

Mylute

iutecredit

Earnings Call Presentation

FY 2021

95%

Апликација за кредит

Месечна рата	3,530 МКД
Износ на кредит	10000
Период на кредит	3 месеци



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Presenting



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 while BA degree was obtained in University of Tartu after one year of studies in University of Helsinki.
- 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 building luteCredit since 2017
- Kristel holds a Master's degree in Financial Management from Estonian Business School
- Since 2000 she has served as Chief Financial Officer for MTÜ Estonian Banking Association
- Has performed as chief accountant of Ektornet Land Estonia OÜ, the SPV of Swedbank Group to deal with the high risk exposures in 2008 financial crisis) and financial reporting of the group companies
- Kristel started her professional career at Hansa Leasing Inkasso OÜ (part of Hansapanga Group)

Group Highlights

Total Customer Pool



~811,000+
+124,000 vs. FY20

Net Loan Portfolio



105.4 EURm
+33.1% vs. FY20

Total Income FY 2021



61.2m
+9.1% vs. FY20

Adj. EBITDA



22.8m
+9.4% vs. FY20

Customer Performance Index (CPI) in FY 2021



86.7%
vs. 84.6% FY20

NPLs in Net Portfolio



11.3%
vs. 16.6% in FY20

- 2021 as year of growth reflecting evolution towards fully digitized customer solutions and diversified revenue streams, including now payment services
- Even more sustainable credit practices - larger loan amounts for longer periods, but lower interest for customers - as contributing factors
- Loan payouts with strong growth up 41.9% while repayment discipline improved further
- Robust default recovery maintained, with average of 40% of principal collected in cash within first 180 days after default
- Growing and investing in online technologies - Mylute app downloads reached 180,000+ at YE21 with increasing momentum
- Rollout of 30 cardless ATMs to date cuts intermediaries and reduces need for plastic cards and cuts plastic waste

Operational Footprint

Geographical and product diversification



Bosnia and Herzegovina

- Launch: May 2019
- Loans issued 2021: 4.9 EURm
- Net loan portfolio 2021: 2.8 EURm
- Total income 2021: 2.0 EURm
- EBITDA 2021: -2.7 EURm
- Impairments 2021: 0.8 EURm



Moldova

- Launch: August 2008
- Loans issued 2021: 62.1 EURm
- Net loan portfolio 2021: 40.4 EURm
- Total income 2021: 24.5 EURm
- EBITDA 2021: 7.2 EURm
- Impairments 2021: 6.2 EURm



Albania

- Launch: April 2015
- Loans issued 2021: 65.9 EURm
- Net loan portfolio 2021: 41.1 EURm
- Total income 2021 : 23.8 EURm
- EBITDA 2021: 7.9 EURm
- Impairments 2021: 5.0 EURm



Bulgaria

- Launch: June 2021
- Loans issued 2021: 1.8 EURm
- Net loan portfolio 2021: 1.1 EURm
- Total income 2021: 0.2 EURm
- EBITDA 2021: -0.7 EURm
- Impairments 2021: 0.3 EURm



North Macedonia

- Launch: September 2017
- Loans issued 2021: 32.4 EURm
- Net loan portfolio 2021: 20.0 EURm
- Total income 2021: 9.5 EURm
- EBITDA 2021: 3.7 EURm
- Impairments 2021: 2.6m EURm



New Countries

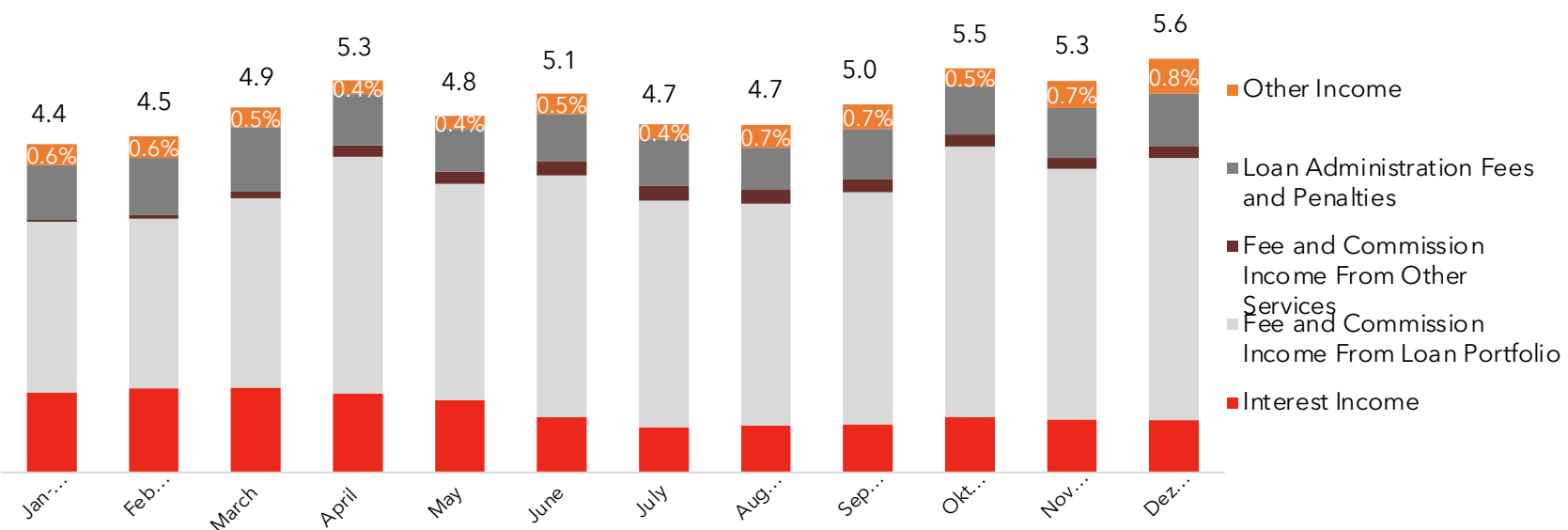
- Get additional access to at least 20 million people markets before 2023



Operating Highlights

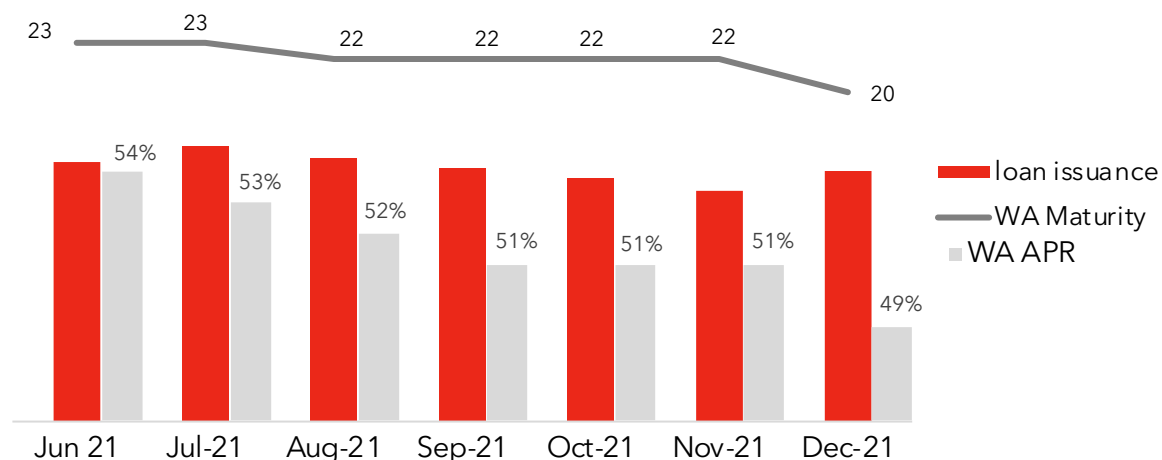


Total income growth (EURm)

