IuteCredit reports unaudited results for H1/2020

Bottom passed – Growth continues under different rules

Operational Highlights

- Measures to overcome Corona-crisis well on track:
- Operating costs cut by -25% while keeping headcount at 350+ people.
- Treasury build-up of cash and gold backed exchange traded funds exceeding 12,0% of the balance sheet.
- Controlled contraction of balance sheet to 96,7 million EUR (Q1 2020: 105,6 million EUR) – contraction has been stopped since July 2020.
- Number of loans issued in period under review down y-o-y 24,7% to 92.880 (H1/2019: 123.368).
- Principal amount of loans issued decreased y-o-y 23% to 49,9 million EUR (H1/2019: 65,0 million EUR).
- Gross loan portfolio down 2,3% to 90,0 million EUR (31/12/2019: 92,1 million EUR).
- Additional 7,9 million EUR added to loan provisions in Q2, total of 11,8 million EUR in H1/2020) – reversal expected with customer repayment discipline current levels.
- Home markets prove to be remarkably resilient – loan demand and customer repayment discipline picking up since June 2020.
- Repayment discipline (Customer Performance Index, CPI) on course for recovery after interim decline – CPI0 and CPI30 still approximately by -5% down pre-pandemic.
- Annual percentage rates (APR) of newly originated loans increased by 8% on average, to compensate the increased risk environment – simultaneously recording stronger demand for loans.

Financial Highlights

- Interest and commission fee income up 27,5% to 22,7 million EUR (H1/2019: 17,8 million EUR).
- Net interest and commission fee income increased by 18.5% to 17,1 million EUR (H1/2019: 14,5 million EUR).
- Total income up 57,6% to 28,9 million EUR (H1/2019: 18,3 million EUR).
- Cost to income ratio at 27,1% (H1/2019:44,6%), reflecting different portfolio size and operational cost cutting.
- EBITDA increased by 5,4% to 9,9 million EUR (H1/2019: 8,6 million EUR).
- Strong capitalization and resilient profitability exceeding Eurobond covenants.
- Net profit for the period decreased 65,3% to 1,3 million EUR (H1/2019: 3,8 million EUR) as the Group added to provisions a very conservative 7,9 million EUR in Q2, totaling 11,8 million EUR.
- Increase in equity along with repayment of liabilities resulted in stronger equity ratio.

Statement of the Management

Uncertainties arising from coronavirus pandemic and its effects on our business prompted us from early March to take a conservative and strict course in the first of half of 2020. At the time we did not know the actual force of the pandemic on the economy. Neither were we aware of the forces applied by monetary and fiscal policymakers to the Main Street and Wall Street, which were equally unprecedented. In our view, the interaction between the pandemic and policy forces, or the clash of titans in metaphorical language, is not yet over. We have taken the conservative Nordic approach, where survival over the winter depends on the rate of current consumption, the amount of provisions set aside, and the common knowledge that seeds planted to snow will not grow. Accordingly, OPEX had to be cut, cash inflows were primarily used to repay liabilities and to build cash buffers, and very few new loans were issued, until clearance of the circumstances. Furthermore, we continue being alert as if walking on ice, and not yet on the solid ground.

In detail, we cut OPEX in Q2 by 25%, while keeping our team of 359 people and business running smoothly. This is an achievement from all of the team, for which we are very grateful, and we believe in the drive of our team members and their professional skills, that will be of great use when we continue to grow our business.

Our actual cashflows in Q2 exceeded our expectations modelled in March and April 2020. As a result, we reduced interest-bearing liabilities during Q2 by 9 million EUR down to 75,1 million EUR, while we also increased our cash and tradeable gold positions to the planned 12% of the balance sheet (11,8 million EUR). Our loan portfolio has passed the initial stress test with good cashflow results. At the moment, the treasury buffer may be too thick and needs positive exploitation during Q3 and Q4, if the situation evolves favourably.

The balance sheet contracted slightly less than we had expected in our models, despite the conservative provisioning we applied to the gross receivables. In June, we accelerated new loan payouts again as the customer performance index had significantly improved since May. Most likely the business contraction is over, and the bottom has been passed.

In parallel to the cash buffer in treasury, we also built a larger buffer for loan impairments. We kept the delayed - defaulted threshold of Iute loans in our consolidated accounting at DPD+50 days to every customer. DPD+50 is conservative and demonstrates our elevated appreciation of repayment discipline. Accordingly, we created additional provisions for loan impairments, if customers were not following the initially agreed repayment schedules. The most typical case: when customers applied for grace periods to suspend scheduled repayments partially or in full, for up to 90 days. We gave grace periods to 21.148 customers and expect to see most of those customers performance return in Q3 and Q4.

The total provisions we have created to cover potential loan impairments amount to 22,1 million EUR or 24,6% of the accounted receivables. We have probably set aside more provisions, than actually necessary and in line with the industry average. Creating the loan impairment buffers was the single largest expense factor in H1 profit statement. Considering the early signs of improved repayment discipline, we expect to see a reversal of provisions in the second half of the year and in a longer future. Having said that, the above referred "clash of titans" is not yet over and we cannot say with full certainty, that the provisions are unnecessary. They remain subject to a very dynamic situation.

