



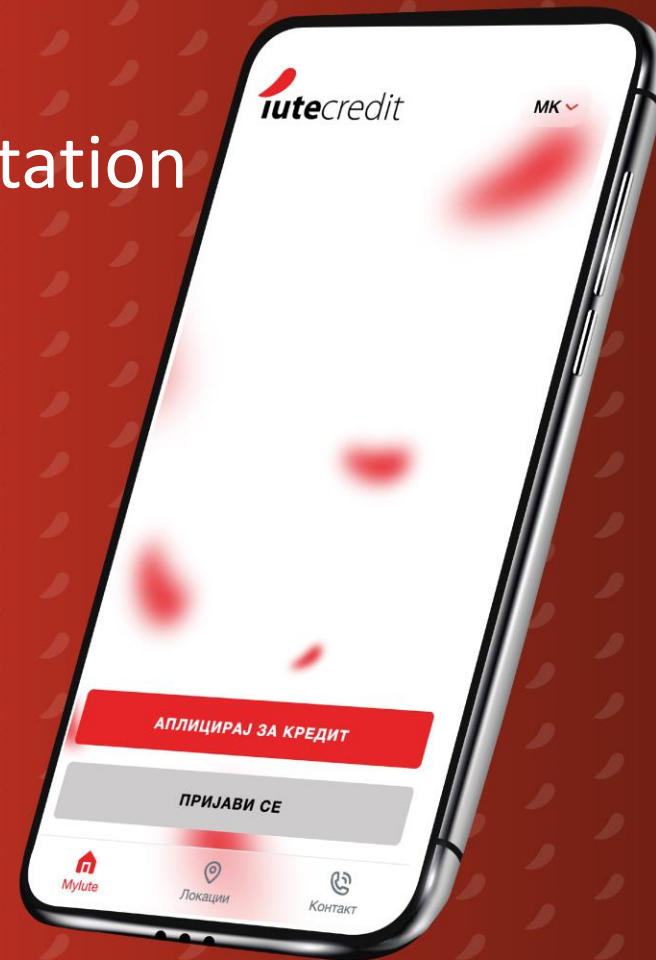
CAMPANIE NAȚIONALĂ  
de educație financiară



**iutecredit**

Earnings Call Presentation

Q1 2021



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# Presenting

Experienced in Banking and Finance with strong self-made entrepreneurial track record



**Tarmo Sild**  
Chief Executive Officer

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




**Kristel Kurvits**  
Chief Financial Officer

- Kristel has been with luteCredit since 2017
- Kristel holds a Master's degree in Financial Management from Estonian Business School
- Since 2000 and onwards she served as Chief Financial Officer for MTÜ Estonian Banking Association
- Prior to her recent engagements, Kristel was responsible amongst others for accounting of Ektornet Land Estonia OÜ (part of Swedbank Group) and financial reporting of the group companies
- Kristel started her professional career at Hansa Leasing Inkasso OÜ (part of Hansapanga Group)

# IuteCredit Group Highlights

Drive for growth is stronger than third-wave headwinds


Number of customers\*

 **695,000+**  
+115,000 (Q1/20)


Net loan portfolio

 **€ 80.8m**  
+ 2.0% (FY/20)


Total income

 **€ 13.9m**  
- 11% (Q1/20)


EBITDA

 **4.9m**  
- 10% (Q1/20)

Customer Performance  
Index (CPI 30)

 **87.9%**  
84.7% (Q1/20)

NPLs in net portfolio

 **13.1%**  
16.6% (FY/20)

- Loan payouts increased y-o-y despite missing internal growth targets, the third pandemic wave limited loan demand in January and February
- Shifting towards longer loan maturities with growing share of repeating customers drove CPI above pre-pandemic level
- Continued investment into digitalization paving the way for upcoming breakthrough of online shopping in Iute's operating countries
  - Evolution of MyIute App in Albania enables online signing of the loan agreements
  - Successful implementation of ATMs in Moldova; More than 25% of the loans issued via Iute's own ATM network
- Growth in net loan portfolio and total balance sheet, ruling over third pandemic wave

\* Excluding number of customers in Kosovo



# Operational Footprint

## Geographical diversification

### Bosnia and Herzegovina

- Launch: May 2019
- Loans issued Q1 2021: EUR 1.5m
- Net loan portfolio Q1 2021: EUR 3.1m
- Total income Q1 2021: EUR 0.4m
- EBITDA Q1 2021: EUR -0.5m
- Impairments Q1 2021: EUR 0.4m



### Moldova

- Launch: August 2008
- Loans issued Q1 2021: EUR 12.3m
- Net loan portfolio Q1 2021: EUR 34.2m
- Total income Q1 2021: EUR 4.9m
- EBITDA Q1 2021: EUR 1.0m
- Impairments Q1 2021: EUR 2.2m



### Albania

- Launch: April 2015
- Loans issued Q1 2021: EUR 12.4m
- Net loan portfolio Q1 2021: EUR 30.8m
- Total income Q1 2021 : EUR 4.1m
- EBITDA Q1 2021: EUR 2.1m
- Impairments Q1 2021: EUR 0.9m



### North Macedonia

- Launch: September 2017
- Loans issued Q1 2021: EUR 6.5m
- Net loan portfolio Q1 2021: EUR 12.7m
- Total income Q1 2021: EUR 1.3m
- EBITDA Q1 2021: EUR 0.7m
- Impairments Q1 2021 : EUR 0.6m