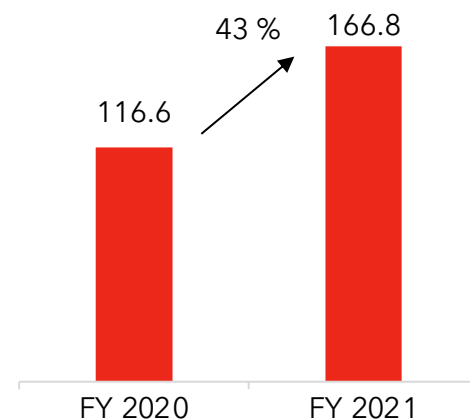


- Total income up 9.1% to 61.2 EURm in FY21
- Almost 4% of total revenue generated with Wallet services - share of services-related money payments processing increasing
- Loan payout increase of 41.9% translating to total asset expansion of 166.8 EURm at YE21
- WA APR of new loan issuances gradually decreased to 54% while loan maturity tends to be longer, at 20 months
- Mylute App downloaded by more than 180,000 customers at YE21 since its launch in Q1 21

Steady improvement of loans issued (EURm), lower APR & longer maturity



Total assets (EURm)



Loan Repayment Behaviour

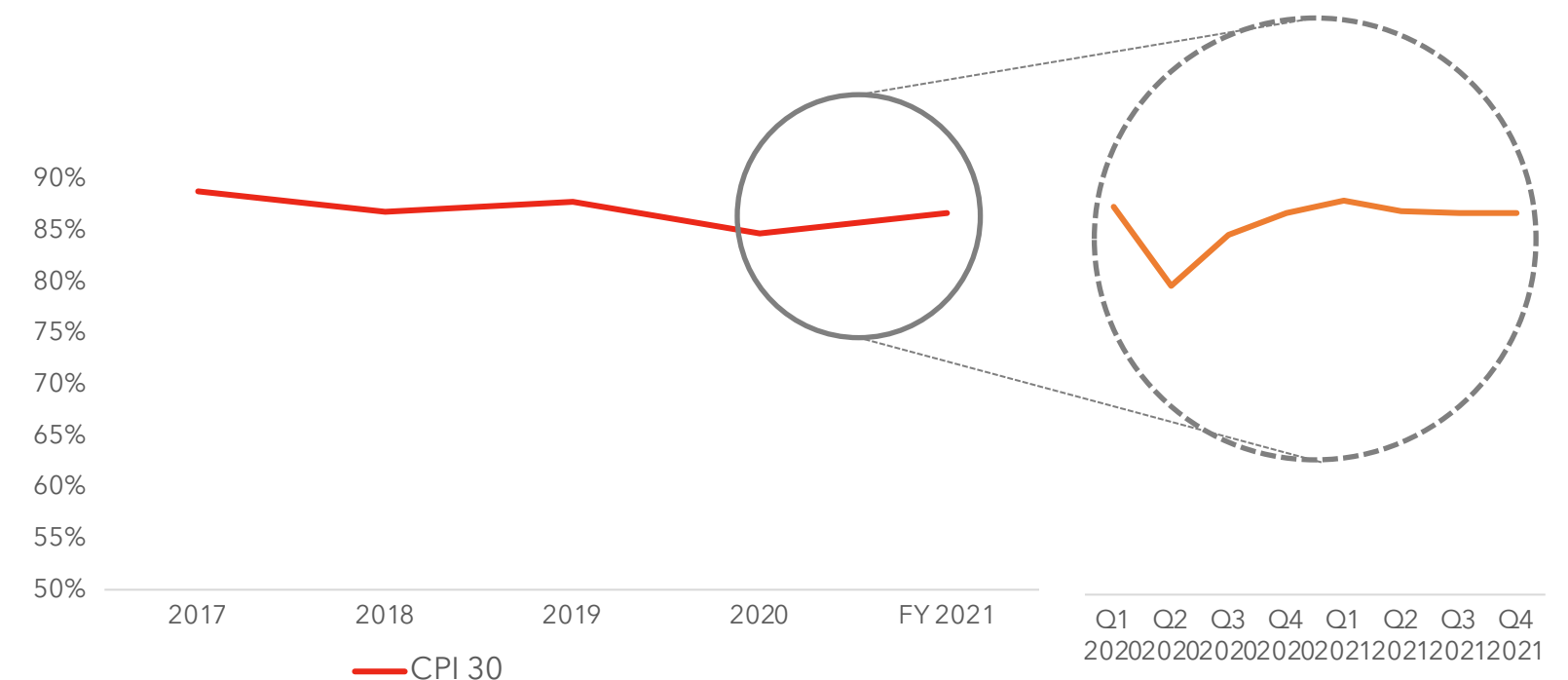
Customer Performance Index

- **Customer Performance Index (CPI)** is a unique index developed by luteCredit:

$$\text{CPI} = \frac{\text{Actual Monthly Repayments}}{\text{Expected Monthly Repayments}}$$

- CPI measures customers' actual repayments against the expected repayments, according to the repayment schedules of their loan agreements, within a tolerance period for repayment delays. We consider it superior to NPL's as measurement tool.
- CPI is a cashflow-centric indicator that avoids illusions from evergreening or inadequate provisioning. Repayment with maximum 30 days of delay (CPI 30) is considered normal. luteCredit declares a loan defaulted (and recognizes it as NPL) when repayment is delayed for more than 50 days (DPD+50).
- AT YE21, luteCredit reached a CPI30 ratio of 86.7% as the weighted average across products and markets.

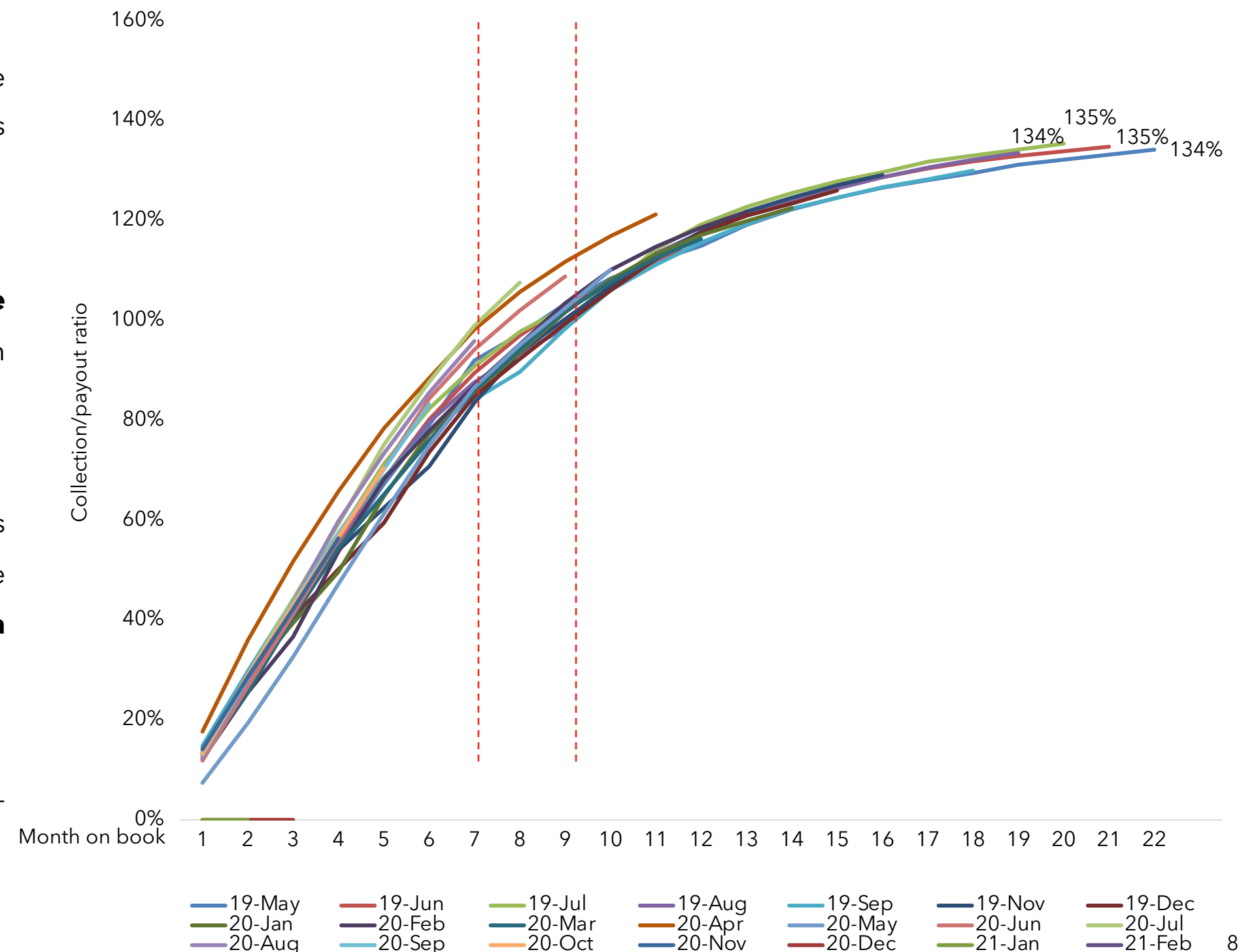
Evolution of Customer Performance Index (CPI 30)



