

# iutecredit

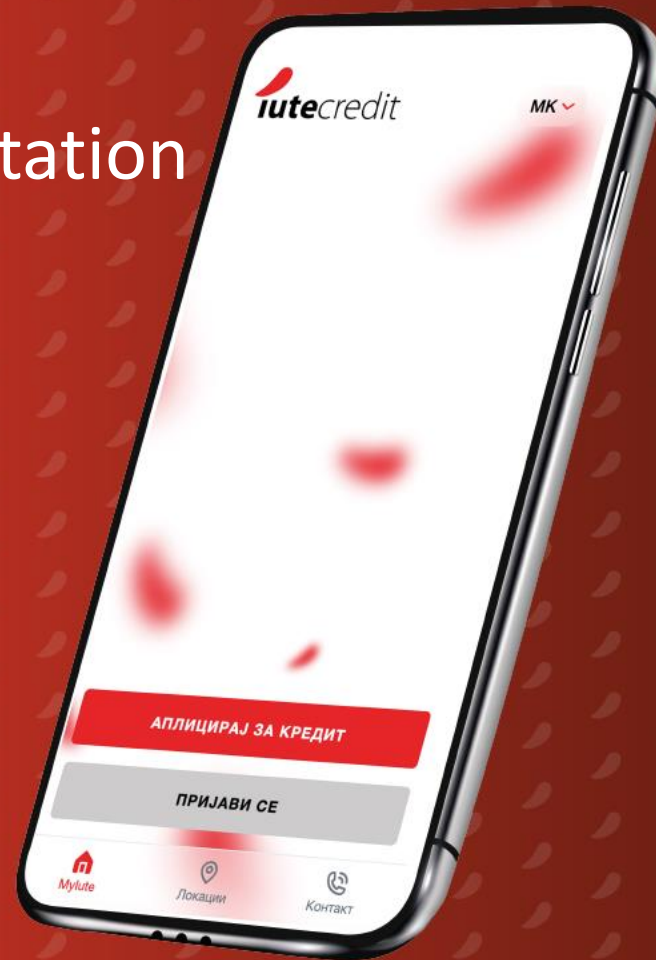


**CAMPANIE NAȚIONALĂ  
de educație financiară**



# iutecredit

## Earnings Call Presentation HY 2021



**Aplicația mobilă**

 **Mylute**

**vicii de finanțare la distanță**



**iute**



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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

Returning to real growth

Number of customers\*

 **728,000+**  
+68,000 (FY/20)


Net loan portfolio

 **€ 88.1m**  
+ 11.3% (FY/20)


Total income

 **€ 29.2m**  
+ 1.1% (HY/20)


EBITDA

 **11.0m**  
+ 21.5% (HY/20)

Customer Performance  
Index (CPI 30)

 **86.9%**  
82.9% (HY/20)

NPLs in net portfolio

 **11.8%**  
16.6% (FY/20)

- In terms of growth, Q2 2021 has been the best quarter by far since the breakout of the pandemic
- Loan payouts increased y-o-y with record high issuances in May and June
- Investments into digitalization breakthroughs improved consequently the profitability, while allowing the Group to increase its business volume along with reduction of the product pricing
- Next successful steps for an extraordinary customer experience in an IuteCredit ecosystem with additional services
- Strong growth in the digitalization of IuteCredit countries towards a fully digital customer journey and the imminent breakthrough of online shopping

\* Excluding number of customers in Kosovo

# Operational Footprint

## Geographical diversification

### Bosnia and Herzegovina

- Launch: May 2019
- Loans issued HY 2021: EUR 2.5m
- Net loan portfolio HY 2021: EUR 2.8m
- Total income HY 2021: EUR 0.9m
- EBITDA HY 2021: EUR -1.1m
- Impairments HY 2021: EUR 0.7m



### Moldova

- Launch: August 2008
- Loans issued HY 2021: EUR 27.5m
- Net loan portfolio HY 2021: EUR 35.8m
- Total income HY 2021: EUR 10.0m
- EBITDA HY 2021: EUR 3.9m
- Impairments HY 2021: EUR 3.4m



### Albania

- Launch: April 2015
- Loans issued HY 2021: EUR 28.8m
- Net loan portfolio HY 2021: EUR 33.9m
- Total income HY 2021 : EUR 9.0m
- EBITDA HY 2021: EUR 4.7m
- Impairments HY 2021: EUR 2.8m



### North Macedonia

- Launch: September 2017
- Loans issued HY 2021: EUR 15.8m
- Net loan portfolio HY 2021: EUR 15.5m
- Total income HY 2021: EUR 3.5m
- EBITDA HY 2021: EUR 1.1m
- Impairments HY 2021 : EUR 1.7m