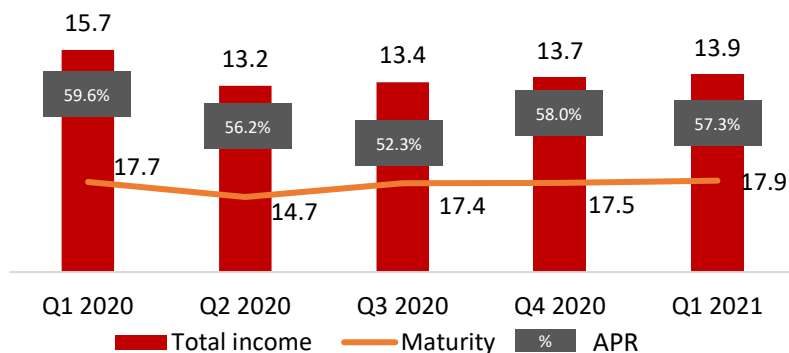


# Operating Highlights

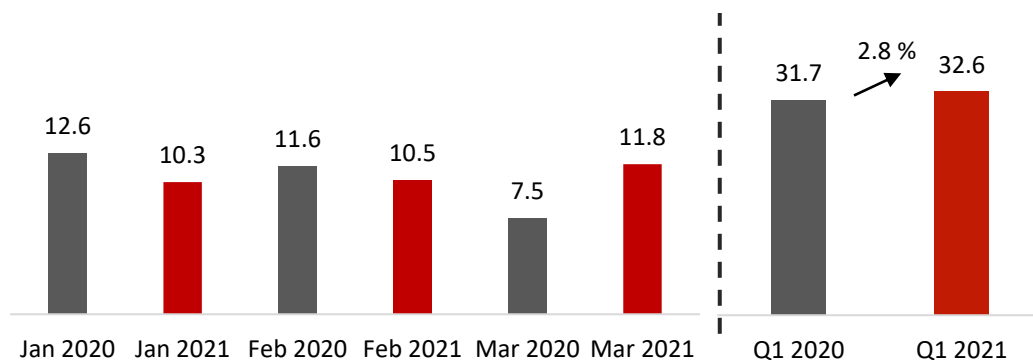
Shift towards longer maturing portfolio

## Generating longer-term income

EURm



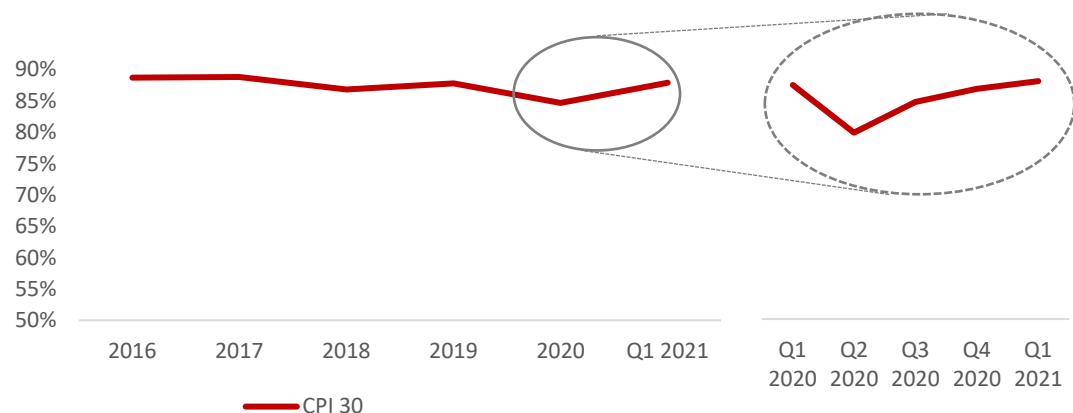
## Growth of issued loan (y-o-y vs q-o-q)



- Loan pricing (APRs) continues to decrease along with the growth of repeating customers share, thus improving loan portfolio risk profile
- Total income down by 11.3% to EUR 13.9m (Q1 2020: EUR 15.7m) affected, by lower APRs, longer loan maturities, regulatory change in Moldova and lower loan base caused by contraction of portfolio during first wave of pandemic
- Discontinued interest accruals on loan termination date set by Moldovan legislation; decrease of total income by EUR 0.8m in Q1 2021
- Still relatively high cash position of EUR 15.5m in Q1 2021 mostly due to the below expected loan issuances, excellent customer repayment behavior and examination for a strategic acquisition
- Operations in Bulgaria are well on track as the first cash loan have been issued; full launch expected in Q2 2021

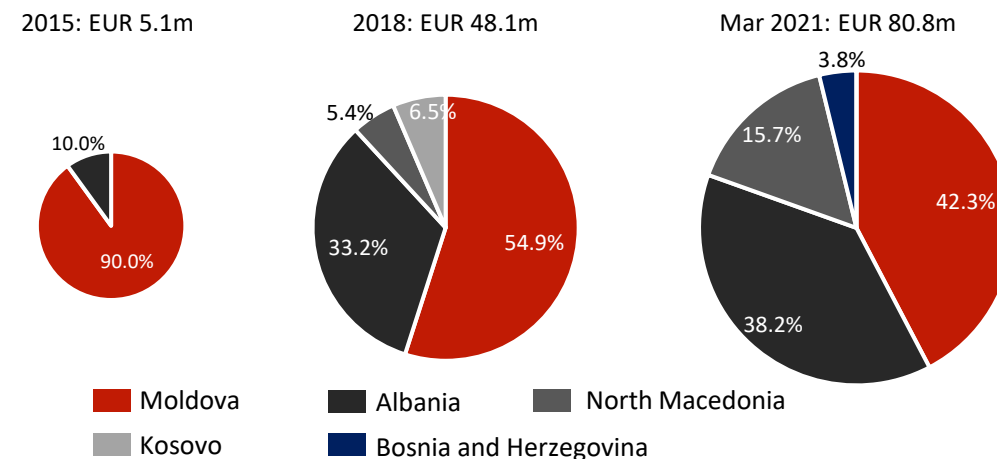
# Loan Repayment Behaviour & Net Loan Portfolio