- CPI 30 remained stable over years, yet was moderately affected since Mid-March 2020 due to public lockdown caused by COVID
- luteCredit's successful navigation led to a steady recovery in CPI 30

Repayment Dynamics

- The vintage chart indicates luteCredit's loan repayment performance over time by showing the aggregate repayments of different monthly loan issuance cohorts (vintages), as measured in % of the original paid out loan amount (100%).
- September 2019 to February 2020 vintages demonstrate a relatively **complete loan cycle**, whereas March 2020 to December 2021 vintages include loans which full maturity has not yet arrived
- Most of the loan cohorts can recover their paid-out principal by 7 to 9 months from the moment of paying out, which is **significantly shorter** than the average loan maturity of 18 months, indicating luteCredit's **excellence in loan repayments efficiency**
- By the end of loans lifecycle, luteCredit can receive about ~135% of the paid-out amount which represents the **profitability of lending**



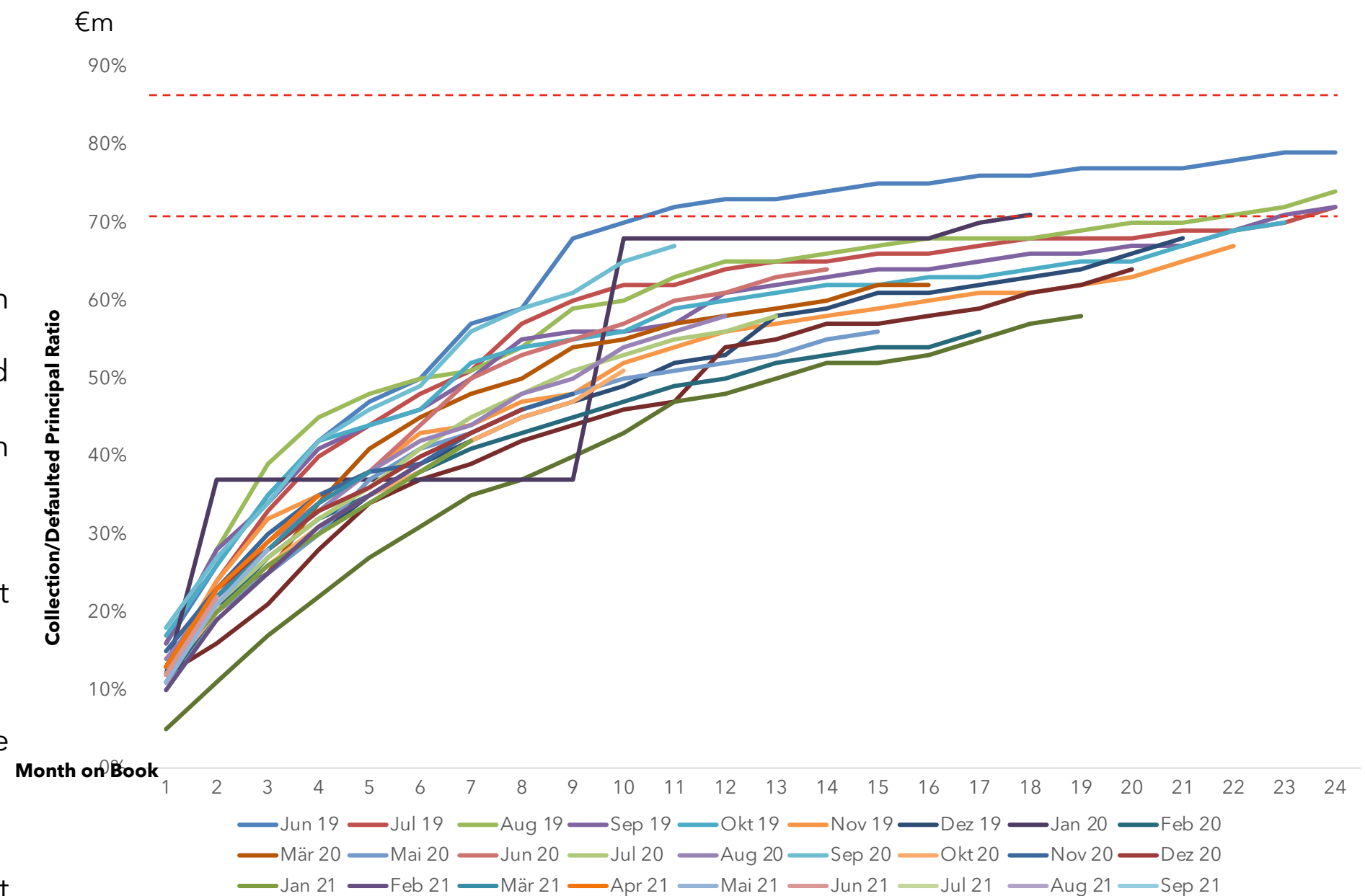
Defaulted Performance Index

- **Defaulted Performance Index (DPI)** is another index that is used by IuteCredit:

$$\text{DPI} = \frac{\text{Actual Repayments after Termination}}{\text{Principal Debt at Termination}}$$

- DPI measures the amount of principal capital that is rescued after the loan agreement defaults. It is a ratio of **actual collected amount** from defaulted customers against the **principal debt amount at termination of** loan agreements within a certain period from the default
- IuteCredit has always been focusing on **debt collection** as integrated but autonomous business part with its own KPI's, business processes and team
- As can be seen in the chart, most of the defaulted cohorts can achieve **55%~70%** of the defaulted amount towards the end of 24-month timeline
- In **April 2020**, there were **very few terminated loans** due to the payment holidays caused by COVID, therefore the cohorts behaved as an outlier