Having the treasury and provision buffers and limited current OPEX, we are focused on returning to growth, where the current thinking is as follows.

Our home markets have proven to be remarkably and surprisingly resilient. Following the setbacks caused by Corona in April and May, the markets have already picked up significantly in June. The exchange rates of the Albanian and Moldovan currencies have come under pressure, but have also recovered so that the FX impact has been limited. While Moldova had previously refrained from imposing curfews and further eased the restrictions, Albania, Bosnia and Herzegovina as well as Northern Macedonia have also lifted curfews and are implementing further easings. The regained freedom of movement should have a positive effect both on the ability of our customers to earn money and make repayments through recurring income, as well as their appetite for new finance. It seems that the GDP contraction on our home markets may remain limited within -10%.

Since the bulk effect of the grace periods and economic restrictions will probably be felt with a delay in the third and fourth quarters, IuteCredit's results for the first half of 2020 are a ray of hope. We, therefore, stick to our assessment of commercial caution that the economic effects of the pandemic can still neither be determined in detail nor reliably quantified and that the results of IuteCredit will be down on the previous year. As we only had to make limited adjustments to our operating activities to meet the current challenges, we still have an ace up our sleeve - with the possibility of further OPEX cuts should we be exposed to unexpected setbacks. However, if the positive development in coping with the pandemic continues, we are confident that we will be able to make a profitable 2020, grow the performing asset base and performing customer pool above the 2019 level, and deliver a positive return on equity to shareholders.

Tarmo Sild
CEO of IuteCredit Group

Key consolidated financial figures

	30 Jun 2020	31 Dec 2019	Δ in %	30 Jun 2019
Capitalization				
Gross loan portfolio (in thousand EUR)	89.969	92.105	-2,3%	77.215
Net loan portfolio (in thousand EUR)	67.830	79.005	-14,1%	64.692
Assets (in thousand EUR)	96.767	106.254	-8,9%	79.954
Equity (in thousand EUR	18.945	18.505	2,4%	14.804
Equity to assets ratio	19,6%	17,4%	2,2%	18,5%
Capitalization ratio	27,9%	23,4%	4,5%	22,9%
Interest coverage ratio	1,8	2,8	-36,8%	2,8
	H1/2020	**H1/2019**	**Δ in %**	**FY/2019**
Profitability				
Interest income	22.720	17.818	27,5%	46.994
Net interest margin	23,5%	28,4%	-4,9%	56,2%
Cost to income ratio	27,1%	44,6%	-17,5%	42,8%
Post-allowances operating profit margin	12,6%	24,3%	-11,7%	40,5%
EBITDA	9.940	9.435	5,4%	20.165
Profit margin before tax	12,1%	27,4%	-55,9%	22,3%
Net profit	1.305	3.757	-65,3%	8.371
Return on assets	1,3%	6,6%	-5,3%	10,4%
Return on equity	7,0%	35,1%	-28,1%	53,7%
	30 Jun 2020	**31 Dec 2019**	**Δ in %**	**30 Jun 2019**
Assets quality				
Cost of risk	13,0%	14,3%	-1,3%	2,0%
Impairment coverage ratio	101,3%	88,5%	12,8%	191,3%
Gross NPL ratio	24,3%	16,1%	8,2%	7,1%
Net NPL ratio	9,7%	18,7%	-9,0%	16,3%

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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 June 2020, ICE had eight operating subsidiaries: ICS OMF IuteCredit SRL (**ICM**) in Moldova, IuteCredit Albania SHA (**ICA**), IutePay Albania SH.P.K (**IutePay Albania**), 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.

FINAL SHA (**FINAL**, direct subsidiary of ICA) was sold in May 2019. For the Group, the sale ended up with a profit of 145 thousand EUR taken also account reclassified unrealized foreign exchange differences from other comprehensive income (OCI).

IutePay Albania SH.P.K. (**IutePay Albania**) incorporated on 2 July 2018 remained in inactive status during H12020, as of 30 June 2020 share capital is not paid in.

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 ten companies, regardless that one of them was unconsolidated and reclassified.

ICE is responsible for strategic management, including:

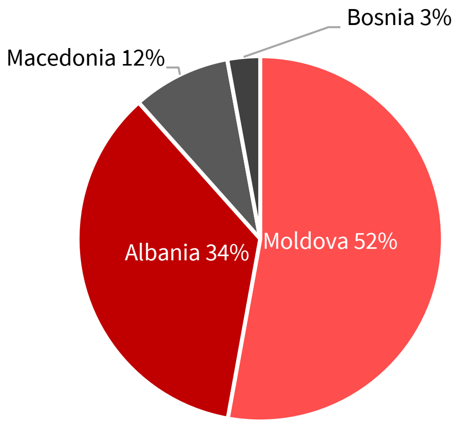
- Strategic targeting
- Organizational structure and manning of the management teams
- Human resource and customer experience framework rules and targeting guidance
- Financial management framework rules and targeting guidance
- Sales and marketing framework rules and targeting guidance
- Service process 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 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 56% and effective interest rate (EIR) 86% depending on the loan amount, maturity and status of customer (new or recurring client with good payment history).