## Evolution of Customer Performance Index (CPI 30)



- CPI 30 as indicator of customers' actual duly repayments against the expected payments, was moderately affected by COVID-19 public lockdowns since Mid-March 2020
- CPI 30 has improved steadily in Q3 2020 to 84.6%, in Q4 2020 to 86.7% and in Q1 2021 to 87.9% (H1 2020: 82.9%)
- Customer repayment behavior remained at very high level and has further grown during the second and the third wave of the pandemic
- CPI 30 has fully recovered and is above pre-pandemic levels

## Net loan portfolio diversification



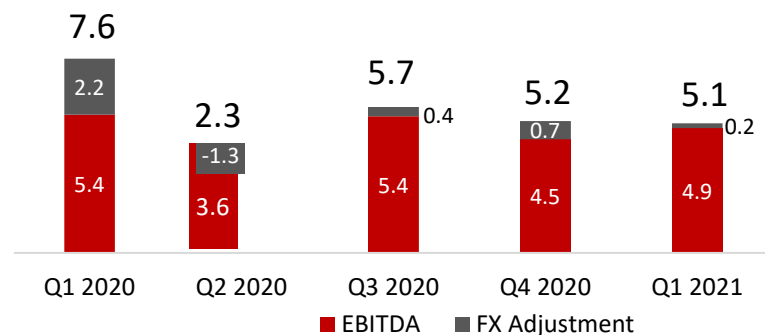
- Diversifying risk with more balanced geographical distribution
- After the launch in 2017, the North Macedonian market continues to mature and grow its share in total net loan portfolio
- During 2020, planned contraction of net loan portfolio in Q2 was offset by portfolio growth in Q3 and Q4 thus reaching EUR 79.2m
- Net loan portfolio grew 2% to EUR 80.8m during Q1 2021 achieving the growth during January and March

# Financial Highlights

Impact of the third wave and investments into digitalization

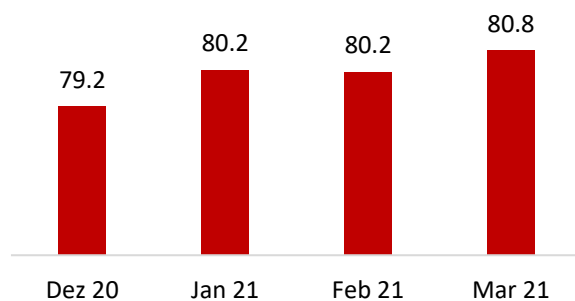
## Adjusted EBITDA

EURm



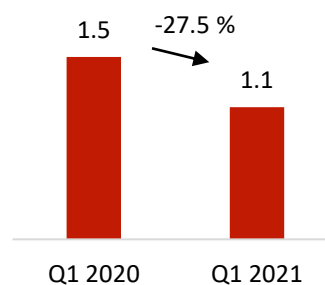
## Net loan portfolio back to growth

EURm



## Net income

EURm

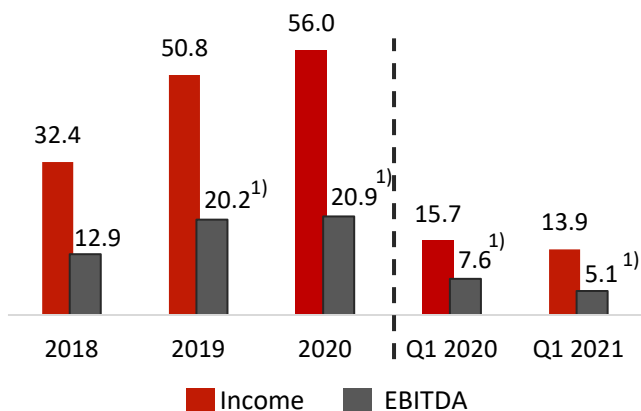


- EBITDA decreased by 9.7% to EUR 4.9m (Q1 2020: EUR 5.4m) mostly due to lower interest income caused by lower APR's and as well as continued investments into digitalization
- Net loan portfolio up 2.0% to EUR 80.8m (2020: EUR 79.2m) mostly due to limited loan demand for shop loans caused by the lockdown in January and February
- Stable capitalization ratios of 27.2% (Q1 2020: 27.1%) and interest coverage ratio of 1.6 times well above Eurobond covenant level
- Forex exchange movements resulted in a loss of EUR 0.2m in Q1 2021 (Q1 2020: EUR 2.2m)
- Satisfying level of profitability achieved with net profit of EUR 1.1m (Q1 2020: EUR 1.5m) despite lower APR's, higher interest-bearing liabilities and investments into digitalization