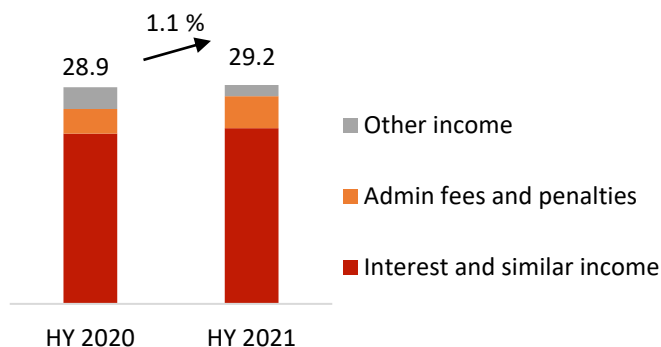


# Operating Highlights

Digitalization directly reflected in strong results

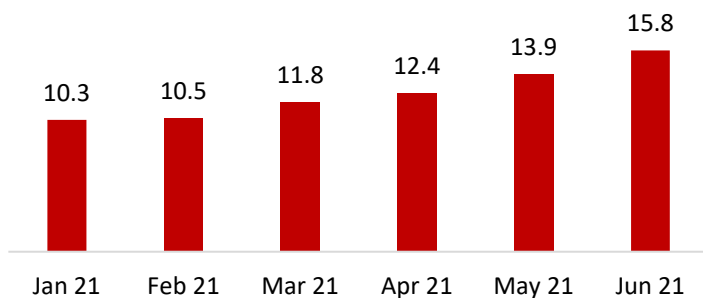
## Record high total income

EURm



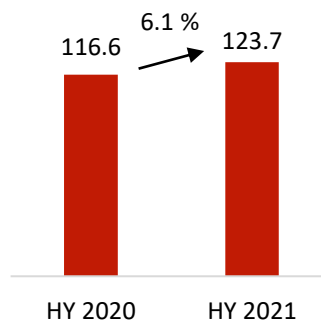
## Steady improvement of loans issued

EURm



## Total assets

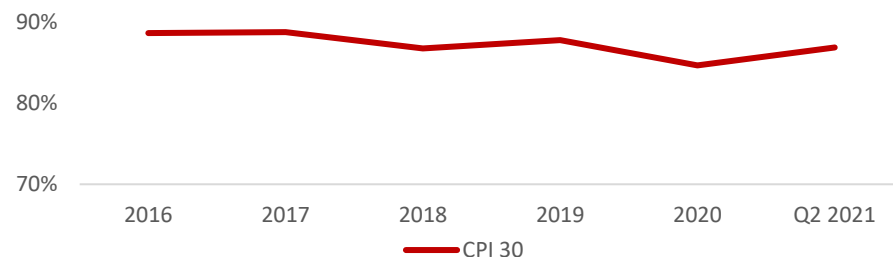
EURm



- Total income grew by 1.1% to EUR 29.2m achieving group's milestone
- Newly issued loans' average APR stands just above 50% while maturity is longer than 20 months (Q1 2021: average loan maturity of 17.9 months)
- Loan payouts increasing y-o-y with record-high months in May and June with Balance sheet up 6.1% to EUR 123.7m
- More than 20% of all loans issued during Q2 2021, was signed through Mylute App, which has been downloaded by more than 50,000 customers since it's launch in Q1 2021
- More than 6% of total revenue earned with Wallet services, such as luteCredit's proprietary ATMs that can be accessed easily and fast with a smartphone
- EUR 3.0m cash inflow from court-appointed liquidator of the business activities in Kosovo

# Loan Repayment Behaviour

## Evolution of Customer Performance Index (CPI 30)

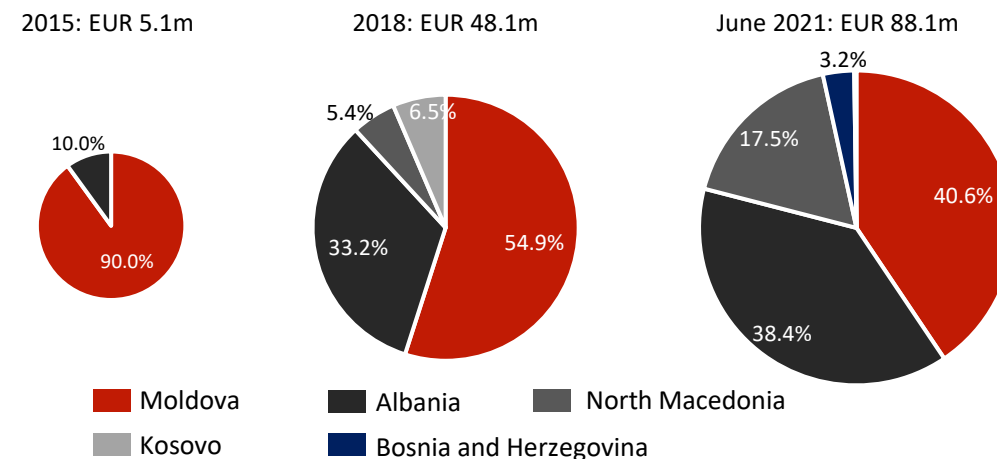


- Customer Performance Index (CPI) is a unique index developed by luteCredit:

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

- CPI measures customers' actual duly repayments against the expected repayments according to the original repayment schedules of loan agreements within a tolerance period for repayment delays (technical delay), which is normally 30 days (CPI 30)
- It is cashflow- and reality-centric indicator that avoids evergreening illusions or illusions that may arise from inadequate provisioning
- Repayment within 30 days of delay (CPI30) is considered normal and a so-called "technical delay"
- At the end of HY 2021, luteCredit reached a CPI30 ratio of 86.9% as the weighted average across products and markets and is almost on a pre-pandemic level

