IuteCredit reports unaudited results for FY 2019

Increased key performance indicators despite headwinds

Operational Highlights

- Increase of 80% to 621.000 registered customers, +69% to 563.000 adjusted for Kosovo (31/12/2018: 333.000)
- Loans issued in period under review up 61% to 330.698 (12M/2018: 205.933)
- Principal amount of loans issued up 86% to 152 million EUR (12M/2018: 82 million EUR)
- Footprint increased with launch and start-up of business activities in Bosnia and Herzegovina and Bulgaria
- Reduced scope of consolidation with revocation of license in Kosovo, which is being contested by the Group
- Average approval rate of loan applications of 55,0% (12M/2018: 57,9%) as a consequence of increased application volume from new countries with lower share of repeating customers
- Increase of 49,7% to 221.901 outstanding loans as of reporting date (31/12/2018: 148.200), of which 183.907 performing loans (31/12/2018: 126.342), up by 45,6%
- Outstanding number of loans excluding the portfolio of Kosovo as of the reporting date 196.005, up by +32,3%, of which 165.040 performing loans, +30,6%.
- Gross loan portfolio up 52,2% to 92 million EUR (31/12/2018: 61 million EUR), of which 77 million EUR performing loans (+ 54,0%; 31/12/2018: 50 million EUR)
- Increased group-weighted average customer performance index of 88% in period under review (12M/2018: 86,8%) due to more effective in-house collection
- Personnel increase of 49% to 347 employees (31/12/2018: 233 employees) in line with the expansion of business activities

Financial Highlights

- Interest income up almost 108% more than doubled to 47,0 million EUR (12M/2018: 22,6 million EUR)
- Net interest and commission fee income with 102,8% two-folded to 38,0 million EUR (12M/2018: 18,7 million EUR)
- EBITDA increased by 56,2% to 20,2 million EUR (12M/2018: 12,9 million EUR)
- Cost to income ratio at 30,7% adjusted for one-off Kosovo expenses (12M/2018: 28,8%), reflecting among other things the decrease of loan APR rates, increasing regulatory costs and customer acquisition costs, and operating expenses of start-up ventures in Bosnia
- Net profit for the period increase of 15% to 8,4 million EUR (12M/2018: 7,3 million EUR) mainly due to the double-increase of incomes
- Net loan portfolio up 64,4% to 79,0 million EUR (31/12/2018: 48,1 million EUR)
- Decreased net NPL ratio of 18,7% (31/12/2018: 21,9%) due to change of portfolio characteristics – larger share of long-term loans

Please note that compared to the original publication in the Operational Highlights as well as in the Management Statement, a reference to the license revocation in Kosovo has been added. The Management Statement was also supplemented by a statement on the future development of the financial sector.

Statement of the Management

The results for the full year 2019 are good, even considering the regulatory and competitive headwinds. We exceeded our targets to issue more than 150 million EUR loans to more than 200.000 customers. Likewise, we surpassed the adjusted revenue target at 51 million EUR. However, we missed the net loan portfolio target of 100.000 thousand EUR, in particular, following the revocation of the license in Kosovo. While the revocation of the license remains an isolated event, that is contested by us, it created a dent to the assets. The loss of control over operating activities in Kosovo also had a negative impact on our annual net profit margin. In addition, the loan portfolio amortized slightly faster due to early repayments by customers while and new loans were issued with slightly shorter maturities than initially expected. Apart from these unexpected obstacles, 2019 would not only have been a successful year for the IuteCredit Group but an excellent one.

However, those who overcome obstacles also make progress. IuteCredit has two new operational country businesses in the Group from which we expect fast growth in new markets during the next periods. In addition, our product innovations contribute not only to fast and easy loan applications but also to completely new benefits for our customers. We are particularly proud to be the first financial company in Macedonia to offer debit cards from MasterCard. And with the listing of our EUR 40 million Eurobond on the Frankfurt Stock Exchange in August of last year, we were able to optimize our refinancing conditions and make IuteCredit known to a wider circle of investors.