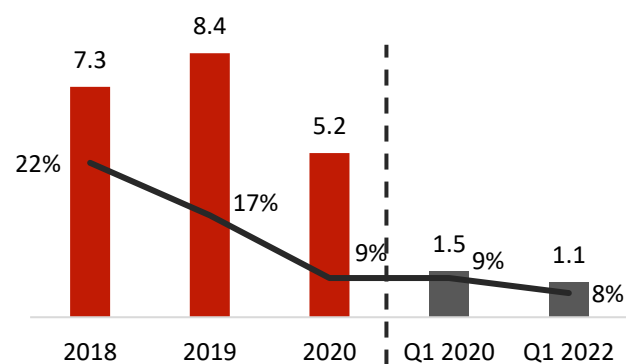


# Financial Ratios

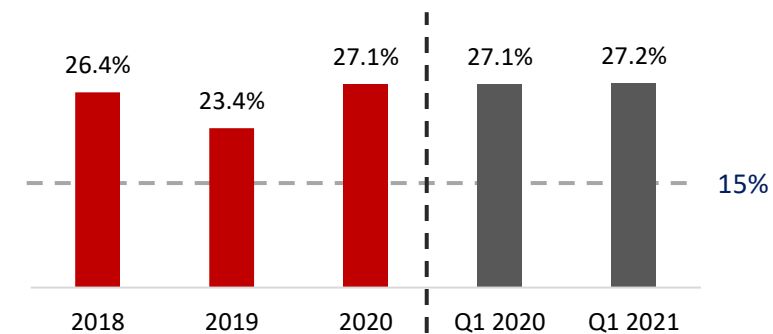
## Income & EBITDA in EURm



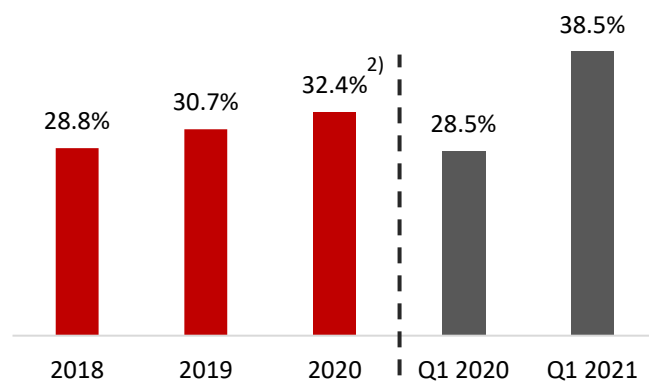
## Net profit in EURm & Net profit margin



