2020: 95,0 million EUR) after falling to 90 million EUR in the course of the pandemic.
- Net loan portfolio up 2,0% to 80,8 million EUR (31 December 2020: 79,2 million EUR) posting upbeat as of March.

Strategic Highlights

- Profitable ATM-roll-out continuing – start in Albania and Macedonia as of Q2.
- Digitization journey gathering momentum with evolution of My Iute App towards fully digital customer journey and for upcoming breakthrough of online shopping in operating countries.
- Bulgaria starting up again – full operational effect as of Q3.
- Cash pile-up in search of strategic acquisitions.

Financial Highlights

- Interest and commission fee income down 17,3% to 10,7 million EUR (3M/2020: 12,9 million EUR) driven mainly by lower APRs and longer maturities of loans and by waiver of historically accrued fees as reaction to Moldovan legislation on total fees cap.
- Net interest and commission fee income down 26,3% to 7,5 million EUR (3M/2020: 10,2 million EUR) in connection with bond related to planned expansion of business activities.
- Total income down 11,3% to 13,9 million EUR (3M/2020: 15,7 million EUR).
- Cost to income ratio at 38,5% (3M/2020: 28,5%) as result of smaller fee income.
- EBITDA decreased by 9,7% to 4,9 million EUR (3M/2020: 5,4 million EUR).
- Net profit at 1,1 million EUR (3M/2020: 1,5 million EUR).
- Strong capitalization and profitability exceeding Eurobond covenants.

Statement of the Management

Macroeconomic development in Q1 was not as positive as we had expected after the second wave of the coronavirus pandemic and even before Christmas. Instead, lockdown measures in reaction to the third wave limited loans demand in shops and also cut off customers from their income streams in varying degrees. To make matters worse, the start of vaccinations in the Balkan countries did not progress as fast as in most EU countries. And, infection, hospitalization and mortality rates per 100,000 population beat the records. Yet, the public spirit and the joy of life in our markets remained strong. Although we missed our own growth targets, we succeeded in achieving a small growth when the third wave hit full force. No comparison with the previous year, when we met the first wave with a strong contraction of the balance sheet and experienced a temporary freefall in our customers' repayments. So, no doubt, this year is much better, we have retained the drive for growth and this drive is stronger than the third wave in its full fledge.

Stormy seas are simply the new normal in 2021, and while we expect stronger growth in calmer waters this summer, management has aligned its mindset and decision-making around four pillars:

1. Predictions of consumer market demand are less reliable. While future lockdowns remain a possibility throughout 2021 and beyond, we continue to provide a steady supply of loans despite virus waves.
2. Cash remains king, but its castle is increasingly made of smartphones, rather than bricks and mortar. Customer experience, merchant experience and banking experience alike are created with do-it-yourself solutions that run on the smartphone.
3. The way out of lockdowns on demand and also into repayments is to fully digitize the customer, merchant and banking experience. Iute needs to be seamlessly integrated into the consumption and transaction streams as an instant credit provider, payment service provider and possibly as a bank.
4. Loan pricing (APRs) continues to decrease, while loan maturities are extended. The goal is to generate a longer-term income stream from the performing portfolio, instead of generating higher revenues in the short term. It could also be said that we are going long.

So investors' money continues to be invested productively. According to our current assessment, we will need more capital during 2021 to finance growth given the downward trend of APRs.

Taking into account the just-completed Q1 and the continued volatile prospects, our growth outlook for 2021 obviously needs to be adjusted, too. We expect total assets to increase to 170 million EUR by the end of the year and total sale revenue to exceed 55 million EUR, with net profit above 6 million EUR.

Tarmo Sild
CEO of IuteCredit Group

Key consolidated financial figures

	31 Mar 2021	31 Dec 2020	Δ in %
Capitalization			
Gross loan portfolio (in thousand EUR)	94.502	95.046	-0,6%
Net loan portfolio (in thousand EUR)	80.791	79.186	2,0%
Assets (in thousand EUR)	118.851	116.619	1,9%
Equity (in thousand EUR	21.999	21.488	2,4%
Equity to assets ratio	18,5%	18,4%	0,1%
Capitalization ratio	27,2%	27,1%	0,1%
Interest coverage ratio	1,6	1,9	-14,7%
	3M/2021	**3M/2020**	**Δ in %**
Profitability			
Interest income	10.705	12.937	-17,3%
Net interest margin	10,0%	14,0%	-4,0%
Cost to income ratio	38,5%	28,5%	10,0%
Post-allowances operating profit margin	7,0%	11,0%	-4,0%
EBITDA	5.094	7.642	-33,3%
Profit margin before tax	10,2%	17,5%	-41,5%
Net profit	1.069	1.475	-27,5%
Return on assets	0,9%	1,7%	-0,8%
Return on equity	4,9%	9,0%	-4,1%
	31 Mar 2021	**31 Dec 2020**	**Δ in %**
Asset quality			
Cost of risk	19,9%	20,0%	-0,01%
Impairment coverage ratio	70,5%	71,1%	-0,6%
Gross NPL ratio	20,6%	23,5%	-2,9%
Net NPL ratio	13,1%	16,6%	-3,5%

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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 31 March 2021, ICE had eight 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 and VeloxPay SH.P.K (**Velox**) in Albania.