## Net loan portfolio diversification



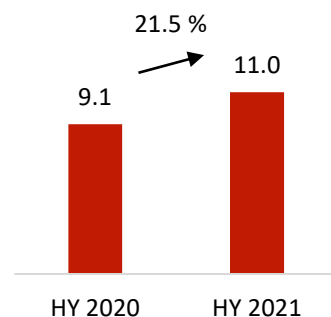
- Diversifying risk with more balanced geographical distribution
- After the launch in 2017, the North Macedonian market continues to mature and grow its share in total net loan portfolio
- During 2020, planned contraction of net loan portfolio in Q2 was offset by portfolio stabilization in Q3 and Q4 thus reaching EUR 79.2m
- Net loan portfolio grew 11.1% to EUR 88.1m during HY 2021 achieving the strongest growth during May and June

# Financial Highlights

Strong growth of all major financial indicators

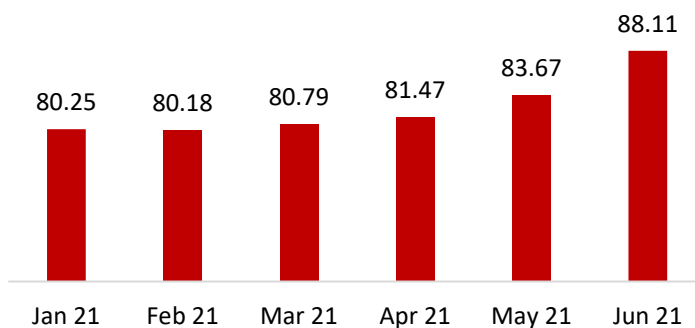
## Growth of EBITDA

EURm



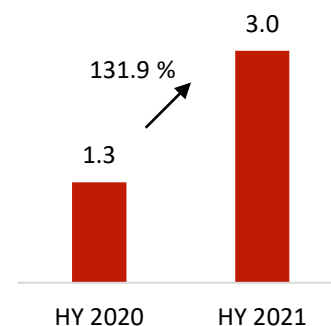
## Net loan portfolio back to growth

EURm



## Net income more than doubled

EURm

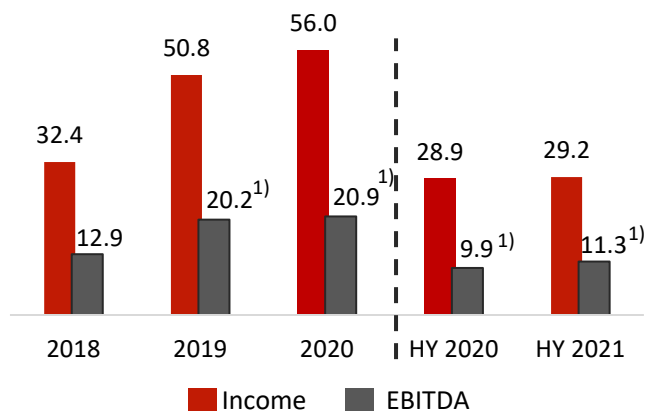


- EBITDA increased by 21.5% to EUR 11.0m (HY 2020: EUR 9.1m) due in particular to lower provisions compared with the Corona-affected prior year
- Net loan portfolio up 11.3% to EUR 88.1m (2020: EUR 79.2m) with strongest growth achieved during May and June
- Interest bearing liabilities increased by 6.7% to EUR 97.6m (FY 2020: EUR 91.4)
- Recovery rate of defaulted loans improved to 40% for the loans up to 180 DPD
- Substantial growth of profitability archived with net profit of EUR 3.0m (HY 2020: EUR 1.3m)
- Stable capitalization ratios of 26.1% (HY 2020: 27.1%) and interest coverage ratio of 2.0 times well above Eurobond covenant level
- Very high cash position still exceeding 12% of the balance sheet