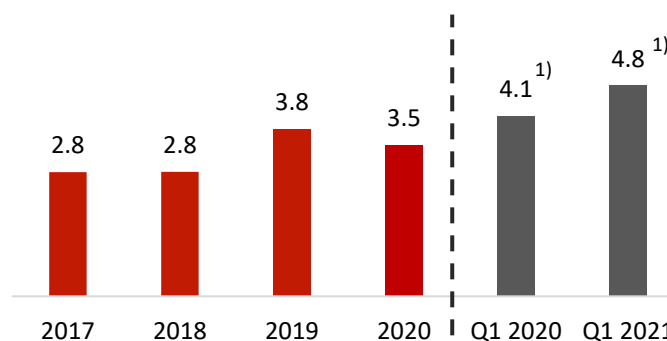
## Capitalization ratio



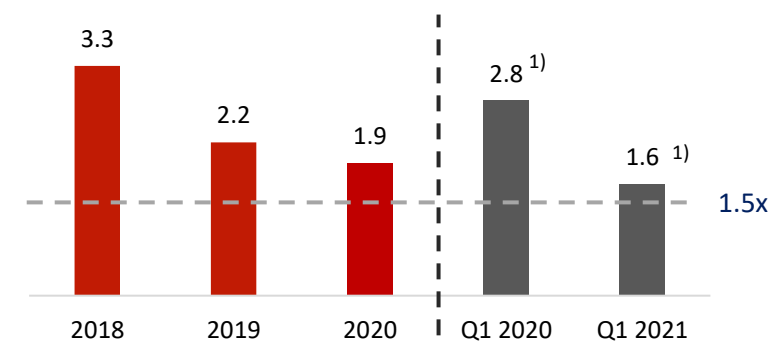
## Cost to income ratio



## Leverage ratio



## Interest coverage ratio

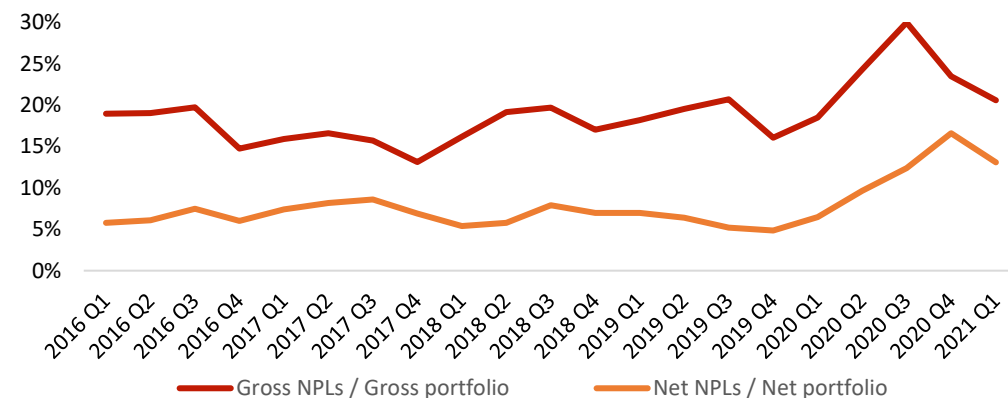


1) Adjusted for FX gains/losses

2) Adjusted for one-time Kosovo expenses

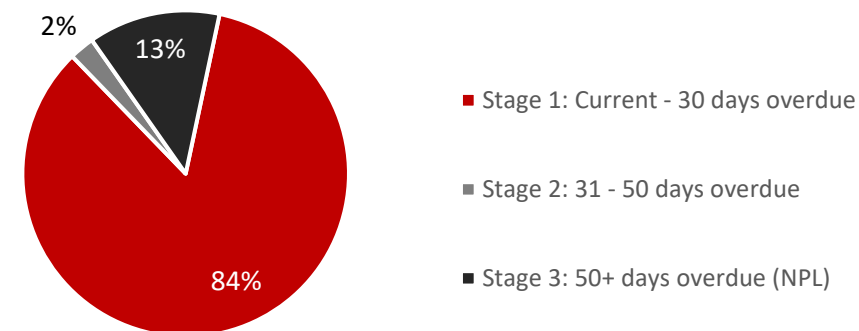
# Non-performing loans

## Gross and net NPL (50+ DPD) portfolio



- Rise in both Gross and Net NPLs during Q2 and Q3 2020 caused to the adverse impact of COVID-19 yet consistent prudent underwriting standard
- Decline of Gross and Net NPLs in Q1 2021 caused by writing off EUR 2.0m of sold loans in Albania plus monthly write-offs, as well as the increase of portfolio quality as more loans have been issued to better quality customers
- Provision coverage (Total provisions/Gross NPL) ratio of 70.5% reflecting improved portfolio quality as well as conservative NPL definition

## Net loan portfolio quality analysis, Q1 2021

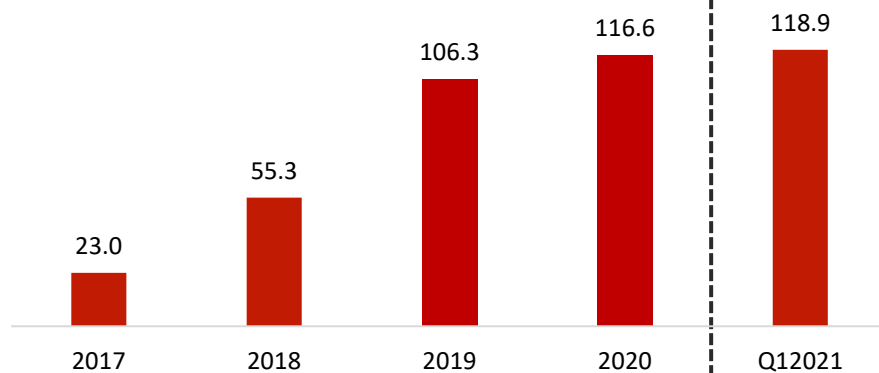


- Conservative internal NPL definition: Loans 50+ DPD recognized as non-performing loans (NPLs); in 2016 and 2017 NPLs have been defined as 70+ DPD, in 2015 and earlier as 90+ DPD
- luteCredit has always followed the ECL methodology prescribed by IFRS 9
- luteCredit creates and accounts for provisions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

# Assets & Liabilities

## Assets in EURm

as of 31.03.2021

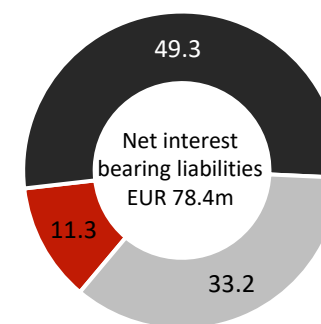


	2017	2018	2019	2020	Q1 2021
<b>Capitalization ratio</b>	23.0%	26.4%	23.4%	27.1%	27.2%

- 81% of total assets consist of net loan portfolio as well as cash and liquid assets
- Simple and clearly-structured balance sheet
- Stable and healthy capitalization

## Liabilities in EURm

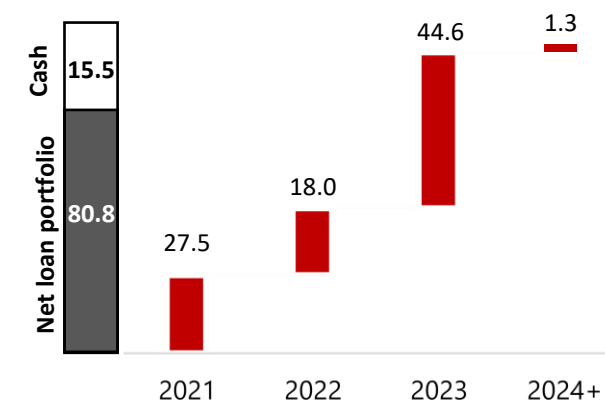
as of 31.03.2021



■ Loans and leasing ■ Bonds ■ P2P

## Liability maturities in EURm

as of 31.03.2021



- Total liabilities increased by EUR 1.7m to EUR 96.9m (2020: EUR 95.1m)
- As of 31.03.2021, loans and borrowings amounted to EUR 93.8m (2020: EUR 91.4m), accounting for 96.9% of all liabilities (2020: 96.1%)
- Due to the high cash position of EUR 15.5m, net interest-bearing debt amounted to EUR 78.4m as of 31.03.2021

# Summary & Outlook

Q1 bellow the expectations – however optimistically looking forward under the “new normal”

## Summary

- Although internal growth targets have been missed luteCredit has succeeded in achieving growth despite third wave hitting full force
- Continued decrease of APRs as shifting toward longer loan maturities provides long term income stream and better portfolio quality
- Cash remains to be king for luteCredit, focus stays on improving customer, merchant and banking experience through do-it-yourself solutions through smartphones
- Despite less reliable predictions of consumer market demand, luteCredit continues to provide steady loans supplies in case of potential new virus waves

## Outlook

- luteCredit intends to integrate into the consumption and transaction streams, acting as an instant credit provider, payment service provider and possibly a bank
- Profitable ATM-roll-out continuing – start in Albania and Macedonia as of Q2. Growth of the business in Bulgaria
- On the balance sheet side, luteCredit expects total assets to increase to EUR 170m by the end of 2021. Additionally, total income is expected to exceed EUR 55m whereas net profit should be at least EUR 6m