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, followed in November 2020 by a EUR 10 million tap.

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:

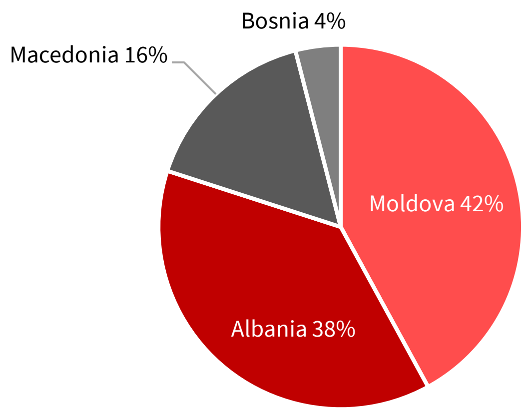
- Strategic targeting
- Organizational structure and manning of the management teams
- Human resource and customer experience framework rules and targeting guidance
- Financial management framework rules and targeting guidance
- Sales and marketing framework rules and targeting guidance
- Service process design and technological development
- Risk management, including loan products approval and general compliance framework
- Data harvesting
- Technology development and outsourcing
- 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 58% and effective interest rate (EIR) 80% depending on the loan amount, maturity and status of customer (new or recurring client with good payment history).

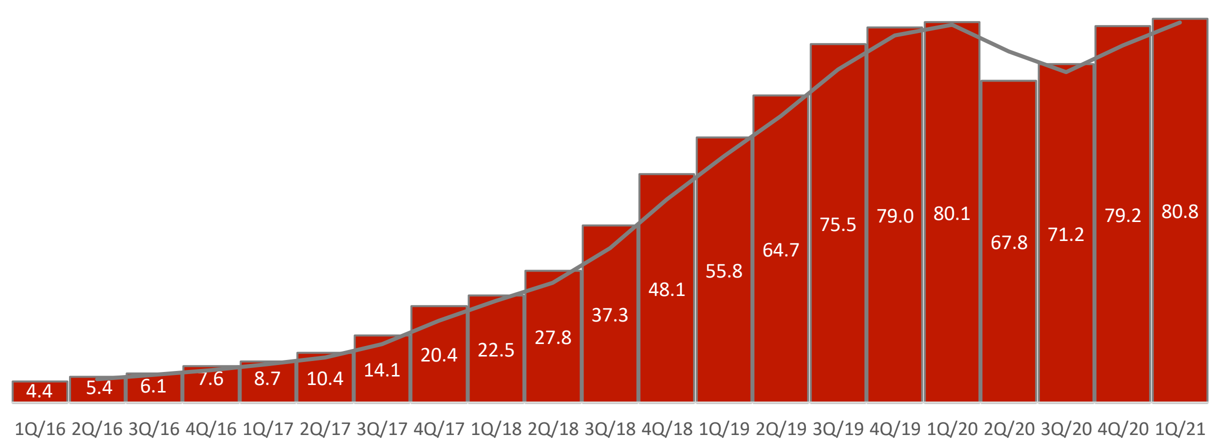
Breakdown of portfolio diversification as of 31/03/2021



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 58% 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 March 2021, IuteCredit had 40 IuteCredit branches and almost 1.200 shops. Traditionally, ICG handles money only via bank accounts or over the counter through its agents. With the introduction of IuteCredit ATMs, the operating country subsidiaries are increasingly carrying out cash transactions.

Breakdown of net portfolio development in EUR (million)



Earnings, financial and asset position

Condensed statement of profit and loss

(in thousand EUR)	3M/2021	3M/2020	Δ in %
Interest and similar income	10.705	12.937	-17,3%
Interest and similar expense	-3.207	-2.768	15,9%
Net interest and commission fee income	**7.497**	**10.169**	**-26,3%**
Loan administration fees and penalties	2.385	2.174	9,7%
Total loan administration fees and penalties	**2.385**	**2.174**	**9,7%**
Other income	850	597	42,4%
Allowances for loan impairment	-4.082	-3.992	2,3%
Net operating income	**6.651**	**8.947**	**-25,7%**
Personnel expenses	-2.334	-2.185	6,8%
Depreciation/amortization charge	-608	-406	49,9%
Other operating expenses	-2.430	-1.888	28,7%
Total operating expenses	**-5.372**	**-4.479**	**20,00%**
Foreign exchange gains/losses	-183	-2.204	-91,7%
Total foreign exchange gains/losses	**-183**	**-2.204**	**-91,7%**
Profit before tax	**1.096**	**2.264**	**-51,6%**
Income tax expense	-26	-789	-96,7%
Net profit for the period	**1.069**	**1.475**	**-27,5%**

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 decreased by 11,3% to 13.940 thousand EUR (3M/2020: 15.708 thousand EUR).