For the full year 2020, we have set our own targets to more than 210 million EUR in loans issued to over 300 thousand customers. This corresponds to an increase of the net loan portfolio to EUR 140 million by the end of the year. We continue to focus on maintaining a high level of payment discipline on the part of our clients while keeping a strict eye on the share of operating costs in interest income. We expect 2020 total revenue to amount to over 75,0 million EUR and a net profit margin of 20%. A new technological platform will help to expand our range of financial services. Also, we will most likely be able to break even in Bosnia and increase growth in Bulgaria to at least 3% of the Group's total assets. One must also note that the regulatory headwind in the personal finance sector will probably grow stronger. IuteCredit Group supports regulations to protect the customers and sustainability of the financial sector while supporting the application of financial technology, transparency and competition. We believe, that during 2019 we helped more than 200,000 customers and we expect to create even more value for our customers and digitized societies at large in the future.

Key consolidated financial figures

	12M/2019	12M/2018	Δ in %
Capitalisation			
Gross loan portfolio (in thousand EUR)	92.105	60.516	52,2%
Net loan portfolio (in thousand EUR)	79.005	48.051	64,4%
Assets (in thousand EUR)	106.254	55.290	92,2%
Equity (in thousand EUR)	18.506	12.690	45,8%
Equity to assets ratio	17,4%	23,0%	-5,5%
Capitalization ratio	23,4%	26,4%	-3,0%
Interest coverage ratio	2,2	3,3	-32,9%
Profitability			
Interest income	46.994	22.602	107,9%
Net interest margin	56,2%	50,4%	5,8%
Cost to income ratio	42,8%	28,8%	14,0%
Post-allowances operating profit margin	40,5%	43,0%	-2,5%
EBITDA	20.165	12.913	56,2%
Profit margin before tax	22,3%	42,0%	-19,8%
Net profit	8.371	7.256	15,4%
Return on assets	10,4%	18,5%	-8,2%
Return on equity	53,7%	83,5%	-29,8%
Assets quality			
Cost of risk	14,3%	24,6%	-10,2%
Impairment coverage ratio	88,5%	118,3%	-29,8%
Gross NPL ratio	16,1%	17,4%	-1,3%
Net NPL ratio	18,7%	21,9%	-3,2%

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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, Kosovo, and Bulgaria as well as Bosnia and Herzegovina.

IuteCredit's loan products are unsecured consumer loans with maturities between 1 month and 36 months and car-secured loans with maturities up to 60 months.

The mission of IuteCredit is to create the extraordinary experience in personal finance by exceeding customers' expectations.

www.iutecredit.com

MANAGEMENT REPORT

Company Overview

AS IuteCredit Europe (**ICE**) is a holding company that issues consumer credits and offers personal finance services via its 100% owned operating subsidiaries in local markets (**Subsidiaries**). As of 31 December 2019, 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. Currently, ICKO is not considered as discontinued operations, because the repayments from customers continue to be collected for the foreseeable future, in parallel to pursuing the final solution that is satisfactory to the Group.

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. incorporated on 2 July 2018 remained in inactive status during 2019, as of 31 December 2019 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**). Considering the aforementioned sale of FINAL, as of 31 December 2019, ICG consisted of ten companies, regardless that one of them was unconsolidated and reclassified.

ICE is responsible for strategic management, including:

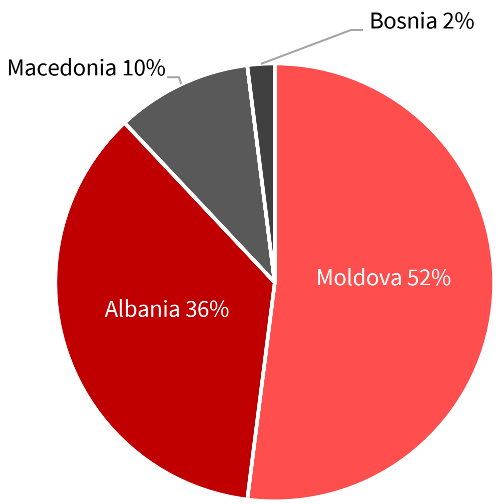
- Strategic targeting
- Organizational structure and manning of the management teams
- Human resource and customer experience framework rules and targeting guidance
- Financial management framework rules and targeting guidance
- Sales and marketing framework rules and targeting guidance
- Service process 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 60% and effective interest rate (EIR) 92% depending on the loan amount, maturity and status of customer (new or recurring client with good payment history).