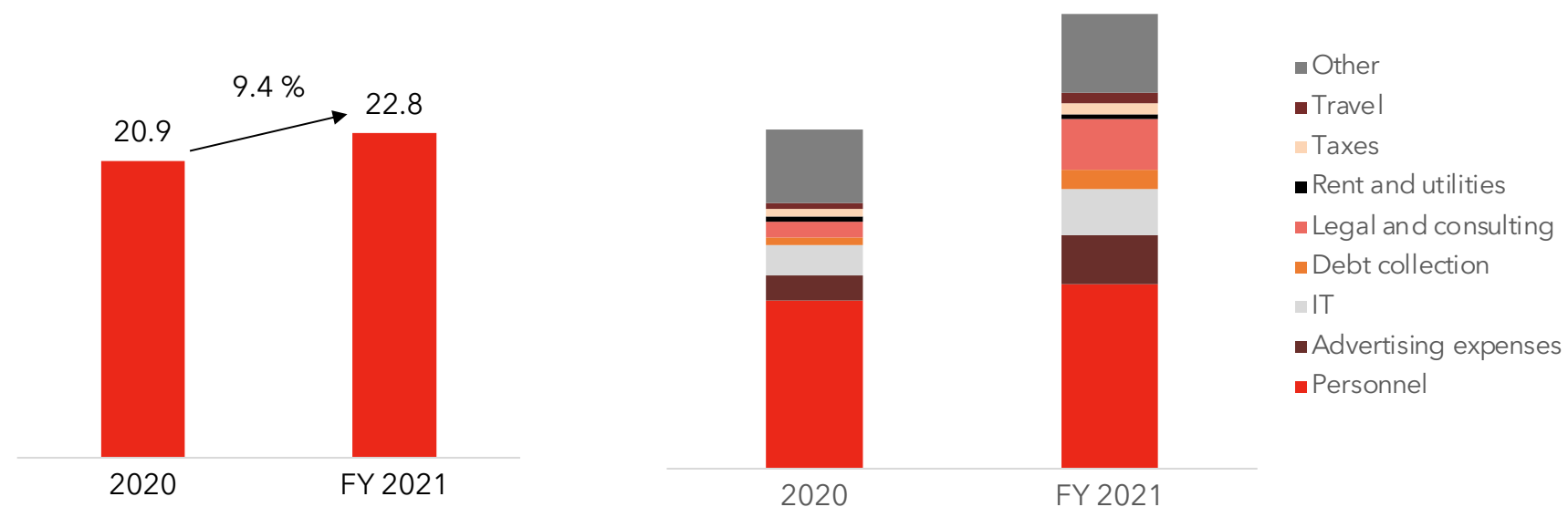
Defaulted Loan Collection (FY21)



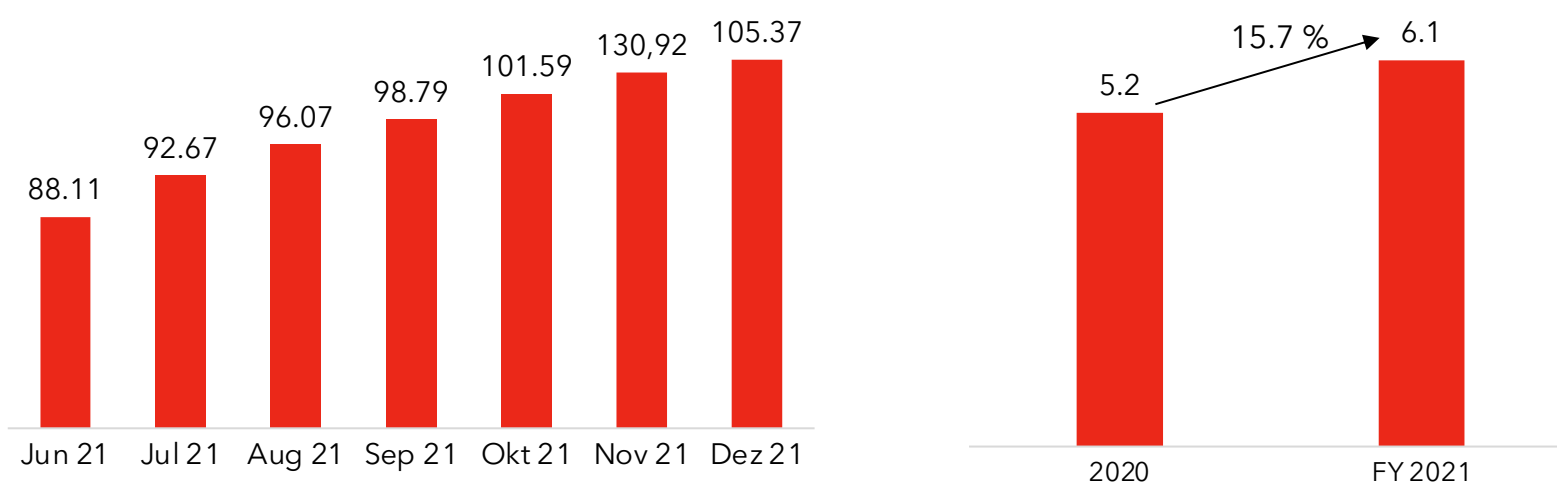
Financial Highlights



Adj. EBITDA Growth (EURm) Operating Expenses Breakdown (EURm)



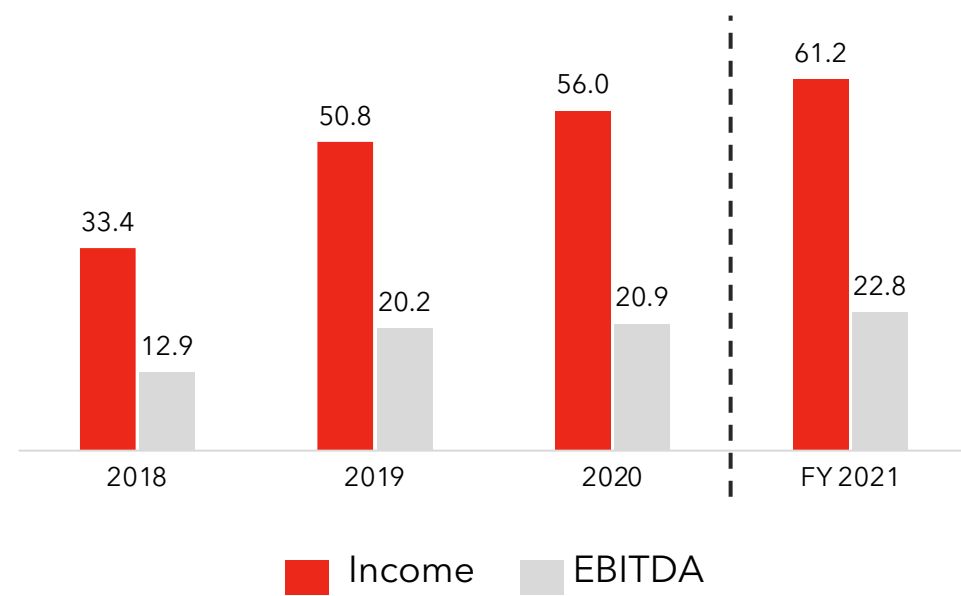
Net loan portfolio growth (EURm) Net profit growth (EURm)



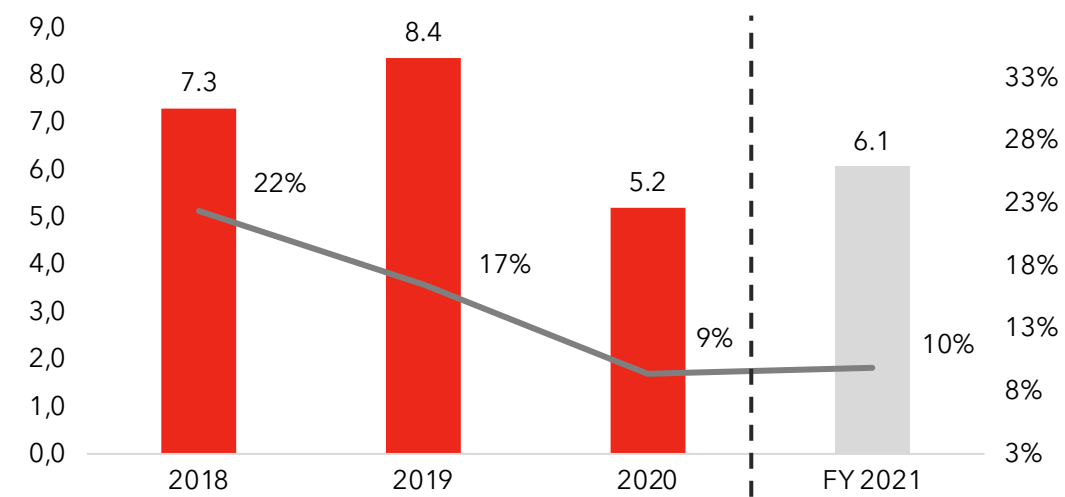
- Total income up 9.1% to 61 EURm
- EBITDA adjusted for FX/revaluations increased 9.4% to 22.8EURm in FY21, benefitting from improved allowances
- Operating expenses driven by recovering business activities as well as strategic initiatives and consulting costs such as advertising expenses (+93% yoy), IT (+181% yoy), and debt collection (+181% yoy),
- Net loan portfolio sustainably growing 33.1% to 105.4 EURm at YE21 driven by new customers and returning customers as well as improved repayments
- Net profit up 15.7% to 6.1 EURm in FY21 affected by increased interest payments related to bonds issuances while cash position remained high.
- Stable capitalization ratios of 24.3% and interest coverage ratio of 1.6 (LTM)