# Appendix

# Corporate Social Responsibility

## luteCredit - Responsible and socially inclusive lender

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

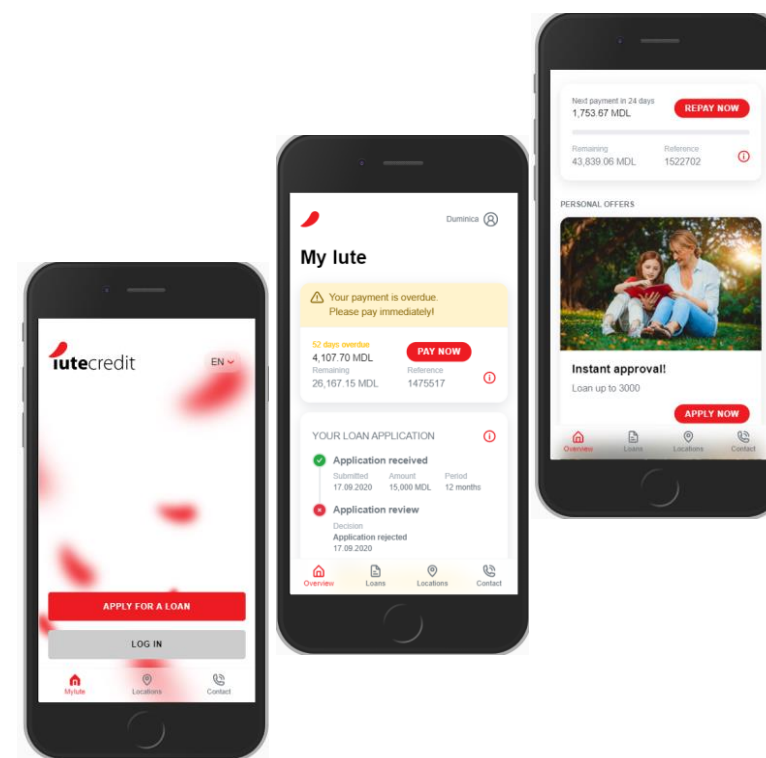
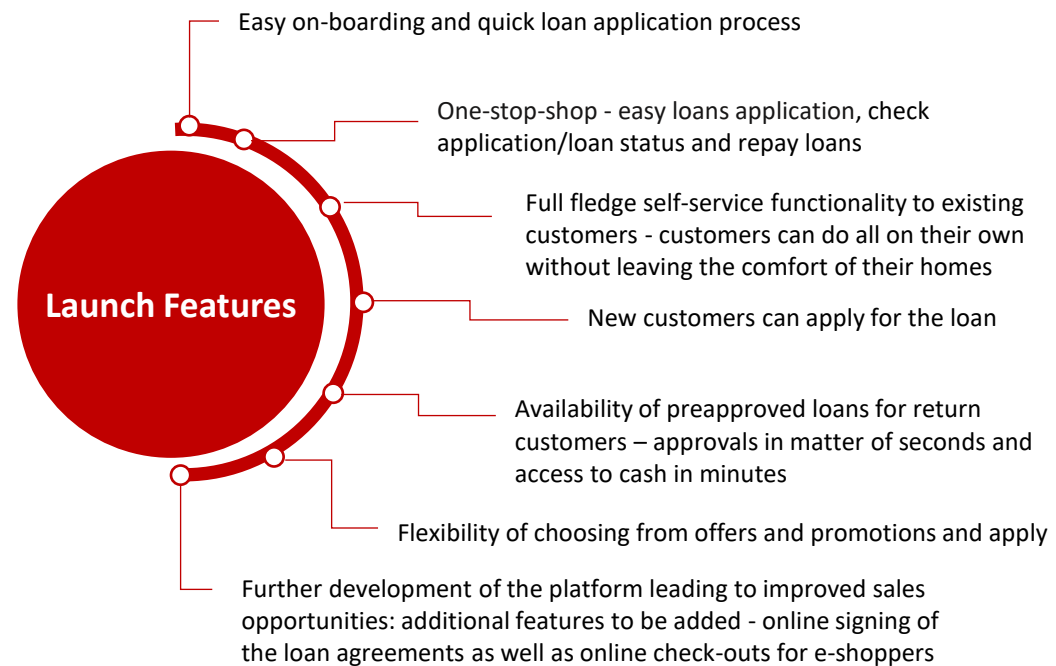
- Increasing number of repeating customers as a proof of luteCredit's satisfied customer's experience
- Continuous investment into technology enabling improvement of customer experience and credit underwriting
- By financing local events, environment and education, luteCredit has positioned itself as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