Breakdown of total income

(in thousand EUR)	3M/2021	3M/2020	Δ in %
Interest and similar income	10.705	12.937	-17,3%
Penalties and similar income	2.385	2.174	9,7%
Other income	850	597	42,4%
Total income	**13.940**	**15.708**	**-11,3%**

Other income

Other income in 3M/2021 of 850 thousand EUR included, in particular, income of 552 thousand EUR from sales of defaulted loan portfolio.

Interest income

Interest income for the period decreased by 17,3% to 10.705 thousand EUR (3M/2019: 12.937 thousand EUR) compared to the 17,6% increase in the average net loan portfolio. Interest income was affected, in particular, by lower APRs related to the shift to longer maturities and to repeating customers, the loss of accrued interest after the termination of loans in Moldova and lower loan base but rose steadily from January to March.

Breakdown of interest income

(in thousand EUR)	3M/2021	3M/2020	Δ in %
Total value of loan principal issued	32.589	31.673	2,9%
Average net loan portfolio	79.988	67.990	17,6%
Principal	80.047	83.977	-4,7%
Accrued interest	14.454	11.594	24,7%
Average annualized interest rate on net portfolio	57,3%	59,6%	-3,9%
Interest income	10.705	12.937	-17,3%

Breakdown of interest income by countries

	3M/2021	Total share in %	3M/2020	Total share in %	Δ in %
Moldova	4.882	45,6%	6.670	51,6%	-26,8%
Albania	4.084	38,2%	4.669	36,1%	-12,5%
Macedonia	1.345	12,6%	1.303	10,1%	3,2%
Bosnia	394	3,7%	295	2,3%	33,5%
In total	**10.705**	**100,0%**	**12.937**	**100,0%**	**-17,3%**

The change in interest income in Moldova the legally impermissible charging of interest after the termination of a loan agreement. While in Albania a portfolio sale and lower APRs had adverse effects on interest income, in Bosnia the smaller portfolio and the lower APRs had a negative impact.

Interest expense

Interest expense increased by 15,9% to 3.207 thousand EUR (3M/2020: 2.768 thousand EUR), in connection with the borrowing related to the planned expansion of business activities. Most notably, was the tap issue of 10 million EUR to the four-year corporate bond 2019/23 in November 2020.

Breakdown of interest expense

(in thousand EUR)	3M/2021	3M/2020	Δ in %
Interest on amounts due to creditors	-1.512	-1.453	4,1%
Interest on financial lease liabilities	-27	-22	23,5%
Interest on bonds	-1.668	-1.293	29,0%
Total	**-3.207**	**-2.768**	**15,9%**

Loan administration fees and penalties

Income from other fees and penalties more than doubled to 2.385 thousand EUR (3M/2020: 2.174 thousand EUR) reflecting penalties and delay interests, resigns, deduction by dealer bonuses, and other secondary fees.

Breakdown of administration fees and penalties

(in thousand EUR)	3M/2021	3M/2020	Δ in %
Penalties under loans and delay interests	2.466	2.212	11,5%
Reappraisal of secondary revenue	0	0	n/a
Resigns under customer loans	87	165	-47,3%
Dealer bonuses	-188	-203	-7,5%
Other secondary fees	21	0	n/a
Total	**2.385**	**2.174**	**9,7%**

Allowances for loan impairment

Change in allowances for loan impairment remained almost at 4.082 thousand EUR (3M/2020: 3.992 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)	3M/2021	3M/2020	Δ in %
At the beginning of the period	**-15.859**	**-13.100**	**21,1%**
Allowances for loan impairment	-3.984	-3.992	-0,2%
Utilized	6.230	1.081	476,3%
Exchange differences	-98	582	-116,8%
At the end of the period	**-13.711**	**-15.429**	**-11,1%**

(in thousand EUR)	3M/2021	3M/2020	Δ in %
Impairment charges on loans	-4.082	-4.041	1,0%
Recovery from written-off loans	0	49	n/a
Net impairment charges	**-4.082**	**-3.992**	**2,3%**

With the start monthly amortization from October 2020, the figures are not comparable between the periods. In 3M 2021, the amount utilized is split between the sale of defaulted ICA loan portfolio with 2 million EUR and monthly write-offs. The prior-year period solely included the sale of defaulted ICA loan portfolio.

Overall net impairment losses represented 38,1% of interest income (3M/2020: 30,9%). The cost of risk, expressed as net impairment charges to average gross loan portfolio, equaled 19,9% (31 December 2020: 20,0%).

Operating expenses

Operating expenses for the period increased by 6,4% to 4.764 thousand EUR (3M/2020: 4.479 thousand EUR) mainly related to personnel expenses and debt collection. Advertising expenses accounted for 9,9% (3M/2020: 10,4%) of operating expenses. The cost to income ratio for the period increased to 38,5% (3M/2020: 28,5%).