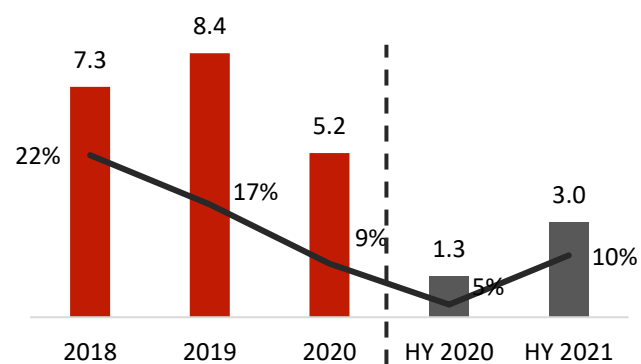


# Financial Ratios

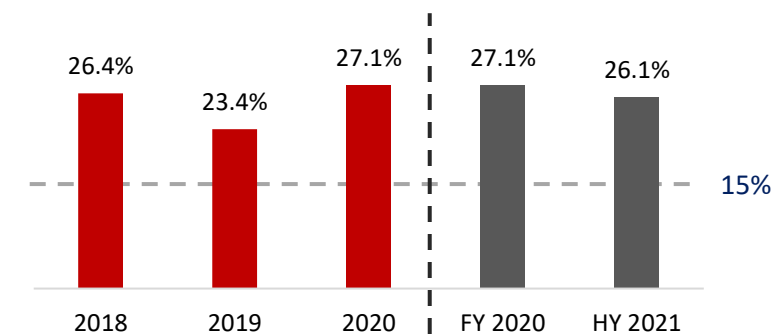
## Income & EBITDA in EURm



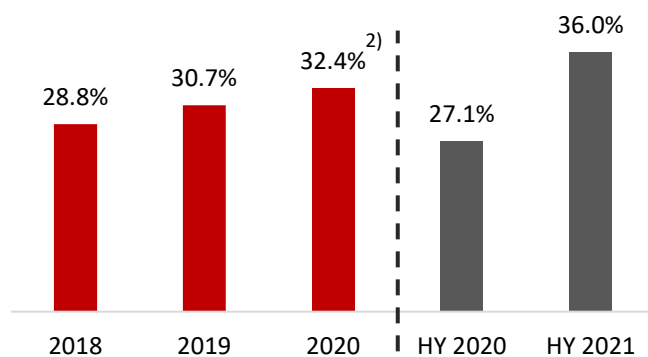
## Net profit in EURm & Net profit margin



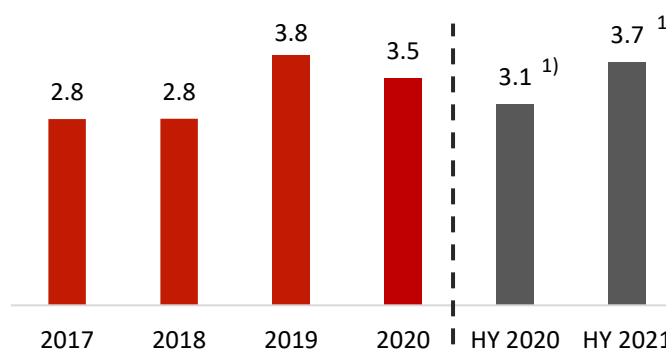
## Capitalization ratio



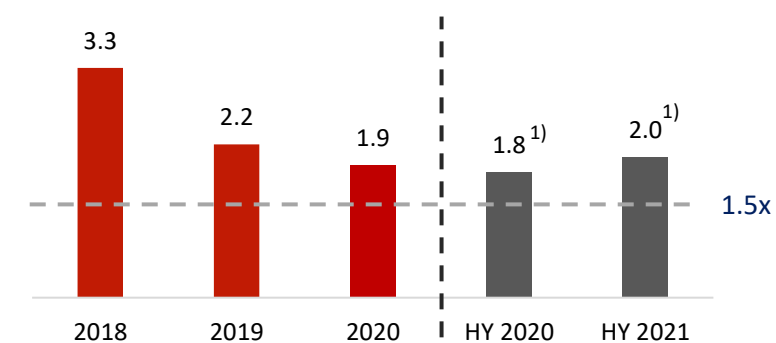
## Cost to income ratio



## Leverage ratio



## Interest coverage ratio

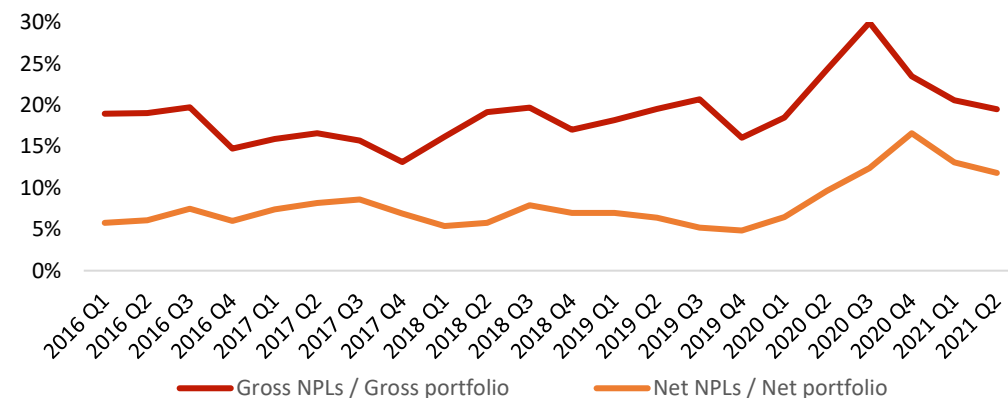


1) Adjusted for FX gains/losses

2) Adjusted for one-time Kosovo expenses

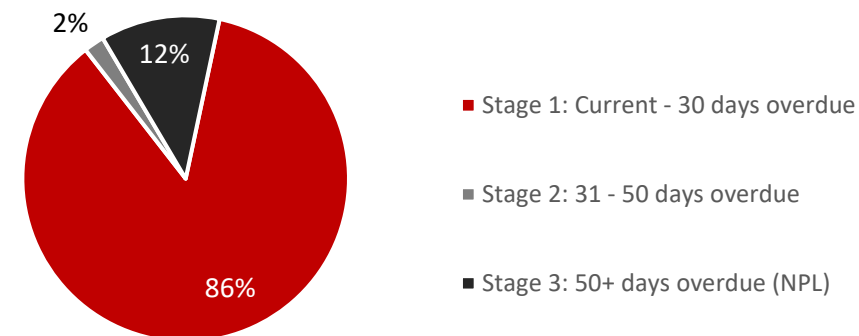
# Non-Performing Loans

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 HY 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 in both Q1 2021 and Q2 2021 as more loans have been issued to better quality customers
- Provision coverage (Total provisions/Gross NPL) ratio of 75.4% reflecting improved portfolio quality