Breakdown of portfolio diversification as of 30/06/2020

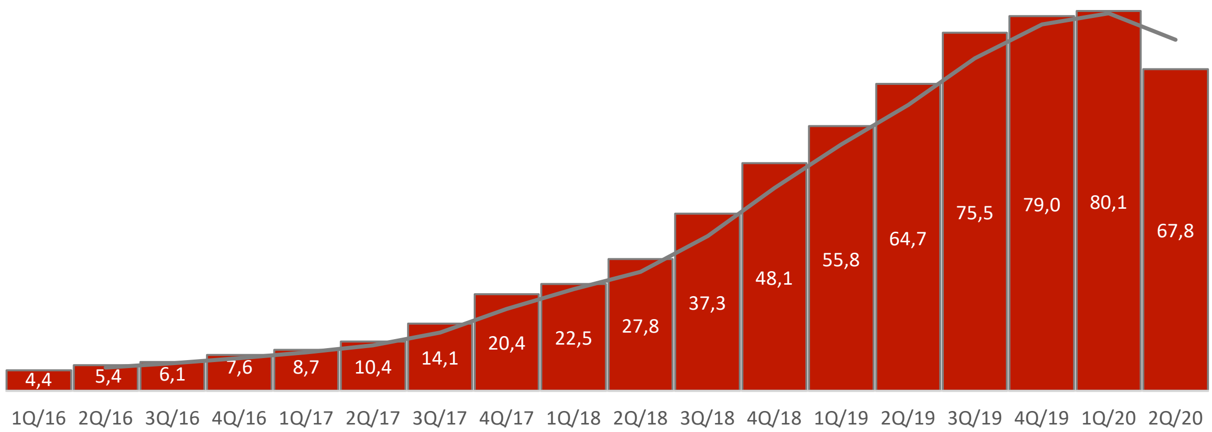


Since Bosnia commenced operations only in June 2019, its share of the Group's loan portfolio is still insignificant as of 30 June 2020.

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 59% 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 June 2020, IuteCredit had 36 IuteCredit branches and 2.392 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)	H1/2020	H1/2019	Δ in %
Interest and similar income	22.720	17.818	27,5%
Interest and similar expense	-5.575	-3.346	66,6%
Net interest and commission fee income	**17.145**	**14.471**	**18,5%**
Loan administration fees and penalties	3.267	503	550,0%
Total loan administration fees and penalties	**3.267**	**503**	**550,0%**
Other income	2.888	3	>1.000%
Allowances for loan impairment	-11.859	-1.121	958,0%
Net operating income	**11.441**	**13.857**	**-17,4%**
Personnel expenses	-3.901	-2.822	38,2%
Depreciation/amortization charge	-754	-402	87,6%
Other operating expenses	-3.175	-4.945	-35,8%
Total operating expenses	**-7.829**	**-8.169**	**-4,2%**
Foreign exchange gains/losses	-868	-810	7,1%
Total foreign exchange gains/losses	**-868**	**-810**	**7,1%**
Profit before tax	**2.744**	**4.877**	**-43,7%**
Income tax expense	-1.439	-1.120	28,5%
Net profit for the period	**1.305**	**3.757**	**-65,3%**

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 57,9% to 28.875 thousand EUR (H1/2019: 13.323 thousand EUR).

Breakdown of total income

(in thousand EUR)	H1/2020	H1/2019	Δ in %
Interest and similar income	22.720	17.818	27,5%
Penalties and similar income	3.267	503	550,0%
Other income	2.888	3	>1.000%
Total income	**28.875**	**18.323**	**57,9**

Other income

Other income in H1/2020 in amount of 2,9 million EUR includes, in particular, income of 2,2 million EUR from sales of defaulted loan portfolio as well as revenues generated with IuteCredit Mastercard.

Interest income

Interest income for the period increased by 27,5% to 22.720 thousand EUR (H1/2019: 17.818 thousand EUR) compared to the 58,7% increase in the average net loan portfolio.

Breakdown of interest income

(in thousand EUR)	H1/2020	H1/2019	Δ in %
Total value of loan principal issued	49.914	64.839	-23,0%
Average net loan portfolio	73.418	46.248	58,7%
Principal	75.575	70.126	7,8%
Accrued interest	14.395	7.089	103,1%
Average annualized interest rate on net portfolio	44,3%	66,8%	-33,7%
Interest income	22.720	17.818	27,5%

Breakdown of interest income by countries

	H1/2020	Total share in %	H1/2019	Total share in %	Δ in %
Moldova	12.367	54,4%	8.394	47,1%	47,3%
Albania	7.755	34,1%	5.849	32,8%	32,6%
Macedonia	1.927	8,5%	1.688	9,5%	14,2%
Bosnia	671	3,0%	2	0,0%	>1.000%
Kosovo	0	0,0%	1.838	10,3%	-100,0%
In total	**22.720**	**100,0%**	**17.818**	**100,0%**	**27,5%**

Interest expense

Interest expense for the period increased by 66,6% to 5.575 thousand EUR (H1/2019: 3.346 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 EUR 40 million in August 2019.