Breakdown of operating expenses

(in thousand EUR)	3M/2021	3M/2020	Δ in %
Personnel	-2.334	-2.185	6,8%
Advertising expenses	-472	-466	1,2%
IT	-281	-365	-23,1%
Debt collection	-191	-81	135,7%
Legal and consulting	-180	-188	-4,1%
Rent and utilities	-68	51	n/a
Taxes	-195	-117	66,6%
Travel	-86	-90	-4,0%
Other	-957	-1.038	-7,8%
Total	**-4.764**	**-4.479**	**6,4%**

Excluding personnel expenses, operating expenses mainly in advertising services increased by 5,9% to 2.430 thousand EUR (3M/2020: 2.294 thousand EUR).

Personnel expenses

Personnel expenses, mainly salaries and bonuses, and social security expenses increased less than the build-up in headcount by 6,8% to 2.334 thousand EUR (3M/2020: 2.185 thousand EUR), mostly due to employment of highly qualified specialists (in-house IT department). The average staff number in full-time equivalents increased by 13,2% to 408 employees (3M/2020: 360 employees).

Breakdown of personnel expenses

(in thousand EUR)	3M/2021	3M/2020	Δ in %
Salaries and bonuses	-1.966	-1.835	7,1%
Social security expenses	-340	-288	18,2%
Medical insurance expenses	-28	-25	12,3%
Other expenses	0	-38	n/a
Total	**-2.334**	**-2.185**	**6,8%**
Number of employees adjusted to full-time	408	360	13,2%

Foreign exchange gains/losses

Foreign exchange movements resulted in a loss of 183 thousand EUR (3M/2020: -2.204 thousand EUR) reflecting, in particular, EUR/MDL and EUR/ALL conversion rates.

Profit before tax

Consolidated profit before tax decreased by 51,6% to 1.096 thousand EUR (3M/2020: 2.264 thousand EUR). The profit margin before tax equaled 10,2% (3M/2020: 17,5%).

Income tax expense

Income tax expense decreased by 96,7% to 26 thousand EUR (3M/2020:789 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. Here, lower revenues and higher provisions in the corona pandemic translated into a lower tax base.

Breakdown of income tax

(in thousand EUR)	3M/2021	3M/2020	Δ in %
Consolidated profit before tax	1.096	2.264	-51,6%
Current income tax expense	-26	-789	-96,7%
Net profit for the period	**1.069**	**1.475**	**-27,5%**

Profit for the period

Net profit for the period decreased by 27,5% to 1.069 thousand EUR (3M/2020: 1.475 thousand EUR).

Transition statement of non-IFRS measures EBITDA and Adjusted EBITDA

Breakdown of transition to adjusted EBITDA

(in thousand EUR)	3M/2021	3M/2020	3M Δ in %
Profit for the period	1.069	1.475	-27,5%
Provision for corporate income tax	26	789	-96,7%
Interest expense	3.207	2.768	15,9%
Depreciation and amortization	608	406	49,9%
EBITDA	**4.911**	**5.438**	**-9,7%**
Adjustments	-183	-2.204	-91,7%
Adjusted EBITDA	**5.094**	**7.642**	**-33,3%**

Breakdown of adjustments to EBITDA

(in thousand EUR)	3M/2021	3M/2020	3M Δ in %
Foreign exchange gains/losses	-183	-2.204	-91,7%
Adjustments	**-183**	**-2.204**	**-91,7%**

Condensed statement of financial position

(in thousand EUR)	31 Mar 2021	31 Dec 2020	Δ in %
ASSETS			
Cash and bank accounts	15.467	19.453	-20,5%
Loans to customers	80.791	79.187	2,0%
Prepayments	2.054	1.297	58,4%
Other assets	3.060	2.702	13,3%
Assets held for sale	25	0	n/a
Other financial investments	9.459	7.196	31,4%
Property, plant and equipment	994	978	1,6%
Right-of-use assets	2.200	2.113	4,1%
Intangible assets	4.801	3.693	30,0%
Total assets	**118.851**	**116.619**	**1,9%**
LIABILITIES AND EQUITY			
Liabilities			
Loans and bonds from investors	93.836	91.434	2,6%
Trade and other payables	899	1.051	-14,5%
Current income tax liabilities	35	238	-85,5%
Deferred tax liabilities	476	655	-27,3%
Other liabilities	1.607	1.753	-8,3%
Total liabilities	**96.852**	**95.131**	**1,8%**
Equity			
Share capital	10.000	10.000	0,0%
Legal reserve	537	537	0,0%
Unrealized foreign exchange differences	-1.747	-1.689	3,4%
Retained earnings	13.209	12.640	4,5%
Total equity	**21.999**	**21.488**	**2,4%**
Total equity and liabilities	**118.851**	**116.619**	**1,9%**

Assets

Total assets increased by 1,9% to 118.851 thousand EUR as of 31 March 2021 (31 December 2020: 116.619 thousand EUR).

Loan portfolio

The net loan portfolio increased by 2,0% to 80.791 thousand EUR as of 31 March 2021 (31 December 2020: 79.186 thousand EUR).