Net loan portfolio quality analysis, HY 2021

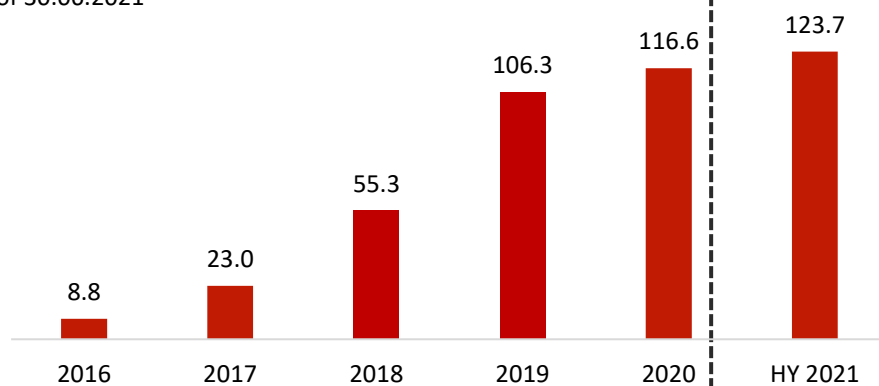


- Conservative internal NPL definition: Loans 50+ DPD recognized as non-performing loans (NPLs); in 2016 and 2017 NPLs have been defined as 70+ DPD, in 2015 and earlier as 90+ DPD
- luteCredit has always followed the ECL methodology prescribed by IFRS 9
- luteCredit creates and accounts for provisions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

# Assets & Liabilities

## Assets in EURm

as of 30.06.2021

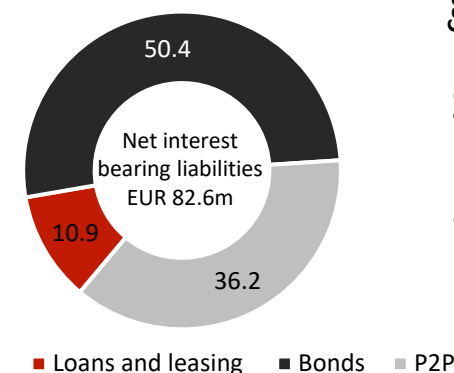


	2017	2018	2019	2020	HY 2021
<b>Capitalization ratio</b>	23.0%	26.4%	23.4%	27.1%	26.1%

- 83% 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 30.06.2021

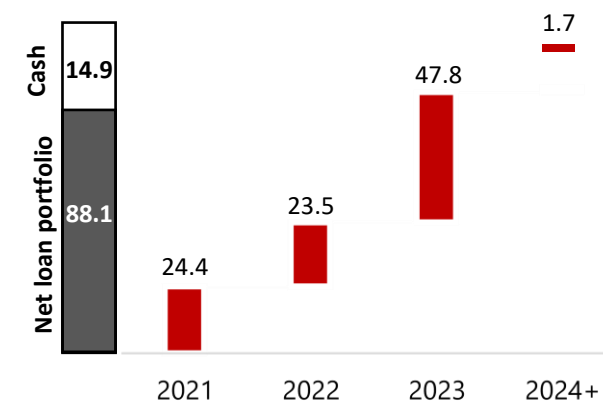


■ Loans and leasing ■ Bonds ■ P2P

- Total liabilities increased by EUR 5.6m to EUR 100.8m (2020: EUR 95.1m)
- As of 30.06.2021, loans and borrowings amounted to EUR 97.6m (2020: EUR 91.4m), accounting for 96.8% of all liabilities (2020: 96.1%)
- Due to the high cash position of EUR 14.9m, net interest-bearing debt amounted to EUR 82.6m as of 30.06.2021

## Liability maturities in EURm

as of 30.06.2021



Cash  
Net loan portfolio

14.9  
88.1

# Summary

## Back to growth path

- The markets are returning to cautious optimism, which is visible in loan applications as well as loan issuance increase
- Continued decrease of APRs as shifting toward longer loan maturities provides long term income stream without concessions in loan portfolio quality
- Strong growth in the digitalization of luteCredit countries towards a fully digital customer journey and addition of services
- Digitalization is the winning trend, as well as diversity of financial services. Payment related services make more than 5% of total company revenue