Financial Ratios

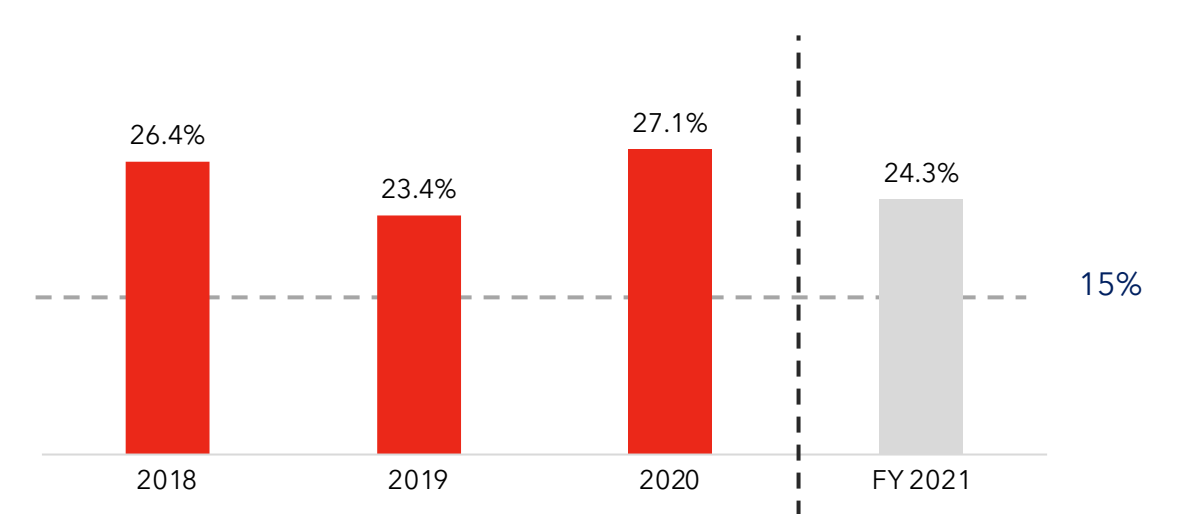
Income & Adj. EBITDA in EURm



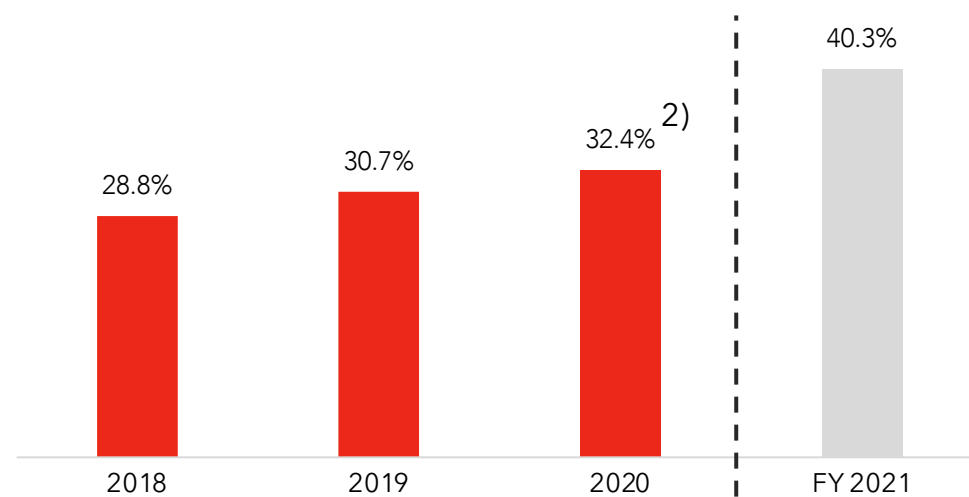
Net profit in EURm & Net profit margin



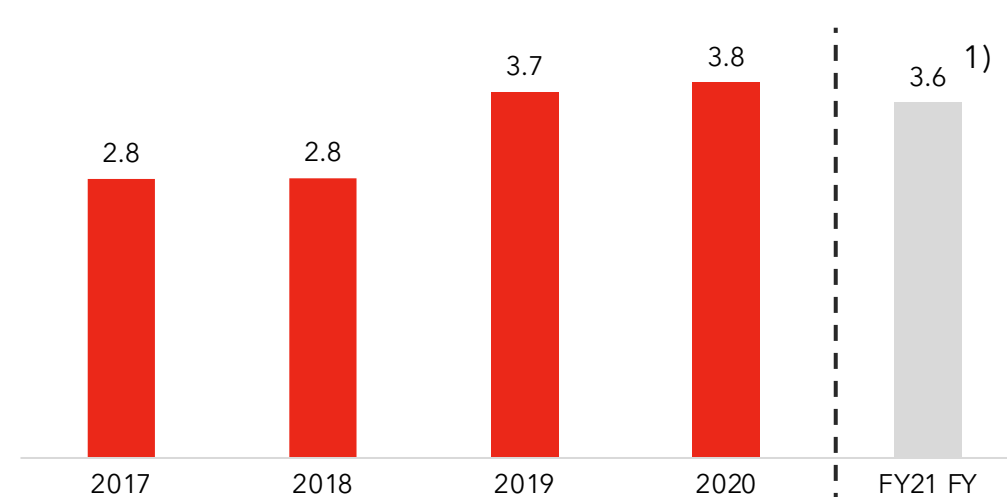
Capitalization ratio



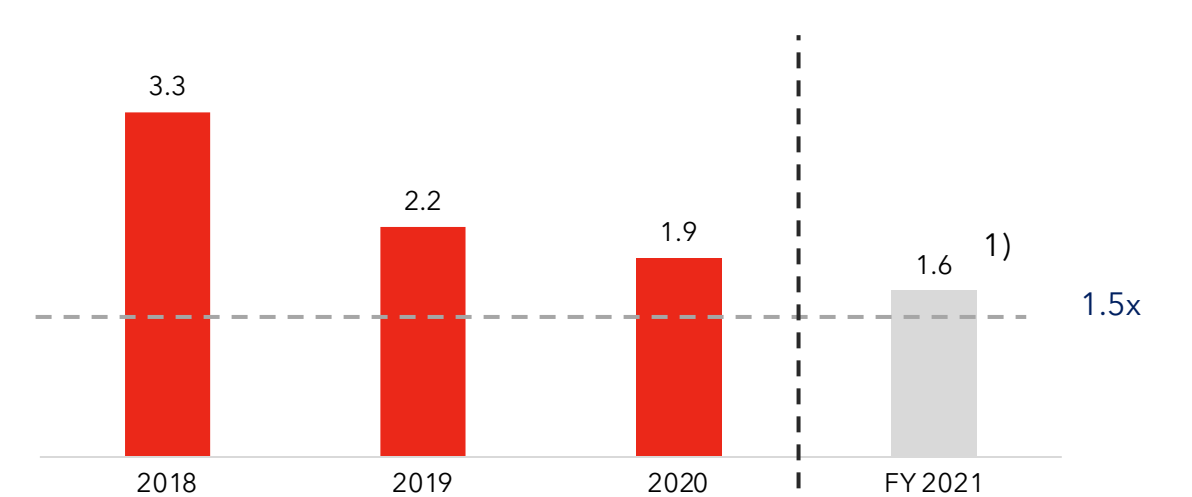
Cost to income ratio



Leverage ratio



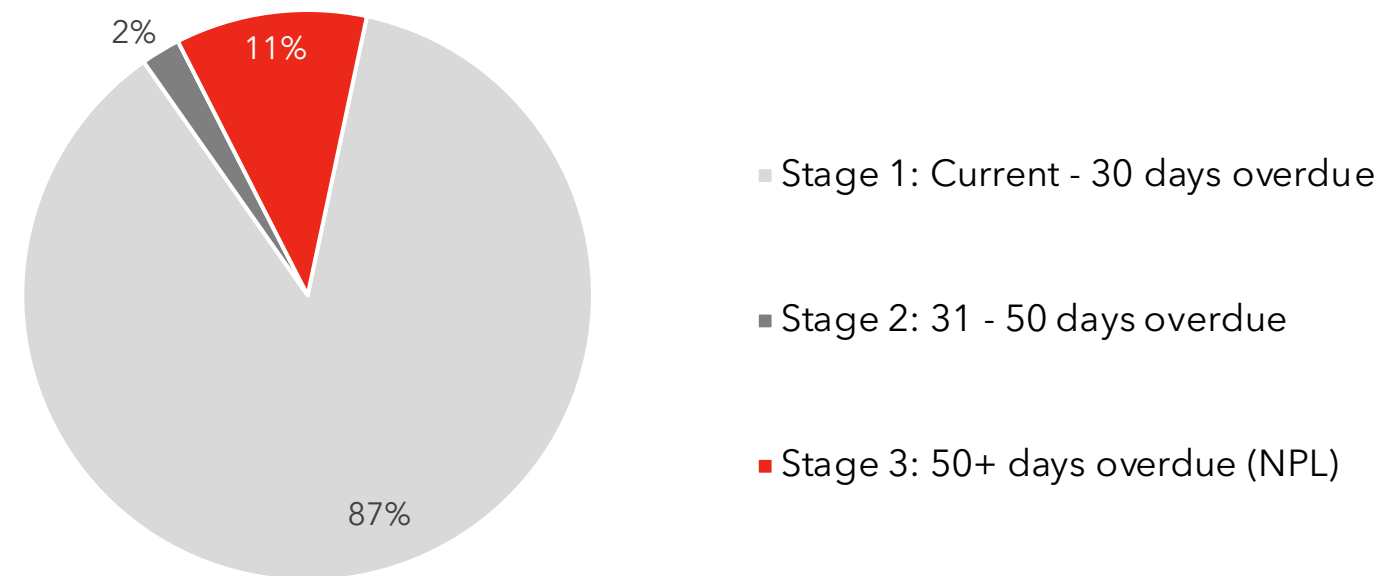
Interest coverage ratio



1) Adjusted for FX gains/losses
2) Adjusted for one-time Kosovo expenses

Loan Asset Quality Analysis

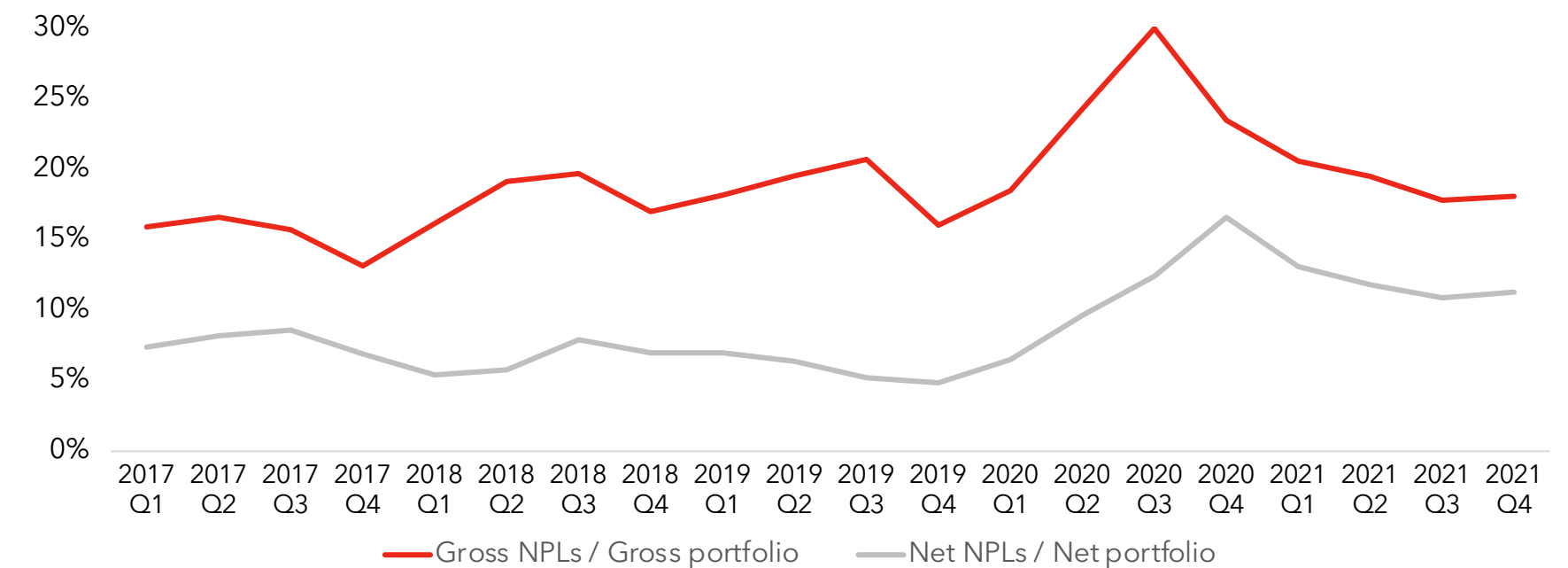
Net loan portfolio quality analysis (YE21)