Breakdown of interest expense

(in thousand EUR)	H1/2020	H1/2019	Δ in %
Interest on amounts due to creditors	-2.828	-2.485	13,8%
Interest on financial lease liabilities	-48	-116	58,6%
Interest on bonds	-2.699	-744	262,6%
Total	**-5.575**	**-3.346**	**66,6%**

Loan administration fees and penalties

Income from other fees and penalties more than fivefold to 3.267 thousand EUR (H1/2019: 503 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)	H1/2020	H1/2019	Δ in %
Penalties under loans and delay interests	3.251	2.387	36,2%
Reappraisal of secondary revenue	0	-1.907	100,0%
Resigns under customer loans	273	354	-22,8%
Dealer bonuses	-257	-331	-22,3%
Total	**3.267**	**503**	**549,7%**

Allowances for loan impairment

Change in allowances for loan impairment increased to -11.859 thousand EUR (H1/2019: -1.121 thousand EUR) in line with an intentionally more conservative provisioning approach as a response to the COVID-19 pandemic creating additional risk buffer.

Breakdown of allowances for loan impairment

(in thousand EUR)	H1/2020	H1/2019	Δ in %
At the beginning of the period	**-13.100**	**-12.465**	**5,1%**
Allowances for loan impairment	-11.915	-1.121	963,0%
Utilized	2.818	770	266,0%
Exchange differences	58	293	-80,2%
At the end of the period	**-22.139**	**-12.523**	**76,8%**

(in thousand EUR)	H1/2020	H1/2019	Δ in %
Impairment charges on loans	-11.915	-1.507	690,5%
Recovery from written-off loans	56	386	-85,4%
Net impairment charges	**-11.859**	**-1.121**	**958,0%**

Overall net impairment losses represented 52,2% of interest income (H1/2019: -6,3%). The cost of risk, expressed as net impairment charges to average gross loan portfolio, equaled 13,0% (31/12/2019: -2,0%).

Operating expense

Operating expense for the period decreased by 8,9% to 7.076 thousand EUR (H1/2019: 7.767 thousand EUR). Advertising expenses accounted for 8,2% (H1/2019: 19.5%) of operating expenses. The cost to income ratio for the period nearly halved to 27,1% (H1/2019: 44,6%), reflecting exceeded operational cost cutting by more than 25% in the Q2/2020.

Breakdown of operating expense

(in thousand EUR)	H1/2020	H1/2019	Δ in %
Personnel	-3.901	-2.822	38,2%
Advertising expenses	-578	-1.515	-61,8%
Research and development	0	0	n/a
IT	-551	-1.388	-60,3%
Debt collection	-155	-218	-29,0%
Legal and consulting	-282	-193	45,9%
Rent and utilities	2	-125	-102,0%
Taxes	-212	-155	36,6%
Travel	-105	-198	-46,9%
Other	-1.294	-1.151	12,4%
Total	**-7.076**	**-7.767**	**-8,9%**

Excluding personnel expenses, other operating expenses (mainly in advertising services, telecommunication and IT as well as transportation), decreased by 35,8% to 3.175 thousand EUR (H1/2019: 4.944 thousand EUR).

Personnel expenses

Personnel expenses, mainly salaries and bonuses, and social security expenses increased more than the build-up in headcount by 38,2% to 3.901 thousand EUR (H1/2019: 2.822 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 13,4% to 359 employees (H1/2019: 317 employees).

Breakdown of personnel expenses

(in thousand EUR)	H1/2020	H1/2019	Δ in %
Salaries and bonuses	-3.277	-2.136	53,5%
Social security expenses	-525	-522	0,5%
Medical insurance expenses	-47	-19	154,7%
Other expenses	-51	-146	-65,0%
Total	**-3.901**	**-2.822**	**38,2%**
Number of employees adjusted to full-time	359	317	13,4%

Foreign exchange gains/losses

Foreign exchange movements resulted in a loss of 868 thousand EUR (H1/2019: 810 thousand EUR) reflecting, in particular, EUR/MDL and EUR/ALL conversion rates.

Profit before tax

Consolidated profit before tax decreased by 43,7% to 2.744 thousand EUR (H1/2019: 4.877 thousand EUR). The profit margin before tax equaled 12,1% (H1/2019: 27,4%).

Income tax expense

Income tax expense increased by 28,6% to 1.439 thousand EUR (H1/2019: 1.120 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)	H1/2020	H1/2019	Δ in %
Consolidated profit before tax	2.744	4.877	-43,7%
Current income tax expense	-1.439	-1.120	28,5%
Net profit for the period	**1.305**	**3.757**	**-65,3%**

Profit for the period

Net profit for the period decreased by 65,3% to 1.305 thousand EUR (H1/2019: 3.757 thousand EUR).

Transition statement of non-IFRS measures EBITDA and Adjusted EBITDA

Breakdown of transition to adjusted EBITDA

(in thousand EUR)	H1/2020	H1/2019	H1 Δ in %	12M/2019	12M/2018	12M Δ in %
Profit for the period	1.305	3.757	-65,3%	8.371	7.256	15,4%
Provision for corporate income tax	1.439	1.120	28,5%	2.096	2.244	-6,6%
Interest expense	5.575	3.346	66,6%	8.968	3.855	132,7%
Depreciation and amortization	754	402	87,6%	1.239	220	464,2%
EBITDA	**9.073**	**8.625**	**5,2%**	**20.674**	**13.574**	**52,3%**
Adjustments	-868	-810	7,1%	510	662	-23,0%
Adjusted EBITDA	**9.940**	**9.435**	**5,4%**	**20.165**	**12.913**	**56,2%**