Breakdown of net portfolio

(in thousand EUR)	31 Mar 2021	Total in %	31 Dec 2020	Total in %	Δ in %
Moldova	34.190	42,3%	35.139	44,4%	-2,7%
Albania	30.823	38,2%	30.037	37,9%	2,6%
Macedonia	12.694	15,7%	11.315	14,3%	12,2%
Bosnia	3.084	3,8%	2.695	3,4%	14,4%
Total net loan portfolio	**80.791**	**100,0%**	**79.186**	**100,0%**	**2,0%**

Breakdown of loan applications

	3M/2021					3M/2020					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	48.626	28.736	26.380	59,2%	91,8%	65.275	34.133	13.732	52,3%	40,2%	-25,5%	-15,8%	13,1%
Albania	36.648	25.361	23.941	69,2%	94,4%	49.153	29.713	12.183	60,5%	41,0%	-25,4%	-14,6%	14,3%
Macedonia	18.278	10.845	10.726	59,3%	98,9%	25.535	13.108	5.075	51,3%	38,7%	-28,4%	-17,3%	15,6%
Bosnia	4.618	1.961	1.906	42,7%	97,2%	4.737	1.664	1.162	35,1%	69,8%	-2,5%	17,8%	21,6%
In total	**108.170**	**66.903**	**62.953**	**57,6%**	**95,6%**	**144.700**	**78.618**	**32.152**	**54,3%**	**40,9%**	**-25,2%**	**-14,9%**	**6,0%**

Breakdown of issued loans APR on country level

(in %)	3M/2021	3M/2020	Δ in %
Moldova	59,8%	53,2%	12,4%
Albania	61,2%	61,9%	-1,1%
Macedonia	44,6%	50,2%	-11,2%
Bosnia	63,4%	73,3%	-13,5%
ICG weighted average	**57,5%**	**56,0%**	**1,5%**

The increase in average annual percentage rates (APR) at group level in 3M/2021 despite the shift to longer loan maturities and the increasing share of repeating customers is attributable to, in particular, in Moldova, the lower proportion of dealers compared with the previous year due to lockdowns, while cash loans had higher APRs with lower 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 %)	3M/2021	3M/2020	Δ in %
Moldova	87,6%	85,0%	3,1%
Albania	89,0%	83,3%	6,8%
Macedonia	88,7%	88,8%	-0,1%
Bosnia	73,6%	75,8%	-2,9%
ICG weighted average	**87,9%**	**84,7%**	**3,8%**

After a temporary decline, customer repayment discipline (Customer Performance Index, CPI) benefitted from the shift to longer loan maturities and a growing share of repeating customers. CPI0 and CPI30 fully recovered and exceed pre-pandemic levels at the end of 3M/2021.

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.

	31 Mar 2021				31 Dec 2020			
(in thousand EUR)	Gross amount	Provisions	Net amount	% of net portfolio	Gross amount	Provisions	Net amount	% of net portfolio
Performing	75.050	-4.826	70.224	86,9%	72.751	-6.746	66.005	83,4%
Non-Performing	19.452	-8.885	10.567	13,1%	22.295	-9.113	13.182	16,6%
Total portfolio	**94.502**	**-13.711**	**80.791**	**100,0%**	**95.046**	**-15.859**	**79.187**	**100,0%**

(in thousand EUR)	31 Mar 2021	Total share in %	31 Dec 2020	Total share in %
Stage 1	68.213	84,4%	64.796	81,8%
Stage 2	2.011	2,5%	1.209	1,5%
Stage 3	10.567	13,1%	13.182	16,6%
Total net portfolio	**80.791**	**100,0%**	**79.187**	**100,0%**
Gross NPL ratio	**20,6%**		**23,5%**	
Impairment coverage ratio	**70,5%**		**71,1%**	

The total share of poorly performing loan portfolio (Stage 3) decreased starting monthly depreciation of fully impaired loans DPD 365 in October 2020.

Distribution principles between stages

	31 Mar 2021	31 Dec 2020
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)	31 Mar 2021	31 Dec 2020	Δ in %
Deferred tax assets	67	104	-35,8%
Prepayments of rent	86	77	12,0%
Prepayment of taxes	1.786	1.011	76,7%
Prepayments to suppliers and deferred expenses	115	105	9,3%
Prepayments in total	**2.054**	**1.297**	**58,4%**
Receivables from collection companies	788	292	169,8%
Other receivables	178	73	144,3%
Deposit receivables from partners	2.120	2.337	-9,3%
Trade and other receivables in total	**3.086**	**2.702**	**14,2%**
TOTAL	**5.140**	**3.999**	**28,5%**

The increase in advance tax payments is related to cut-off dates and based on the audited financial statements for 2019. Corresponding adjustments in the current fiscal year are to be incurred on the basis of the audited 2020 financial statements.