# Strategy in 2021

Integrated online and offline growth

## Currently

Personal finance company in underbanked markets with low e-commerce penetration

In-store check-out: Buy now, pay later

Biometrical-signing and one-time-password signing

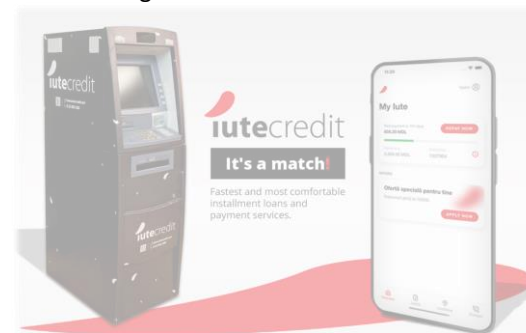


## Measures

Further digitalization and evolution of Mylute App

ATM-roll-out continuing in Albania and Macedonia

Growth through responsible and sustainable underwriting



Expansion in current markets and continuation of growth in Bulgaria

Continued focus on improving debt collection

Shift towards longer loan tenors (> 20 months)

## Goal



Integration into consumption and transaction streams



Instant credit provider, payment service provider and possibly a bank



Long term income streams from performing customers



Total assets EUR 170m



Total income to exceed EUR 55m



Net profit at least EUR 6m

# Appendix



# Corporate Social Responsibility

IuteCredit - Responsible and socially inclusive lender

## Environmental



- Reduction of the usage of paper and other natural resources and promotion of online and non-paper interaction channels with the customers
- 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

## Governance

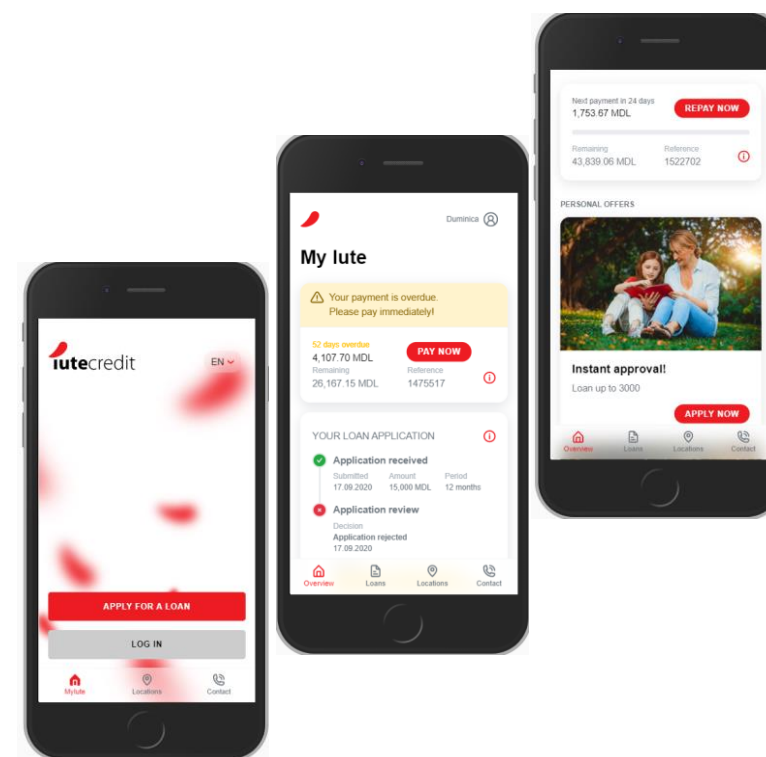
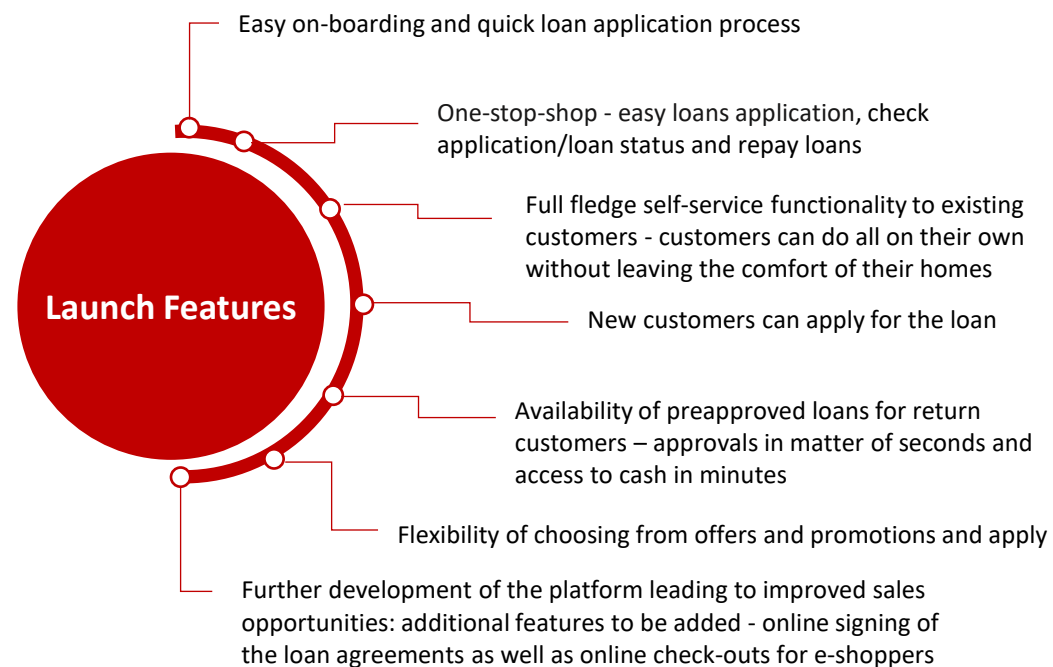