Breakdown of portfolio diversification as of 31/12/2019

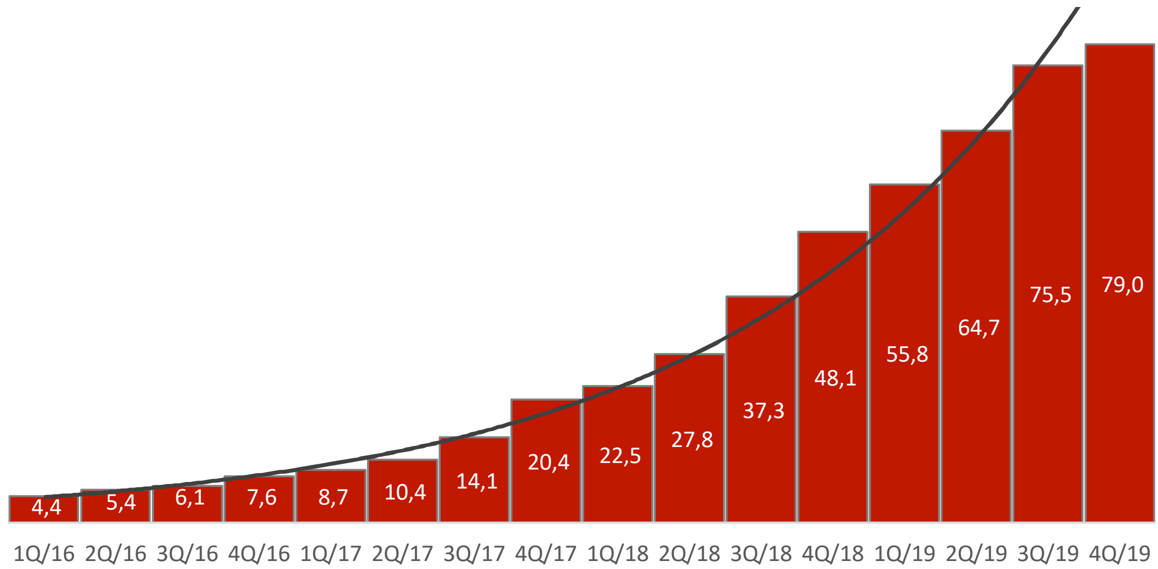


Since Bosnia commenced operations only in June 2019, its share of the Group's loan portfolio is still insignificant as of 31 December 2019.

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 56% 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 December 2019, IuteCredit had 33 of IuteCredit branches and 2.644 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 portfolio development in EUR (million)



Changes in Management

Group COO Vladimir Djidjishev resigned as of 30 September 2019. Since January 2020, the new Group COO is Mart Nael (1981). Mart Nael has previously executed as Chief Technology Officer at Omniva (logistics company) and BigBank, as Director of Service Management at Telia, and as Baltic Head of IT Infrastructure and Operations at Swedbank.

Acquisitions and disposals

IuteCredit Kosovo (ICKO), received as of 6 December 2019 without prior notice a notification from the Central Bank of Kosovo (CBK) that the ICKO microfinance license had been revoked with immediate effect and the liquidation had started. According to the CBK decision, the reasons for the revocation of the license indicated to the background of shareholders and contradiction to the initial business plan at the time of submission in 2017. The Management Board of the Group is convinced that these complaints are unfair and may indicate malicious behavior by competitors. Regarding the assumed non-compliance with its business plan, ICKO had submitted a revised business plan to CBK on 14 November 2019, which reflected ICKO's adjusted business operations. Until the date of revocation, no feedback or other reaction had been received from CBK on the new business plan. The Management Board of the Group makes every effort to resolve this situation positively, to restore the license and to control the subsidiary as soon as possible. As the event took place straight at the end of the financial year and the amount and probability of future litigation costs by the moment of composing the current report are virtually impossible to predict, no provisions for litigation has been established as of 31 December 2019. However, as of 30 November 2019, as a result of losing control over the subsidiary, the assets and liabilities of that subsidiary have been deconsolidated and the retained investment has been classified as a financial instrument, measured at fair value. The parent company keeps the record of the portfolio and liabilities of ICKO off-balance sheet and the probability of realization is taken into account through fair value of financial investments.