Liabilities

As of 31 March 2021, total liabilities increased by 1,8% to 96.852 thousand EUR (31 December 2020: 95.131 thousand EUR). The changes mainly relate to the tap issue of 10 million EUR to the four-year corporate bond 2019/23 in November 2020.

Breakdown of loans and borrowings

Loans and borrowings increased by 2,6% to 93.836 thousand EUR (31 December 2020: 91.434 thousand EUR), accounting for 96,9% of all liabilities (31 December 2020: 96,1%).

(in thousand EUR)		31 Mar 2021	31 Dec 2020	Δ in %
Loans from investors		**42.073**	**41.852**	**0,5%**
	Due date during next 12 months	21.089	23.803	-11,4%
	Due date after 12 months	20.984	18.049	16,3%
Bond liabilities		**48.266**	**44.596**	**8,2%**
	Due date during next 12 months	544	0	n/a
	Due date after 12 months	47.722	44.596	7,0%
Lease liabilities		**2.200**	**2.121**	**3,7%**
	Due date during next 12 months	895	860	4,1%
	Due date after 12 months	1.305	1.261	3,5%
Accrued interest		**1.297**	**2.866**	**-54,8%**
TOTAL		**93.836**	**91.434**	**2,6%**
	weighted average interest rate	*12,9%*	*13,1%*	
	currency	*EUR, MDL, USD; ALL; MKD*	*EUR, MDL, USD; ALL; MKD*	

Loans from investors decreased to 42.073 thousand EUR (31 December 2020: 41.852 thousand EUR), of which 33.009 thousand EUR (31 December 2020: 32.232 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. In November 2020, a 10 million EUR tap at a price of 97 per cent followed. After the tap issue, the total amount outstanding of IuteCredit's 13% corporate bonds 2019/2023 amounts to 50 million EUR. The bonds are listed on the Regulated Market Frankfurt of Stock Exchange.

Eurobond covenant ratios

	31 Mar 2021	31 Dec 2020	Δ in %
Capitalization			
Capitalization ratio *(equity/net loan portfolio)*	27,2%	27,1%	0,1%
Financial covenant at least	15%		
	3M/2021	**3M/2020**	**Δ in %**
Profitability			
Interest coverage ratio (ICR), times	1,6	2,8	-41,3%
(adjusted EBITDA/interest expenses)			
Financial covenant at least	1,5		

While the capitalization remained virtually unchanged given the comparability of the loan portfolio, the interest coverage ratio shows the impact of the Corona pandemic in decreased revenues over the course of the quarters.

Distribution of investor loan (Mintos)

	Mintos loans			Net loan portfolio			
(in thousand EUR)	31 Mar 2021	31 Dec 2020	Δ in %	31 Mar 2021	Total share in %	31 Dec 2020	Total share in %
Moldova	10.048	12.770	-21,3%	34.190	29,4%	35.139	36,3%
Albania	17.134	15.274	12,2%	30.823	55,6%	30.037	50,9%
Macedonia	5.827	4.188	39,1%	12.694	45,9%	11.315	37,0%
Bosnia	0	0	0,0%	3.084	0,0%	2.695	0,0%
Total	**33.009**	**32.232**	**2,4%**	**80.791**	**42,5%**	**79.186**	**42,1%**

Other liabilities

Breakdown of other liabilities

(in thousand EUR)	31 Mar 2021	31 Dec 20	Δ in %
Trade payables	899	1.051	-14,5%
Payables to employees	343	529	-35,2%
Corporate Income Tax payables	35	238	-85,5%
Other Tax payables	476	655	-27,3%
Dealer loan liabilities	333	115	189,9%
Over-/wrong payments from customers	419	411	2,0%
Other liabilities	511	689	-25,8%
TOTAL	**3.016**	**3.688**	**-18,2%**

Equity

As of 31 March 2021, equity increased by 1,8%% to 21.999 thousand EUR (31 December 2020: 21.488 thousand EUR), representing an equity to assets ratio of 18,5% (31 December 2020: 18,4%). The equity to net loan portfolio ratio increased to 27,2% (31 December 2020: 27,1%), 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.

Outstanding debts of ICKO in front of Mintos, which was recognized as off-balance sheet for the Group as of 30 November 2019, was repaid by ICE in mid-June 2020.

Recent developments

Changes in Management

In March 2021, Tarvo Rahumägi followed Andres Klettenberg as Chief Risk Officer. Furthermore, Kadi Rausdepp, Head of Legal and Compliance, took over responsibilities from Evelin Kanter.