Breakdown of adjustments to EBITDA

(in thousand EUR)	H1/2020	H1/2019	H1 Δ in %	12M/2019	12M/2018	12M Δ in %
Foreign exchange gains/losses	-868	-810	7,1%	510	662	-23,0%
Adjustments	**-868**	**-810**	**7,1%**	**510**	**662**	**-23,0%**

Condensed statement of financial position

(in thousand EUR)	30 Jun 2020	31 Dec 2019	Δ in %
ASSETS			
Cash and bank accounts	10.818	6.734	60,7%
Loans to customers	67.830	79.005	-14,1%
Prepayments	369	913	-59,6%
Other assets	1.520	2.489	-38,9%
Assets held for sale	0	5	-100,0%
Other financial investments	8.983	9.908	-9,3%
Property, plant and equipment	1.048	1.025	2,2%
Right-of-use assets	2.561	2.850	-10,1%
Intangible assets	3.639	3.326	9,4%
Total assets	**96.767**	**106.254**	**-8,9%**
LIABILITIES AND EQUITY			
Liabilities			
Loans and bonds from investors	75.130	84.073	-10,6%
Trade and other payables	476	1.031	-53,9%
Current income tax liabilities	759	455	66,8%
Deferred tax liabilities	274	289	-5,0%
Other liabilities	1.184	1.901	-37,7%
Total liabilities	**77.823**	**87.749**	**-11,3%**
Equity			
Share capital	10.000	10.000	0,0%
Legal reserve	536	398	34,8%
Unrealized foreign exchange differences	-155	72	-315,3%
Retained earnings	8.563	8.035	6,6%
Total equity	**18.945**	**18.505**	**2,4%**
Total equity and liabilities	**96.767**	**106.254**	**-8,9%**

Other financial investments relate mainly to the recognition of ICKO as a financial investments, investment to gold and the deposits in North Macedonia and Bosnia and Herzegovina.

Assets

Total assets slightly decreased by 8,9% to 98.418 thousand EUR as of 30 June 2020 (31 December 2019: 106.254 thousand EUR). The main changes related to the reduction in the net loan portfolio and the increased cash position.

Loan portfolio

The net loan portfolio decreased by 14.1% to 67.830 thousand EUR as of 30 June 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 Jun 2020	Total in %	31 Dec 2019	Total in %	Δ in %
Moldova	35.878	52,9%	41.268	52,2%	-13,1%
Albania	24.123	35,6%	28.465	36,0%	-15,3%
Macedonia	5.893	8,7%	8.031	10,2%	-26,6%
Bosnia	1.936	2,9%	1.241	1,6%	56,0%
Total net loan portfolio	**67.830**	**100,0%**	**79.005**	**100,0%**	**-14,1%**

Breakdown of loan applications

	H1/2020					H1/2019					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	79.082	46.365	41.756	58,6%	90,1%	79.547	55.157	50.237	69,3%	91,1%	-0,6%	-15,9%	-15,4%
Albania	58.217	36.473	34.157	62,7%	93,7%	54.299	40.692	39.548	74,9%	97,2%	7,2%	-10,4%	-16,4%
Macedonia	25.516	14.921	14.545	58,5%	97,5%	21.983	13.677	13.394	62,2%	97,9%	16,1%	9,1%	-6,0%
Kosovo	0	0	0	0,0%	0,0%	59.188	20.231	19.962	34,2%	98,7%	-100,0%	-100,0%	-100,0%
Bosnia	6.079	2.486	2.422	40,9%	97,4%	787	234	227	0,0%	97,1%	100,0%	100,0%	37,5%
In total	**168.894**	**100.245**	**92.880**	**59,4%**	**92,7%**	**215.804**	**129.991**	**123.368**	**60,2%**	94,9%	**-21,7%**	**-22,9%**	-1,5%

Breakdown of issued loans APR on country level

(in %)	H1/2020	H1/2019	Δ in %
Moldova	55,2%	58,8%	-6,1%
Albania	63,1%	68,7%	-8,2%
Macedonia	38,9%	61,4%	-36,6%
Kosovo	0,0%	79,8%	-100,0%
Bosnia	63,4%	85,3%	25,7%
ICG average	**56,2%**	**63,0%**	**-10,8%**

The decline in average annual percentage rates (APR) at group level in H1/2020 is mainly attributable to the introduction of an APR cap in North Macedonia by regulatory authorities and 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 %)	H1/2020	H1/2019	Δ in %
Moldova	83,7%	86,9%	-3,7%
Albania	81,0%	89,7%	-9,7%
Macedonia	88,7%	85,6%	3,6%
Kosovo	0,0%	85,9%	-100,0%
Bosnia	73,6%	74,1%	-0,7%
ICG weighted average	**82,9%**	**84,4%**	**-1,8%**

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 H1/2020.