Earnings, financial and asset position

Condensed statement of profit and loss

(in thousand EUR)	12M/2019	12M/2018	Δ in %
Interest income	46.994	22.602	107,9%
Interest expense	-8.968	-3.855	132,7%
Net interest and commission fee income	**38.026**	**18.748**	**102,8%**
Loan administration fees and penalties	3.041	9.440	-67,8%
Total loan administration fees and penalties	**3.041**	**9.440**	**-67,8%**
Other income	749	347	116,1%
Allowances for loan impairment	-10.937	-10.376	5,4%
Net operating income	**30.880**	**18.158**	**70,1%**
Personnel expenses	-6.296	-3.885	62,0%
Depreciation/amortization charge	-1.239	-220	464,3%
Other operating expenses	-14.206	-5.215	172,4%
Total operating expenses	**-21.741**	**-9.320**	**133,3%**
Financial assets measured at fair value	964	0	100,0%
Total finance income	**964**	**0**	**100,0%**
Foreign exchange gains/losses	365	662	-44,9%
Total foreign exchange gains/losses	**365**	**662**	**-44,9%**
Profit before tax	**10.467**	**9.500**	**10,2%**
Income tax expense	-2.096	-2.244	-6,6%
Net profit for the period	**8.371**	**7.256**	**15,4%**

IuteCredit's business model is focused on performing customers and avoiding poorly performing or defaulting customers. Interest is charged on the outstanding principal loan amounts. 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. Other primary fees are charged for various services. 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.

Interest income

Interest income for the period significantly increased by 107.9% to 46,994 thousand EUR (12M/2018: 22,602 thousand EUR), above the 85.7% increase in the average net loan portfolio. While recording a slightly lower average interest rate, customers prematurely repaid their loans.

Breakdown of interest income

(in thousand EUR)	12M/2019	12M/2018	Δ in %
Total value of loan principal issued	152.217	81.722	86,3%
Average net loan portfolio	63.528	34.201	85,7%
Principal	82.698	52.737	56,8%
Accrued interest	9.406	7.779	20,9%
Average annualised interest rate on net portfolio	60,0%	77,3%	-22,3%
Interest income	46.994	22.602	107,9%
Interest on loans to customers and commission	46.987	22.602	107,9%
Other interest	7	0	100,0%

Breakdown of interest income by countries

(in thousand EUR)	12M/2019	Total share in %	12M/2018	Total share in %	Δ in %
Moldova	22.755	48,4%	12.122	53,6%	87,7%
Albania	15.695	33,4%	7.116	31,5%	120,6%
Macedonia	4.105	8,7%	2.099	9,3%	95,6%
Kosovo	4.185	8,9%	1.265	5,6%	230,8%
Bosnia	254	0,5%	0	0,0%	100,0%
In total	**46.994**	**100,0%**	**22.602**	**100,0%**	**107,9%**

Interest expense

Interest expense for the period increased by 132.6% to 8,968 thousand EUR (12M/2018: 3,855 thousand EUR), in connection with the borrowing resulting from the expansion of business activities.

Breakdown of interest expense

(in thousand EUR)	12M/2019	12M/2018	Δ in %
Interest on amounts due to creditors	-5.005	-2.257	121,8%
Interest on financial lease liabilities	-80	0	100,0%
Interest on bonds	-3.883	-1.598	143,0%
Total	**-8.968**	**-3.855**	**132,6%**

Loan administration fees and penalties

Income from other fees and penalties decreased by 63.9% to 3.528 thousand EUR (12M/2018: 9,786 thousand EUR) reflecting penalties and delay interests, resigns, deduction by dealer bonuses, and other secondary fees. The revenue of the current period is 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. Since the beginning of 2019, dealer bonuses are recognized as a revenue component.