- luteCredit applies a 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

1) Cost of risk=impairment charge/gross loan portfolio

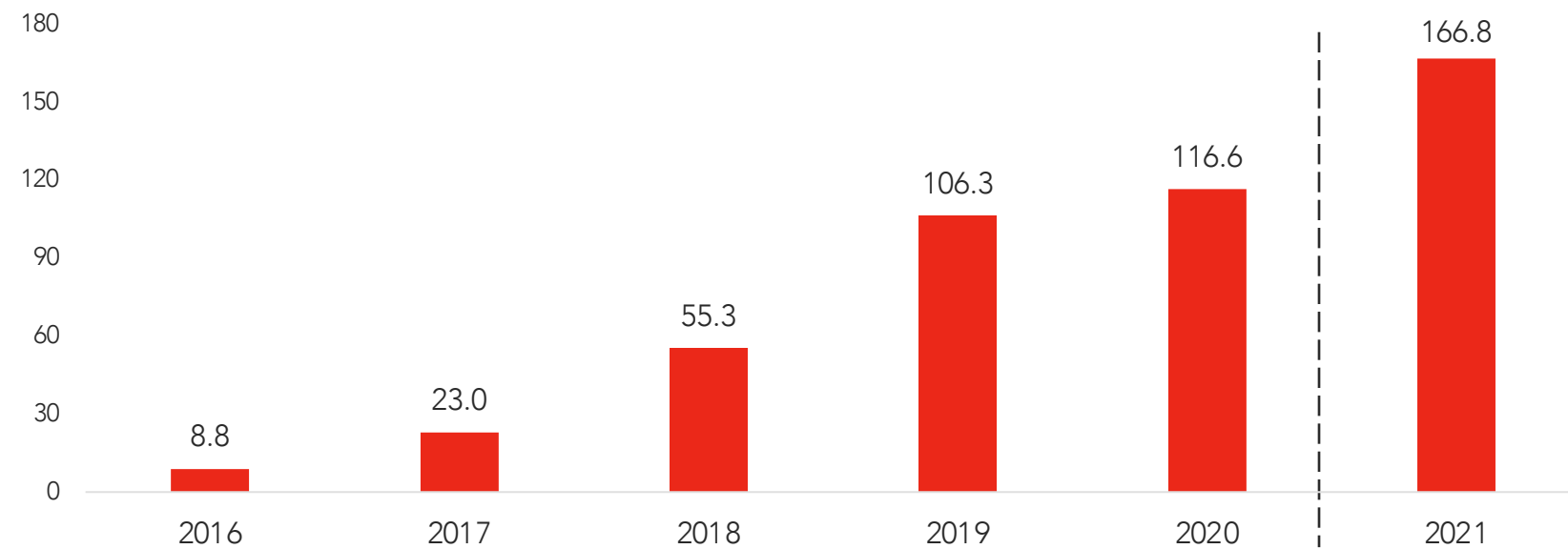
Gross and net NPL (50+ DPD) portfolio



- luteCredit's Gross and Net NPL ratios have been stable during 2016 and 2020, yet was negatively impact by COVID during Q2 and Q3 2020
- Both Gross and NPL ratios declined and recovered towards pre-COVID level
- At YE21, luteCredit's gross NPL stood at 18.1%, net NPL at 11.3%
- The Company's provision coverage ratio resulted in 69.0% at YE21, down from 71.1% at YE20