- Non-discrimination policy and inclusion policy fully implemented on all Group companies
- Well balanced gender diversity among the group
- Offer its employees work and self-improvement opportunities as further education, team trainings and attractive bonuses
- Health and safety of employees as priority

# Mylute App

Digitalization: Improving sales and service capabilities

Launched in Moldova and Albania



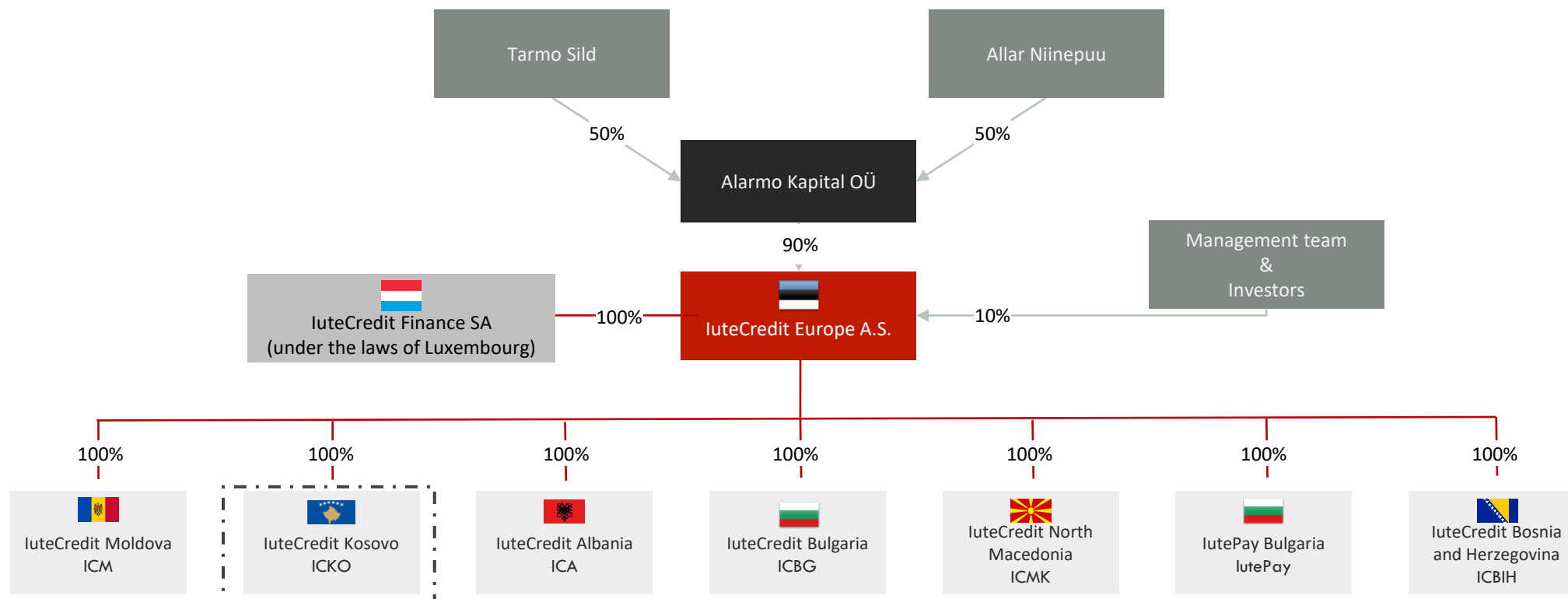
# Cardless ATM Machines

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	HY 2020	HY 2021
Interest and commission fee income	22.6 (69.8%)	47.0 (92.5%)	44.5 (79.4%)	22.7 (78,7%)	23.4 (80,2%)
Loan administration fees and penalties	9.4 (29.1%)	3.5 (6.9%)	8.4 (15.0%)	3.3 (11,3%)	4.3 (14,7%)
Other income	0.3 (1.1%)	0.3 (0.5%)	3.1 (5.6%)	2.9 (10.0%)	1.5 (5,1%)
<b>Total Income</b>	<b>33.4</b> (100.0%)	<b>50.8</b> (100.0%)	<b>56.0</b> (100%)	<b>28.9</b> (100%)	<b>29.2</b> (100%)
Interest expense	(3.9) (11.9%)	(9.0) (17.7%)	(11.0) (19.6%)	(5.6) (19.3%)	(6.5) (22,1%)
Allowances for loan impairment	(10.4) (32.0%)	(11.0) (21.5%)	(18.8) (33.5%)	(11.9) (41.1%)	(8.6) (29,5%)
<b>Net operating income</b>	<b>18.2</b> (56.1%)	<b>30.9</b> (60.8%)	<b>26.3</b> (46.9%)	<b>11.4</b> (39.6%)	<b>14.2</b> (48,4%)
Salaries and other personnel expenses	(3.9) (12.0%)	(6.3) (12.4%)	(8.1) (14.4%)	(3.9) (13.5%)	(4.1) (14,2%)
Other operating expenses	(5.2) (16.1%)	(14.2) (28.0%)	(8.3) (14.8%)	(3.2) (11.0%)	(5.1) (17,6%)
Depreciation/amortization charge	(0.2) (0.7%)	(1.2) (2.4%)	(1.7) (3.1%)	(0.8) (2.6%)	(1.2) (4,2%)
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%)	(0.9) (3.0%)	(0.3) (1,0%)
<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>2.7</b> (9.5%)	<b>3.3</b> (11,4%)
Income tax	(2.2) (6.9%)	(2.1) (4.1%)	(0.9) (1.7%)	(1.4) (5.0%)	(0.3) (1,0%)
<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>1.3</b> (4.5%)	<b>3.0</b> (10,4%)
Other comprehensive income	0.5 (1.6%)	(0.3) (0.6%)	(1.8) (3.1%)	(0.2) (0.8%)	(0.1) (0,2%)
<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>1.1</b> (3.7%)	<b>3.0</b> (10,2%)