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated statement of comprehensive income

(in thousand EUR)	3M/2021	3M/2020	Δ in %
Interest and similar income	10.705	12.937	-17,3%
Interest and similar expense	-3.207	-2.768	15,9%
Net interest and commission fee income	**7.497**	**10.169**	**-26,3%**
Loan administration fees and penalties	2.385	2.174	9,7%
Loan administration fees and penalties in total	**2.385**	**2.174**	**9,7%**
Other income	850	597	42,5%
Allowances for loan impairment	-4.082	-3.992	2,2%
Net operating income	**6.651**	**8.947**	**-25,7%**
Personnel expenses	-2.334	-2.185	6,8%
Depreciation/amortization charge	-608	-406	49,9%
Other operating expenses	-2.430	-1.888	28,7%
Total operating expenses	**-5.372**	**-4.479**	**19,9%**
Foreign exchange gains/losses	-183	-2.204	-91,7%
Total foreign exchange gains/losses	**-183**	**-2.204**	**-91,7%**
Profit before tax	**1.096**	**2.264**	**-51,6%**
Income tax expense	-26	-789	-96,7%
Profit for the reporting period	**1.069**	**1.475**	**-27,5%**
Other comprehensive income			
Other comprehensive income to be classified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations	-58	-466	-87,7%
Other comprehensive income total	**1.012**	**1.009**	**0,3%**
Profit attributable to:			
Equity holders	1.012	1.009	0,3%
Total comprehensive income attributable to:			
Equity holders	1.012	1.009	0,3%

Consolidated statement of financial position

(in thousand EUR)	31 Mar 2021	31 Dec 2020	Δ in %
ASSETS			
Cash and bank accounts	15.467	19.453	-20,5%
Loans to customers	80.791	79.187	2,0%
Prepayments	2.054	1.297	58,4%
Other assets	3.060	2.702	13,3%
Assets held for sale	25	0	n/a
Other financial investments	9.459	7.196	31,4%
Property, plant and equipment	994	978	1,6%
Right-of-use assets	2.200	2.113	4,1%
Intangible assets	4.801	3.693	30,0%
Total assets	**118.851**	**116.619**	**1,9%**
LIABILITIES AND EQUITY			
Liabilities			
Loans and bonds from investors	93.836	91.434	2,6%
Trade and other payables	899	1.051	-14,5%
Current income tax liabilities	35	238	-85,5%
Deferred tax liabilities	476	655	-27,3%
Other liabilities	1.607	1.753	-8,3%
Total liabilities	**96.852**	**95.131**	**1,8%**
Equity			
Share capital	10.000	10.000	0,0%
Legal reserve	537	537	0,0%
Unrealized foreign exchange differences	-1.747	-1.689	3,4%
Retained earnings	13.209	12.640	4,5%
Total equity	**21.999**	**21.488**	**2,4%**
Total equity and liabilities	**118.851**	**116.619**	**1,9%**

Consolidated statement of cash flows

(in thousand EUR)	3M/2021	3M/2020	Δ in %
Paid prepayments (-)	-4.049	-2.963	36,7%
Received pre- and overpayments (+)	8.700	11.750	-26,0%
Paid trade payables outside the Group (-)	-4.395	-2.763	59,1%
Received debts from buyers and received other claims (+)	143	58	146,4%
Received from collection companies (+)	5.633	5.315	6,0%
Paid net salaries (-)	-1.561	-1.860	-16,1%
Paid tax liabilities, exc. CIT (-)	-1.342	-707	89,8%
Corporate income tax paid (-)	-508	-310	63,7%
Paid out to customers outside the Group (-)	-15.597	-14.562	7,1%
Paid out loans to customers related to MasterCard (-)	0	-15	n/a
Change in MasterCard settlement account (+/-)	-3.562	-759	369,3%
Principal repayments from customers outside the Group (+)	7.697	8.178	-5,9%
Loan principal repayments from customers related to MasterCard (+)	2.357	676	248,7%
Interest, commission and other fees received outside the Group (+)	4.506	3.551	26,9%
NET CASH FLOWS FROM OPERATING ACTIVITIES	**-1.977**	**5.589**	**n/a**
Purchase of fixed assets outside the Group, incl. prepayments (-)	-56	-121	-53,4%
Payments for other financial investments (-)	-170	-2	>1.000%
Receipts from other financial investments (+)	3.745	0	n/a
NET CASH FLOWS FROM INVESTING ACTIVITIES	**3.519**	**-123**	**n/a**
Loans received from investors outside the Group (+)	9.540	17.882	-46,7%
Repaid loans to investors outside the Group (-)	-10.388	-11.890	-12,6%
Change in overdraft (+/-)	0	-5.162	n/a
Principal payments of financial lease contracts (-)	-232	-390	-40,6%
Interests paid outside the Group (-)	-3.961	-3.234	22,5%
Dividends paid outside the Group (-)	-500	-500	-0,1%
Payments for other financing activities (-)	0	-38	n/a
Receipts from other financing activities (+)	0	27	n/a
NET CASH FLOWS FROM FINANCING ACTIVITIES	**-5.590**	**-3.305**	**69,1%**
Change in cash and cash equivalents	**-3.987**	**2.081**	**n/a**
Cash and cash equivalents at the beginning of the period	**19.453**	**6.734**	**188,9%**
Change in cash and cash equivalents	-4.048	2.161	n/a
Net foreign exchange difference	11	-80	n/a
Cash and cash equivalents at the end of the period	**15.416**	**8.809**	**74,9%**