Assets & Liabilities

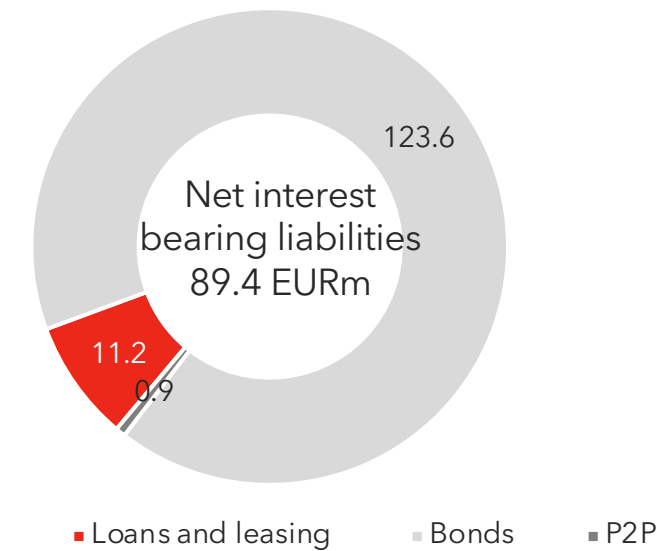
Assets (EURm)



	2017	2018	2019	2020	2021
Capitalization ratio	23.0%	26.4%	23.4%	27.1%	24.3%

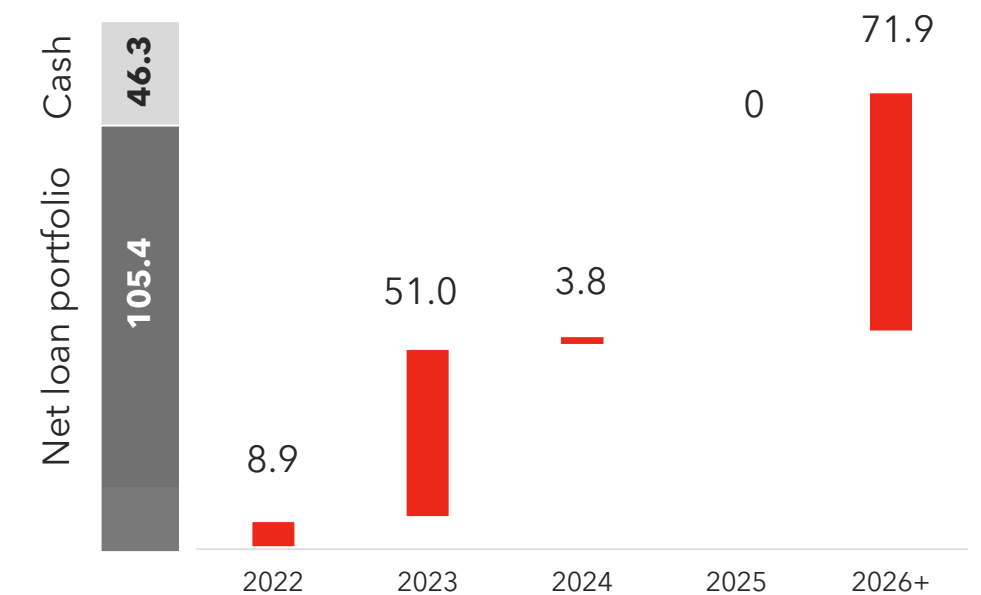
- 91% of total assets consist of net loan portfolio as well as cash and liquid assets at YE21
- Clearly-structured balance sheet
- Healthy capitalization

Liabilities (EURm)



- Total liabilities stood at 141.2 EURm at YE21 (YE20: 95.1 EURm).
- Loans and borrowings at 135.7 EURm (YE20: 91.4 EURm), accounting for 96.1% of all liabilities (2020: 96.1%)
- Bonds accounting for majority of borrowings (91%), followed by loans and leasing (8%)

Liability maturities (EURm)



Note: Net interest-bearing liabilities: Total interest-bearing liabilities minus cash and liquid assets

Strategic Roadmap 2023

Roll-out and continuous improvement of technology

- Loan Engine
- Task Management
- Customer Management
- Data Analytics and Reporting
- **Core Banking System**

Roll-out and continuous extension of services

- **Mobile App**
- Online Identity Verification and Digital Signature
- **Digital Wallet**
- ATM network

Expansion into banking and countries

- Entry into new countries 2022-2023 with IuteCredit total access to more than 50 million people
- **Acquisitions** or set-ups from scratch

Skills

Services

Growth



1 million performing customers



1 EUR billion balance sheet



20% Profit margin

Environmental, Social & Governance



Environmental

- Mylute app saves customers from unnecessary travel to the branch or agent, with ecological footprint of about **120,000 less travels per quarter**, translating to **at least 480,000 less travel kilometres per month**
- Avoid usage of paper and promotion of online and non-paper interaction channels with the customers, **~125,000 pages of paper are saved per month**, equals to 15 big trees
- Digital revolution on the Balkan markets by piloting cardless ATMs, thereby diminishing the need for plastic cards and **reducing possible plastic waste**
- All offices have **paper collection boxes** for the purpose of recycling; bathrooms have air hand-dryers
- Usage of LED lamps as illumination and reduction of plastic waste
- **Eco-friendly packaging** for business lunch deliveries



Social

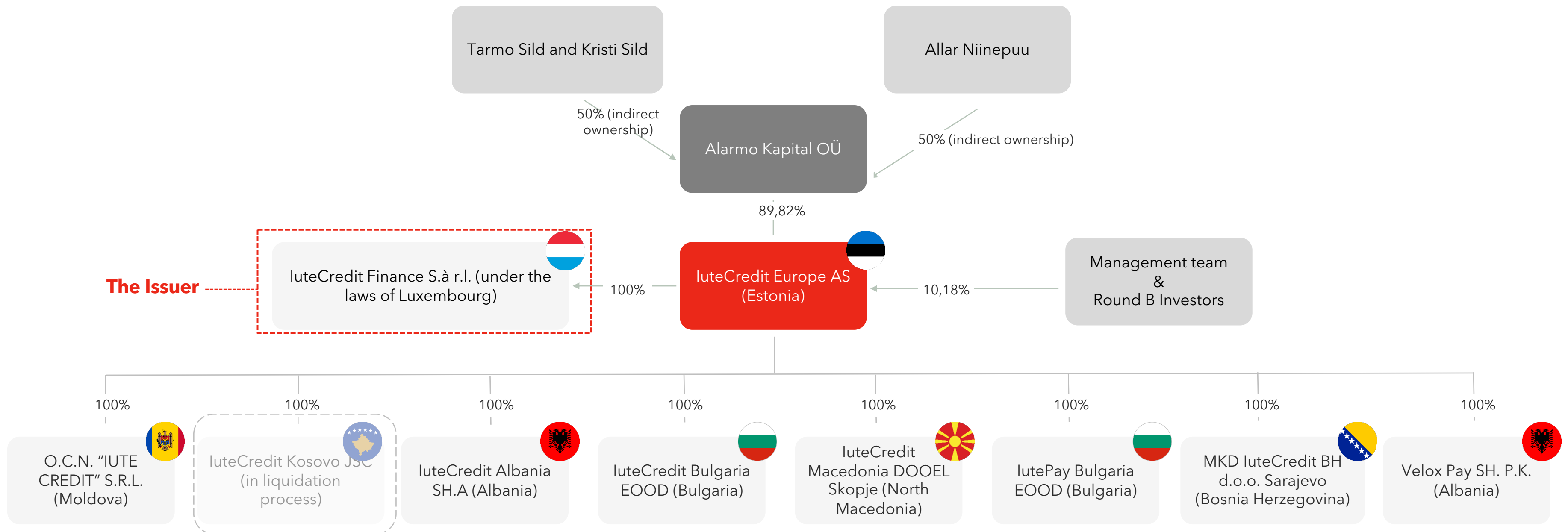
- **Responsible lending** with full transparency, clear pricing and no hidden costs
- Offer clients in **underbanked markets** financing for their daily basic needs as well as for improvement of their lifestyle
- **Support several education campaigns** to increase the financial literacy; donated hospitals and sponsored sport clubs
- 100,000 lei (ca 5000 EUR) was **donated to the Republican Clinical Hospital "Timofei Moşneaga"** in Moldova
- #Granny_Stay_Home campaign launched to **bring food home to the elderly** in Moldova
- **Medical equipment donated** to Tirana Hospital and **food packages distributed** to families and pensioners in need in Albania
- **Over 100 medical suits and high-quality protection masks donated** to the public clinics in Macedonia