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 Jun 2020				31 Dec 2019			
(in thousand EUR)	Gross amount	Provisions	Net amount	% of net portfolio	Gross amount	Provisions	Net amount	% of net portfolio
Performing	68.121	-6.837	61.284	90,3%	77.307	-2.147	75.160	95,1%
Non-Performing	21.848	-15.302	6.546	9,7%	14.798	-10.953	3.845	4,9%
Total portfolio	**89.969**	**-22.139**	**67.830**	**100,0%**	**92.105**	**-13.100**	**79.005**	**100,0%**

(in thousand EUR)	30 Jun 2020	Total share in %	31 Dec 2019	Total share in %
Stage 1	52.521	77,4%	73.681	93,3%
Stage 2	8.763	12,9%	1.526	1,9%
Stage 3	6.546	9,7%	3.798	4,8%
Total net portfolio	**67.830**	**100,0%**	**79.005**	**100,0%**
Gross NPL ratio	**24,3%**		**16,1%**	
Impairment coverage ratio	**101,3%**		**88,5%**	

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

Distribution principles between stages

	30 Jun 2020	30 Jun 2019
Stage 1	DPD <=30	DPD <=5
Stage 2	30 < DPD <=50	5 < DPD <=50
Stage 3	DPD > 50	DPD > 50

Other assets and prepayments

Breakdown of other assets and prepayments

(in thousand EUR)	30 Jun 2020	31 Dec 2019	Δ in %
Deferred tax assets	86	22	289%
Prepayments of rent	69	18	292%
Prepayment of taxes	96	700	-86,3%
Prepayments to suppliers and deferred expenses	119	174	-31,7%
Prepayments in total	**369**	**913**	**-59,6%**
Receivables from collection companies	553	452	22,2%
Other receivables	32	23	35,4%
Deposit receivables from partners	936	2.013	-53,5%
Trade and other receivables in total	**1.520**	**2.489**	**-38,9%**
TOTAL	**1.889**	**3.402**	**-44,5%**

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 June 2020, total liabilities decreased by11,3% to 77.823 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 10,6% to 75.130 thousand EUR (31 December 2019: 84.073 thousand EUR), accounting for 97,0% of all liabilities (31 December 2019: 95,8%).

(in thousand EUR)		30 Jun 2020	31 Dec 2019	Δ in %
Loans from investors		**33.692**	**41.954**	**-19,7%**
	Due date during next 12 months	16.843	25.397	-33,7%
	Due date after 12 months	16.849	16.557	1,8%
Bond liabilities		**36.666**	**36.967**	**-0,8%**
	Due date during next 12 months	0	0	n/a
	Due date after 12 months	36.666	36.967	-0,8%
Lease liabilities		**2.374**	**2.794**	**-15,0%**
	Due date during next 12 months	774	863	-10,3%
	Due date after 12 months	1.600	1.931	-17,1%
Accrued interest		**2.397**	**2.357**	**1,7%**
TOTAL		**75.130**	**84.073**	**-10,6%**
	weighted average interest rate	*10,9%*	*11,8%*	
	currency	*EUR, MDL, USD; ALL; MKD*	*EUR, MDL, USD; ALL; MKD*	

Loans from investors decreased by 19,7% to 33.692 thousand EUR (31 December 2019: 41.954 thousand EUR), of which 24.327 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 Open Market and will be included into Regulated Market during Q3/2020.

Eurobond covenant ratios

	30 Jun 2020	31 Dec 2019	Δ in %
Capitalization			
Capitalization ratio *(equity/net loan portfolio)*	27,9%	23,4%	19,2%
Financial covenant at least	15%		
	H1/2020	**H1/2019**	**Δ in %**
Profitability			
Interest coverage ratio (ICR), times	1,8	2,8	-36,8%
(adjusted EBITDA/interest expenses)			
Financial covenant at least	1,5		

Distribution of investor loan (Mintos)

	Mintos loans			Net loan portfolio			
(in thousand EUR)	**30 Jun 2020**	**31 Dec 2019**	**Δ in %**	**30 Jun 2020**	**Total share in %**	**31 Dec 2019**	**Total share in %**
Moldova	12.075	11.806	2,3%	35.878	33,7%	41.268	28,6%
Albania	10.995	10.123	8,6%	24.123	45,6%	28.465	35,6%
Macedonia	1.257	1.487	-15,4%	5.893	21,3%	8.031	18,5%
Bosnia	0	0	0,0%	1.936	0,0%	1.241	0,0%
Total	**24.327**	**23.415**	**3,9%**	**67.830**	**36,9%**	**79.005**	**30,1%**

Other liabilities

Breakdown of other liabilities

(in thousand EUR)	30 Jun 2020	31 Dec 2019	Δ in %
Trade payables	476	1.031	-53,9%
Payables to employees	218	601	-63,7%
Corporate Income Tax payables	759	455	66,8%
Other Tax payables	274	289	-5,2%
Dealer loan liabilities	155	1	>1.000%
Over-/wrong payments from customers	407	205	98,4%
Other liabilities	403	1.093	-63,1%
TOTAL	**2.693**	**3.676**	**-26,7%**

Equity

As of 30 June 2020, equity increased by 2,4% to 18.945 thousand EUR (31 December 2019: 18.505 thousand EUR), representing an equity to assets ratio of 19,6% (31 December 2019: 17,4%). The equity to net loan portfolio ratio increased to 27,9% (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 is recognized as off-balance sheet for the Group as of 30 November 2019. The parent company (ICE) is carrying the liability itself and as of 30 June 2020. Following the repayment of outstanding debts by ICE in mid-June 2020, there is no longer a principal liability.