# Balance Sheet

in EURm	2018	2019	2020	HY 2021
<i>Assets</i>				
Cash and bank accounts	2.6	6.7	19.5	14.9
Loans to customers	48.1	79.0	79.2	88.1
Prepayments	0.3	0.9	1.3	2.6
Other assets	1.7	2.5	2.7	4.0
Other financial investments	1.5	9.9	7.2	6.0
Property, plant and equipment	0.5	1.0	1.0	1.1
Right-of-use assets	-	2.9	2.1	2.1
Intangible assets	0.7	3.3	3.7	5.0
<b>Total assets</b>	<b>55.3</b>	<b>106.3</b>	<b>116.6</b>	<b>123.7</b>
<i>Liabilities and equity</i>				
<i>Liabilities</i>				
Loans and borrowings	39.2	84.1	91.4	97.6
All other liabilities	3.4	3.7	3.7	3.2
<b>Total liabilities</b>	<b>42.6</b>	<b>87.7</b>	<b>95.1</b>	<b>100.8</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)	(1.8)
Retained earnings	2.3	8.0	12.6	14.2
<b>Total equity</b>	<b>12.7</b>	<b>18.5</b>	<b>21.5</b>	<b>23.0</b>
<b>Total equity and liabilities</b>	<b>55.3</b>	<b>106.3</b>	<b>116.6</b>	<b>123.7</b>



# Statement of Cash Flow

in EURm	2018	2019	2020	HY 2020	HY 2021
<b>Operating activities</b>					
Prepayments to partners for issuance of loans	(6.3)	(11.3)	(11.4)	(4.1)	(10.7)
Received pre-and overpayments from customers	9.3	12.8	36.2	22.2	15.3
Paid trade payables	(5.9)	(10.7)	(12.3)	(5.6)	(7.8)
Received debts from buyers and received other claims	0.0	0.8	0.9	0.1	1.7
Received from collection companies	7.4	13.0	22.6	11.6	11.9
Paid net salaries	(2.3)	(4.5)	(5.3)	(2.9)	(3.1)
Paid tax liabilities, exc. CIT	(1.5)	(2.9)	(3.0)	(1.4)	(2.5)
Corporate income tax paid (CIT)	(1.4)	(3.3)	(1.9)	(0.8)	(0.8)
Paid out to customers	(39.3)	(76.2)	(47.4)	(20.5)	(32.4)
Paid out loans to customers related to MC	-	(0.1)	-	-	-
Change in MasterCard (MC) settlement account	-	(1.4)	(8.2)	(2.2)	(8.5)
Principal repayments from customers	20.4	40.3	29.4	15.7	21.9
Loan principal repayments from customers related to MC	-	0.5	4.5	1.3	5.0
Interest, commission and other fees	8.8	17.4	15.0	6.9	9.2
<b>Net cash flows from operating activities</b>	<b>(10.7)</b>	<b>(25.6)</b>	<b>18.9</b>	<b>20.2</b>	<b>(0.8)</b>
<b>Investing activities</b>					
Purchase of fixed assets	(0.8)	(0.8)	0.5	(0.2)	(0.8)
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)	(1.5)	(0.2)
Receipts from other financial investments	0.0	-	6.5	0.5	6.8
<b>Net cash flows from investing activities</b>	<b>(3.3)</b>	<b>(2.7)</b>	<b>(0.3)</b>	<b>(1.2)</b>	<b>5.8</b>

in EURm	2018	2019	2020	HY 2020	HY 2021
<b>Financing activities</b>					
Loans received from investors	26.1	85.0	51.4	18.4	18.0
Repaid loans to investors	(10.8)	(48.5)	(42.3)	(22.9)	(20.8)
Change in overdraft	2.0	4.2	(5.2)	(5.2)	-
Principal payments of lease contracts	-	(0.9)	(0.9)	(0.4)	(0.5)
Paid interests	(3.7)	(5.2)	(8.0)	(4.1)	(4.7)
Paid dividends	(2.0)	(2.2)	0.5	(0.5)	(1.5)
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>(14.8)</b>	<b>(9.5)</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	4.3	(4.6)
Net foreign exchange difference	(0.0)	0.0	(0.5)	(0.2)	(0.1)
<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>10.8</b>	<b>14.9</b>

# Thank you for your attention!

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