Governance

- **Non-discrimination policy** and inclusion policy fully implemented on all Group companies
- Well balanced **gender diversity** among the group
- Offer its employees work and self-improvement opportunities as further education, team trainings and attractive bonuses
- **Health and safety** of employees as priority
- luteCredit is the first company from Estonia listed in the General Standard of the Frankfurt Stock Exchange

Group Legal Structure



Income Statement



in EURm	2018	2019	2020	FY 2021
Interest and commission fee income	22.6 (69.8%)	47.0 (92.5%)	44.5 (79.4%)	48.3 (78.9%)
Loan administration fees and penalties	9.4 (29.1%)	3.5 (6.9%)	8.4 (15.0%)	8.2 (13.4%)
Other income	0.3 (1.1%)	0.3 (0.5%)	3.1 (5.6%)	4.7 (7.6%)
Total Income	33.4 (100.0%)	50.8 (100.0%)	56.0 (100%)	61.2 (100%)
Interest expense	(3.9) (11.9%)	(9.0) (17.7%)	(11.0) (19.6%)	(14.4) (23.5%)
Allowances for loan impairment	(10.4) (32.0%)	(11.0) (21.5%)	(18.8) (33.5%)	(16.3) (26.7%)
Net operating income	18.2 (56.1%)	30.9 (60.8%)	26.3 (46.9%)	30.5 (49.8%)
Salaries and other personnel expenses	(3.9) (12.0%)	(6.3) (12.4%)	(8.1) (14.4%)	(8.9) (14.6%)
Other operating expenses	(5.2) (16.1%)	(14.2) (28.0%)	(8.3) (14.8%)	(13.1) (21.4%)
Depreciation/amortization charge	(0.2) (0.7%)	(1.2) (2.4%)	(1.7) (3.1%)	(2.6) (4.3%)
Financial assets measured at fair value gains/losses	-	1.0 (1.9%)	-	0.8 (1.4%)
Foreign exchange gains/losses	0.7 (2.0%)	0.4 (0.7%)	(2.0) (3.5%)	1.2 (3.3%)
Profit or loss before taxes	9.5 (29.3%)	10.5 (20.6%)	6.2 (11.0%)	7.9 (12.9%)
Income tax	(2.2) (6.9%)	(2.1) (4.1%)	(0.9) (1.7%)	(1.8) (3.0%)
Net profit for the year/period	7.3 (22.4%)	8.4 (16.5%)	5.2 (9.4%)	6.1 (9.9%)
Other comprehensive income	0.5 (1.6%)	(0.3) (0.6%)	(1.8) (3.1%)	1.2 (1.9%)
Total comprehensive income for the year/period	7.8 (24.0%)	8.1 (15.9%)	3.5 (6.2%)	7.2 (11.8%)

Balance Sheet



in EURm	2018	2019	2020	FY 2021
Assets				
Cash and bank accounts	2.6	6.7	19.5	46.2
Loans to customers	48.1	79.0	79.2	105.4
Prepayments	0.3	0.9	1.3	0.6
Other assets	1.7	2.5	2.7	3.1
Other financial investments	1.5	9.9	7.2	2.8
Property, plant and equipment	0.5	1.0	1.0	1.1
Right-of-use assets	-	2.9	2.1	1.6
Intangible assets	0.7	3.3	3.7	5.9
Total assets	55.3	106.3	116.6	166.8
Liabilities and equity				
Liabilities				
Loans and borrowings	39.2	84.1	91.4	135.7
Other liabilities	3.4	3.7	3.7	5.5
Total liabilities	42.6	87.7	95.1	141.2
Equity				
Share capital	10.0	10.0	10.0	10.0
Legal reserve	0.0	0.4	0.5	0.8
Unrealized foreign exchange differences	0.4	0.1	(1.7)	(0.5)
Retained earnings	2.3	8.0	12.6	15.3
Total equity	12.7	18.5	21.5	23.7
Total equity and liabilities	55.3	106.3	116.6	166.8

Statement of Cash Flow



in EURm	2018	2019	2020	FY 2021	in EURm	2018	2019	2020	FY 2021
Operating activities					Financing activities				
Prepayments to partners for issuance of loans	(6.3)	(11.3)	(11.4)	(25.9)	Loans received from investors	26.1	85.0	51.4	113.2
Received pre- and overpayments from customers	9.3	12.8	36.2	33.4	Repaid loans to investors	(10.8)	(48.5)	(42.3)	(74.3)
Paid trade payables	(5.9)	(10.7)	(12.3)	(18.2)	Change in overdraft	2.0	4.2	(5.2)	-
Received debts from buyers and received other claims	0.0	0.8	0.9	2.4	Principal payments of lease contracts	-	(0.9)	(0.9)	(1.0)
Received from collection companies	7.4	13.0	22.6	27.8	Paid interests	(3.7)	(5.2)	(8.0)	(8.9)
Paid net salaries	(2.3)	(4.5)	(5.3)	(6.7)	Paid dividends	(2.0)	(2.2)	(0.5)	(3.2)
Paid tax liabilities, exc. CIT	(1.5)	(2.9)	(3.0)	(4.9)	Capital increase	3.2	-	-	-
Corporate income tax paid (CIT)	(1.4)	(3.3)	(1.9)	(1.4)	Grants received	-	0.0	-	-
Paid out to customers	(39.3)	(76.2)	(47.4)	(67.6)	Payments for other financing activities	-	-	(0.0)	0.0
Paid out loans to customers related to MC	-	(0.1)	-	-	Receipts from other financing activities	-	-	0.0	0.0
Change in MasterCard (MC) settlement account	-	(1.4)	(8.2)	(17.2)	Net cash flows from financing activities	14.9	32.4	(5.4)	(25.8)
Principal repayments from customers	20.4	40.3	29.4	41.6	Cash and cash equivalents at the beginning of the period	1.8	2.6	6.7	19.5
Loan principal repayments from customers related to MC	-	0.5	4.5	12.6	Change in cash and cash equivalents	0.9	4.0	13.2	26.7
Interest, commission and other fees	8.8	17.4	15.0	21.1	Net foreign exchange difference	(0.0)	0.0	(0.5)	0.1
Net cash flows from operating activities	(10.7)	(25.6)	18.9	(3.1)	Cash and cash equivalents at the end of the period	2.6	6.7	19.5	46.3
Investing activities									
Purchase of fixed assets	(0.8)	(0.8)	0.5	(1.9)					
Net cash flow from acquisition 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)	(0.0)					
Receipts from other financial investments	0.0	-	6.5	5.9					
Net cash flows from investing activities	(3.3)	(2.7)	(0.3)	3.9					

Thank you for your attention!

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