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated statement of comprehensive income

(in thousand EUR)	H1/2020	H1/2019	Δ in %
Interest and similar income	22.720	17.818	27,5%
Interest and similar expense	-5.575	-3.346	66,6%
Net interest and commission fee income	**17.145**	**14.471**	**18,5%**
Loan administration fees and penalties	3.267	503	550,0%
Loan administration fees and penalties in total	**3.267**	**503**	**550,0%**
Other income	2.888	3	>1.000%
Allowances for loan impairment	-11.859	-1.121	958,0%
Net operating income	**11.441**	**13.857**	**-17,4%**
Personnel expenses	-3.901	-2.822	38,2%
Depreciation/amortization charge	-754	-402	87,6%
Other operating expenses	-3.175	-4.945	-35,8%
Total operating expenses	**-7.829**	**-8.169**	**-4,2%**
Foreign exchange gains/losses	-868	-810	7,1%
Total foreign exchange gains/losses	**-868**	**-810**	**7,1%**
Profit before tax	**2.744**	**4.877**	**-43,7%**
Income tax expense	-1.439	-1.120	28,6%
Profit for the reporting period	**1.305**	**3.757**	**-65,3%**
Other comprehensive income			
Other comprehensive income to be classified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations	-227	-414	-45,2%
Other comprehensive income total	**1.078**	**3.343**	**-67,7%**
Profit attributable to:			
Equity holders	1.078	3.343	-67,7%
Total comprehensive income attributable to:			
Equity holders	1.078	3.343	-67,7%

Consolidated statement of financial position

(in thousand EUR)	30 Jun 2020	31 Dec 2019	Δ in %
ASSETS			
Cash and bank accounts	10.818	6.734	60,7%
Loans to customers	67.830	79.005	-14,1%
Prepayments	369	913	-59,6%
Other assets	1.520	2.489	-38,9%
Assets held for sale	0	5	-100,0%
Other financial investments	8.983	9.908	-9,3%
Property, plant and equipment	1.048	1.025	2,2%
Right-of-use assets	2.561	2.850	-10,1%
Intangible assets	3.639	3.326	9,4%
Total assets	**96.767**	**106.254**	**-8,9%**
LIABILITIES AND EQUITY			
Liabilities			
Loans and bonds from investors	75.130	84.073	-10,6%
Trade and other payables	476	1.031	-53,9%
Current income tax liabilities	759	455	66,8%
Deferred tax liabilities	274	289	-5,0%
Other liabilities	1.184	1.901	-37,7%
Total liabilities	**77.823**	**87.749**	**-11,3%**
Equity			
Share capital	10.000	10.000	0,0%
Legal reserve	536	398	34,8%
Unrealized foreign exchange differences	-155	72	-315,3%
Retained earnings	8.563	8.035	6,6%
Total equity	**18.945**	**18.505**	**2,4%**
Total equity and liabilities	**96.767**	**106.254**	**-8,9%**

Consolidated statement of cash flows

(in thousand EUR)	H1/2020	H1/2019	Δ in %
Paid prepayments (-)	-2.759	-2.203	25,2%
Received pre- and overpayments (+)	69	163	-57,7%
Paid deposits, i.e., MasterCard, collection, Mintos and other partners (-)	-1.343	-2.693	-50,1%
Received deposits, i.e., MasterCard, collection, Mintos and other partners (+)	22.099	3.448	540,9%
Paid trade payables outside the Group (-)	-5.589	-5.390	3,7%
Received debts from buyers and received other claims (+)	142	381	-62,7%
Received from collection companies (+)	11.558	5.747	101,1%
Paid net salaries (-)	-2.858	-2.129	34,2%
Paid tax liabilities, exc. CIT (-)	-1.425	-1.397	2,0%
Corporate income tax paid (-)	-827	-2.189	-62,2%
Change in MasterCard settlement account (+/-)	-2.170	0	n/a
Loan principal repayments from customers related to MasterCard (+)	1.268	0	n/a
Paid out to customers outside the Group (-)	-20.511	-37.563	-45,4%
Principal repayments from customers outside the Group (+)	15.662	22.306	-29,8%
Interest, commission and other fees received outside the Group (+)	6.900	9.803	-29,6%
NET CASH FLOWS FROM OPERATING ACTIVITIES	**20.216**	**-11.716**	**-272,6%**
Purchase of fixed assets outside the Group, incl. prepayments (-)	-153	-431	-64,5%
Received from the sale of affiliates(+)	0	159	n/a
Payments for other financial investments (-)	-1.511	0	n/a
Receipts from other financial investments (+)	504	0	n/a
NET CASH FLOWS FROM INVESTING ACTIVITIES	**-1.160**	**-272**	**326,5%**
Loans received from investors outside the Group (+)	18.367	32.354	-43,2%
Repaid loans to investors outside the Group (-)	-22.927	-16.238	41,2%
Change in overdraft (+/-)	-5.162	2.516	-305,2%
Principal payments of financial lease contracts (-)	-420	-217	93,5%
Interests paid outside the Group (-)	-4.090	-2.506	63,2%
Dividends paid outside the Group (-)	-499	-1.229	-59,4%
Payments for other financing activities (-)	-38	0	n/a
Receipts from other financing activities (+)	3	0	n/a
NET CASH FLOWS FROM FINANCING ACTIVITIES	**-14.766**	**14.680**	**-200,6%**
Change in cash and cash equivalents	**4.290**	**1.681**	**155,21%**
Cash and cash equivalents at the beginning of the period	**6.734**	**2.628**	**156,2%**
Change in cash and cash equivalents	4.290	2.692	59,4%
Net foreign exchange difference	-206	24	-958,3%
Cash and cash equivalents at the end of the period	**10.818**	**5.344**	**102,4%**