# Mylute App

Digitalization: Improving sales and service capabilities

Launched in Moldova and Albania



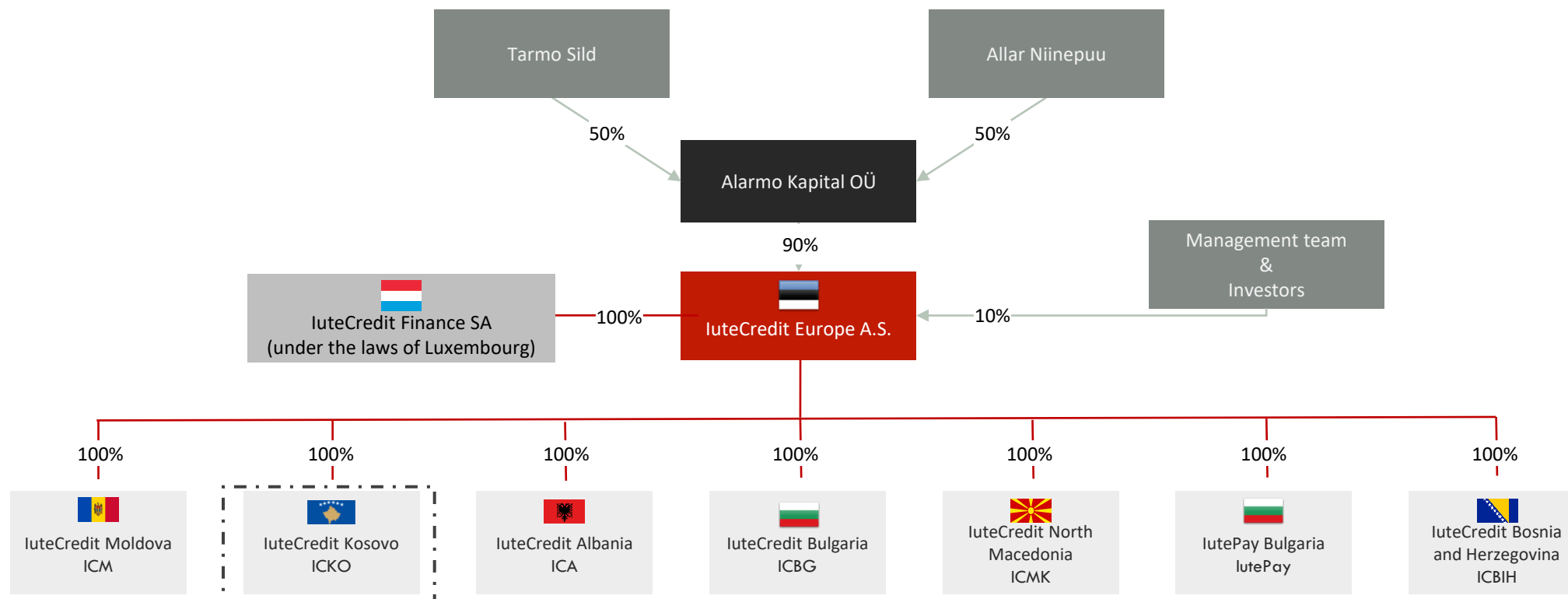
# Cardless ATM Machines

investment into infrastructure to expand payout capabilities



- luteCredit is establishing its own ATM network by acquiring secondhand ATM's from the banks
- The service is available in Moldova since the end of October 2020 – roll out to Albania and North Macedonia will follow in Q2 2021
- By investing into cash-infrastructure, luteCredit is expanding its payout capabilities, and can offer better and quicker service to its customers
- Convenience; customers can withdraw money without going to the post office
- Withdrawal possible by using one-time password - no need of credit or debit cards

# Legal structure



Note: Kosovo is currently not part of the consolidation

# Income Statement

in EURm	2018	2019	2020	Q1 2020	Q1 2021
Interest and commission fee income	22.6 (69.8%)	47.0 (92.5%)	44.5 (79.4%)	12.9 (82,4%)	10.7 (76,8%)
Loan administration fees and penalties	9.4 (29.1%)	3.5 (6.9%)	8.4 (15.0%)	2.2 (13,8%)	2.4 (17,1%)
Other income	0.3 (1.1%)	0.3 (0.5%)	3.1 (5.6%)	0.6 (3.8%)	0.9 (6,1%)
<b>Total Income</b>	<b>33.4</b> (100.0%)	<b>50.8</b> (100.0%)	<b>56.0</b> (100%)	<b>15.7</b> (100%)	<b>14.0</b> (100%)
Interest expense	(3.9) (11.9%)	(9.0) (17.7%)	(11.0) (19.6%)	(2.8) (17.6%)	(3.2) (23,0%)
Allowances for loan impairment	(10.4) (32.0%)	(11.0) (21.5%)	(18.8) (33.5%)	(4.0) (25.4%)	(4.1) (29,3%)
<b>Net operating income</b>	<b>18.2</b> (56.1%)	<b>30.9</b> (60.8%)	<b>26.3</b> (46.9%)	<b>8.9</b> (57.0%)	<b>6.7</b> (47,7%)
Salaries and other personnel expenses	(3.9) (12.0%)	(6.3) (12.4%)	(8.1) (14.4%)	(2.2) (13.9%)	(2.3) (16,7%)
Other operating expenses	(5.2) (16.1%)	(14.2) (28.0%)	(8.3) (14.8%)	(1.9) (12.0%)	(2.4) (17,4%)
Depreciation/amortization charge	(0.2) (0.7%)	(1.2) (2.4%)	(1.7) (3.1%)	(0.4) (2.6%)	(0.6) (4,4%)
Financial assets measured at fair value	-	1,0 (1.9%)	-	-	-
Foreign exchange gains/losses	0.7 (2.0%)	0.4 (0.7%)	(2.0) (3.5%)	(2.2) (14.0%)	(0.2) (1,3%)
<b>Profit or loss before taxes</b>	<b>9.5</b> (29.3%)	<b>10.5</b> (20.6%)	<b>6.2</b> (11.0%)	<b>2.3</b> (14.4%)	<b>1.1</b> (7,9%)
Income tax	(2.2) (6.9%)	(2.1) (4.1%)	(0.9) (1.7%)	(0.8) (5.0%)	(0.0) (0,2%)
<b>Net profit for the year/period</b>	<b>7.3</b> (22.4%)	<b>8.4</b> (16.5%)	<b>5.2</b> (9.4%)	<b>1.5</b> (9.4%)	<b>1.1</b> (7,7%)
Other comprehensive income	0.5 (1.6%)	(0.3) (0.6%)	(1.8) (3.1%)	1.0 (6.4%)	(0.0) (0,4%)
<b>Total comprehensive income for the year/period</b>	<b>7.8</b> (24.0%)	<b>8.1</b> (15.9%)	<b>3.5</b> (6.2%)	<b>2.5</b> (15.8%)	<b>1.0</b> (7,3%)