Cash and cash equivalents comprise	3M/2021	3M/2020	Δ in %
Cash on hand	415	6	>1000%
Non-restricted current account	15.052	8.809	70,9%

Consolidated statement of changes in equity

(in thousand EUR)	Share capital	Legal reserve	Share premium	Unrealized foreign exchange differences	Retained earnings	Total
01/01/20	**10.000**	**398**	**0**	**72**	**8.174**	**18.644**
Profit for the year	**0**	**0**	**0**	**0**	**1.475**	**1.475**
Other comprehensive income						
Foreign currency translation	0	0	0	-466	0	**-466**
Total comprehensive income	**0**	**0**	**0**	**-466**	**1.475**	**1.009**
Contribution to share capital	0	139	0	0	-139	0
Dividends	0	0	0	0	-638	**-638**
31/03/20	**10.000**	**537**	**0**	**-394**	**8.872**	**19.015**
01/01/21	**10.000**	**537**	**0**	**-1.689**	**12.639**	**21.487**
Profit for the period	**0**	**0**	**0**	**0**	**1.069**	**1.069**
Other comprehensive income						
Foreign currency translation	0	0	0	-58	0	**-58**
Total comprehensive income	**0**	**0**	**0**	**-58**	**1.069**	**1.012**
Allocation to reserves	0	0	0	0	0	0
Dividends	0	0	0	0	-500	**-500**
31/03/21	**10.000**	**537**	**0**	**-1.747**	**13.208**	**21.999**

Additional key performance indicators

Profitability	3M/2021	3M/2020	Δ in %
Return on average assets	0,9%	1,7%	-0,8%
Return on average equity	4,9%	9,0%	-4,1%
Interest income/Average interest earning assets	10,3%	15,9%	-5,6%
Interest income/Average gross loan portfolio	11,3%	15,9%	-4,6%
Interest income/Average net loan portfolio	13,4%	15,4%	-2,0%
Interest expense/Interest income	30,0%	21,4%	8,6%
Cost of funds	3,3%	3,9%	-0,6%
Cost of interest-bearing liabilities	3,5%	4,1%	-0,6%
Net interest margin	10,0%	14,0%	-4,0%
Net effective annualized yield	14,2%	21,6%	-7,4%
Net impairment/interest income	38,1%	30,9%	7,2%
Net fee and commission income/Total operating income	93,9%	96,2%	-2,3%
Earnings before taxes/Average total assets	0,9%	2,6%	-1,7%
Efficiency	**3M/2021**	**3M/2020**	**Δ in %**
Total assets/Employee (in thousand EUR)	292	316	-7,7%
Total operating income/Employee (in thousand EUR)	34	44	-22,3%
Cost/Income ratio	38,5%	28,5%	10,0%
Total recurring operating costs/Average total assets	0,7%	0,8%	-0,1%
Total operating income/ Average total assets	11,8%	18,0%	-6,2%
Personnel costs/Total recurring operating costs	298,1%	305,7%	-7,6%
Personnel costs/Total operating income	16,7%	13,9%	2,8%
Net operating income/Total operating income	47,7%	57,0%	-9,3%
Net income (Loss)/Total operating income	7,7%	9,4%	-1,7%
Profit before tax (Loss)/Interest income	10,2%	17,5%	-7,3%
Liquidity	**3M/2021**	**3M/2020**	**Δ in %**
Net loan receivables/Total assets	68,0%	76,6%	-8,6%
Average net loan receivables/Average total assets	68,0%	96,3%	-28,3%
Net loan receivables/Total liabilities	83,4%	92,1%	-8,7%
Interest earning assets/Total assets	87,7%	83,2%	4,5%
Average interest earning assets/Average total assets	87,1%	75,5%	11,6%
Liquid assets/Total assets	21,0%	14,7%	6,3%
Liquid assets/Total liabilities	25,7%	18,0%	7,7%
Total deposits/Total assets	1,5%	0,2%	1,3%
Total deposits/Total liabilities	1,9%	0,2%	1,7%
Total deposits/Shareholders' equity	8,2%	0,9%	7,3%
Tangible common equity/Tangible assets	15,1%	15,2%	-0,1%
Tangible common equity/Net receivables	21,3%	19,4%	1,9%
Net Loan Receivables/Equity (times)	3,7	4,2	-12,6%
Asset quality	**3M/2021**	**3M/2020**	**Δ in %**
Loan loss reserve/Gross receivables from client	14,5%	16,7%	-2,2%
Average loan loss reserve/Average gross receivables from clients	15,6%	15,5%	0,1%
Cost of risk	19,9	20,0%	-0,5%
Gross NPL ratio	20,6%	23,5%	-2,9%
Impairment coverage ratio	70,5%	71,1%	-0,6%
Selected operating data	**3M/2021**	**3M/2020**	**Δ in %**
Number of employees (adjusted to full-time)	408	360	13,2%
Average monthly gross salary in group (in EUR)	402	566	-29,0%

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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IMPRINT

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