Cash and cash equivalents comprise	H1/2020	H1/2019	Δ in %
Cash on hand	5	5	2,1%
Non-restricted current account	10.813	5.339	102,5%

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**	**3.757**	**3.757**
Other comprehensive income						
Foreign currency translation	0	0	0	-414	0	**-414**
Total comprehensive income	**0**	**0**	**0**	**-414**	**3.757**	**3.343**
Contribution to share capital	0	371	0	0	-371	0
Dividends	0	0	0	0	-1.229	**-1.229**
30/06/19	**10.000**	**398**	**0**	**-36**	**4.442**	**14.804**
01/01/20	**10.000**	**398**	**0**	**72**	**8.035**	**18.505**
Profit for the period	**0**	**0**	**0**	**0**	**1.305**	**1.305**
Other comprehensive income						
Foreign currency translation	0	0	0	-227	0	**-227**
Total comprehensive income	**0**	**0**	**0**	**-227**	**1.305**	**1.078**
Allocation to reserves	0	139	0	0	-139	0
Dividends	0	0	0	0	-638	-638
30/06/20	**10.000**	**537**	**0**	**-155**	**8.563**	**18.945**

Additional key performance indicators

Profitability	H1/2020	H1/2019	Δ in %
Return on average assets	1,3%	6,6%	-5,3%
Return on average equity	7,0%	35,1%	-28,1%
Interest income/Average interest earning assets	22,7%	26,6%	-3,9%
Interest income/Average gross loan portfolio	25,0%	31,2%	-6,3%
Interest income/Average net loan portfolio	30,1%	45,5%	-15,4%
Interest expense/Interest income	24,5%	18,8%	5,8%
Cost of funds	6,7%	7,3%	-0,5%
Cost of interest-bearing liabilities	7,0%	7,8%	-0,8%
Net interest margin	23,5%	28,4%	-4,9%
Net effective annualized yield	37,9%	38,5%	-0,6%
Net impairment/interest income	52,2%	-6,3%	58,5%
Net fee and commission income/Total operating income	90,0%	100,0%	-10,0%
Earnings before taxes/Average total assets	2,7%	8,6%	-5,9%
Efficiency	**H1/2020**	**H1/2019**	**Δ in %**
Total assets/Employee (in thousand EUR)	269	335	-19,7%
Total operating income/Employee (in thousand EUR)	80	58	39,0%
Cost/Income ratio	27,1%	44,6%	-17,5%
Total recurring operating costs/Average total assets	1,0%	3,3%	-2,3%
Total operating income/ Average total assets	28,4%	32,3%	-3,9%
Personnel costs/Total recurring operating costs	389,4%	152,7%	236,6%
Personnel costs/Total operating income	13,5%	15,4%	-1,9%
Net operating income/Total operating income	39,6%	75,6%	-36,0%
Net income (Loss)/Total operating income	4,5%	20,5%	-16,0%
Profit before tax (Loss)/Interest income	12,1%	27,4%	-15,3%
Liquidity	**H1/2020**	**H1/2019**	**Δ in %**
Net loan receivables/Total assets	70,1%	74,4%	-4,3%
Average net loan receivables/Average total assets	74,4%	69,1%	5,4%
Net loan receivables/Total liabilities	87,2%	90,0%	-2,9%
Interest earning assets/Total assets	103,4%	63,0%	40,3%
Average interest earning assets/Average total assets	82,3%	116,1%	-33,9%
Liquid assets/Total assets	20,5%	15,7%	4,8%
Liquid assets/Total liabilities	25,4%	19,0%	6,5%
Total deposits/Total assets	0,1%	2,2%	-2,1%
Total deposits/Total liabilities	0,2%	2,7%	-2,5%
Total deposits/Shareholders' equity	0,7%	12,8%	-12,2%
Tangible common equity/Tangible assets	16,4%	14,7%	1,7%
Tangible common equity/Net receivables	22,6%	19,2%	3,4%
Net Loan Receivables/Equity (times)	3,6	4,3	-16,1%
Asset quality	**H1/2020**	**H1/2019**	**Δ in %**
Loan loss reserve/Gross receivables from client	24,6%	13,6%	11,0%
Average loan loss reserve/Average gross receivables from clients	19,0%	18,9%	0,1%
Cost of risk	13,0%	-2,0%	15,0%
Gross NPL ratio	24,3%	7,1%	17,2%
Impairment coverage ratio	101,3%	191,3%	-90,0%
Selected operating data	**H1/2020**	**H1/2019**	**Δ in %**
Number of employees (adjusted to full-time)	359	317	13,4%
Average monthly gross salary in group (in EUR)	1.520	1.123	35,4%

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 – consists of deferred tax assets, intangible IT assets and goodwill Interest income

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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