# Balance Sheet

in EURm	2018	2019	2020	Q1 2021
<i>Assets</i>				
Cash and bank accounts	2.6	6.7	19.5	15.5
Loans to customers	48.1	79.0	79.2	80.8
Prepayments	0.3	0.9	1.3	2.1
Other assets	1.7	2.5	2.7	3.1
Other financial investments	1.5	9.9	7.2	9.5
Property, plant and equipment	0.5	1.0	1.0	1.0
Right-of-use assets	-	2.9	2.1	2.2
Intangible assets	0.7	3.3	3.7	4.8
<b>Total assets</b>	<b>55.3</b>	<b>106.3</b>	<b>116.6</b>	<b>118.9</b>
<i>Liabilities and equity</i>				
<i>Liabilities</i>				
Loans and borrowings	39.2	84.1	91.4	93.8
All other liabilities	3.4	3.7	3.7	3.0
<b>Total liabilities</b>	<b>42.6</b>	<b>87.7</b>	<b>95.1</b>	<b>96.8</b>
<i>Equity</i>				
Share capital	10.0	10.0	10.0	10.0
Legal reserve	0.0	0.4	0.5	0.5
Unrealized foreign exchange differences	0.4	0.1	(1.7)	(1.7)
Retained earnings	2.3	8.0	12.6	13.2
<b>Total equity</b>	<b>12.7</b>	<b>18.5</b>	<b>21.5</b>	<b>22.0</b>
<b>Total equity and liabilities</b>	<b>55.3</b>	<b>106.3</b>	<b>116.6</b>	<b>118.9</b>

# Statement of Cash Flow

in EURm	2018	2019	2020	Q1 2020	Q1 2021
<b>Operating activities</b>					
Prepayments to partners for issuance of loans	(6.3)	(11.3)	(11.4)	(3.0)	(4.0)
Received pre- and overpayments from customers	9.3	12.8	36.2	11.8	8.7
Paid trade payables	(5.9)	(10.7)	(12.3)	(2.8)	(4.4)
Received debts from buyers and received other claims	0.0	0.8	0.9	0.1	0.1
Received from collection companies	7.4	13.0	22.6	5.3	5.6
Paid net salaries	(2.3)	(4.5)	(5.3)	(1.9)	(1.6)
Paid tax liabilities, exc. CIT	(1.5)	(2.9)	(3.0)	(0.7)	(1.3)
Corporate income tax paid (CIT)	(1.4)	(3.3)	(1.9)	(0.3)	(0.5)
Paid out to customers	(39.3)	(76.2)	(47.4)	(14.6)	(15.6)
Paid out loans to customers related to MC	-	(0.1)	-	(0.0)	-
Change in MasterCard (MC) settlement account	-	(1.4)	(8.2)	(0.8)	(3.6)
Principal repayments from customers	20.4	40.3	29.4	8.2	7.7
Loan principal repayments from customers related to MC	-	0.5	4.5	0.7	2.4
Interest, commission and other fees	8.8	17.4	15.0	3.6	4.5
<b>Net cash flows from operating activities</b>	<b>(10.7)</b>	<b>(25.6)</b>	<b>18.9</b>	<b>5.6</b>	<b>(2.0)</b>
<b>Investing activities</b>					
Purchase of fixed assets	(0.8)	(0.8)	0.5	(0.1)	(0.1)
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)	(0.2)
Receipts from other financial investments	0.0	-	6.5	-	3.7
<b>Net cash flows from investing activities</b>	<b>(3.3)</b>	<b>(2.7)</b>	<b>(0.3)</b>	<b>(0.1)</b>	<b>3.5</b>

in EURm	2018	2019	2020	Q1 2020	Q1 2021
<b>Financing activities</b>					
Loans received from investors	26.1	85.0	51.4	17.9	9.5
Repaid loans to investors	(10.8)	(48.5)	(42.3)	(11.9)	(10.4)
Change in overdraft	2.0	4.2	(5.2)	(5.2)	-
Principal payments of lease contracts	-	(0.9)	(0.9)	(0.4)	(0.2)
Paid interests	(3.7)	(5.2)	(8.0)	(3.2)	(4.0)
Paid dividends	(2.0)	(2.2)	0.5	(0.5)	(0.5)
Capital increase	3.2	-	-	-	-
Grants received	-	0.0	-	-	-
Payments for other financing activities	-	-	(0.0)	(0.0)	-
Receipts from other financing activities	-	-	0.0	(0.0)	-
<b>Net cash flows from financing activities</b>	<b>14.9</b>	<b>32.4</b>	<b>(5.4)</b>	<b>(3.3)</b>	<b>(5.5)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>1.8</b>	<b>2.6</b>	<b>6.7</b>	<b>6.7</b>	<b>19.5</b>
Change in cash and cash equivalents	0.9	4.0	13.2	2.2	(4.0)
Net foreign exchange difference	(0.0)	0.0	(0.5)	(0.1)	(0.0)
<b>Cash and cash equivalents at the end of the period</b>	<b>2.6</b>	<b>6.7</b>	<b>19.5</b>	<b>8.8</b>	<b>15.5</b>



# Thank you for your attention!

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