Breakdown of administration fees and penalties

(in thousand EUR)	12M/2019	12M/2018	Δ in %
Penalties under loans and delay interests	5.803	8.702	-33,3%
Reappraisal of secondary revenue	-2.084	0	100,0%
Resigns under customer loans	778	1.501	-48,2%
Dealer bonuses	-1.456	-763	100,0%
Total	**3.041**	**9.440**	**-67,8%**

Allowances for loan impairment

Impairment allowances increased by 5.4% to 10.937 thousand EUR (12M/2018: 10.376 thousand EUR) lower than the growth in loans granted, reflecting increased asset quality following the introduction of a group-wide controlling system. Other changes resulting from the impact on allowance for impairment related to the revocation process of IuteCredit Kosovo JSC compared with the acquisition process of Final Sh.a. in 2018.

Breakdown of allowances for loan impairment

(in thousand EUR)	12M/2019	12M/2018	Δ in %
At the beginning of the period	**-12.465**	**-3.594**	**246,8%**
IFRS 9 adjustment to opening balances	0	-996	-100,0%
Adjusted opening balance at the beginning of the period	**-12.465**	**-4.590**	**171,5%**
Change in allowances for loan impairment	-10.937	-10.376	5,4%
Other changes	1.692	-287	-689,7%
Utilized	8.853	3.226	174,4%
Exchange differences	-243	-437	-44,4%
At the end of the period	**-13.100**	**-12.465**	**5,1%**

(in thousand EUR)	12M/2019	12M/2018	Δ in %
Impairment charges on loans	-13.791	-13.725	0,5%
Recovery from written-off loans	2.855	3.349	-14,8%
Net impairment charges	**-10.937**	**-10.376**	**5,4%**

Overall net impairment losses represented 23.3% of interest income (31/12/2018: 45.9%), representing a decrease of 22.6% which is mainly due to changes of DPD recognition as described in breakdown of portfolio classification. The cost of risk, which is net impairment charges to average gross loan portfolio, decreased by 10.2% points to 14.3% (31/12/2018: 24.6%).

Operating expense

Operating expense for the period increased by 111.3% to 19.230 thousand EUR (12M/2018: 9.100 thousand EUR) of which 6.038 thousand Euro are attributable to the revaluation of the loan book in Kosovo to the fair value amount. Marketing expenses accounted for 13.6% (12M/2018: 11.0%) of operating expenses. Adjusted for the Kosovo impact, the cost to income ratio for the period increased by 1.9% points to 30.7% (12M/2018: 28.8%).

Breakdown of operating expense

(in thousand EUR)	12M/2019	12M/2018	Δ in %
Personnel	-6.296	-3.885	62,1%
Advertising expenses	-2.620	-999	162,2%
Research and development	0	-1.264	-100,0%
IT	-537	-147	264,7%
Debt collection	-466	-229	103,7%
Legal consulting	-811	-206	292,5%
Rent and utilities	-286	-377	-24,2%
Withheld taxes	-314	-190	65,3%
Transportation	-369	-244	51,2%
Net loss from investments	-6.038	0	100,0%
Other	-1.495	-1.559	-4,1%
Total	**-19.230**	**-9.100**	**111,3%**

Personnel expenses

Personnel expenses, mainly salaries and bonuses, and social security expenses increased less than the build-up in headcount by 62% to 6.296 thousand EUR (12M/2018: 3.885 thousand EUR). The average staff number in full-time equivalents grew by 49% to 347 employees (12M/2018: 233) less than the expansion of business activities. The number of employees in 2019 does not include the staff of IuteCredit Kosovo JSC, as the company was deconsolidated by the reporting date.

Breakdown of personnel expenses

(in thousand EUR)	12M/2019	12M/2018	Δ in %
Salaries and bonuses	-4.693	-2.853	64,5%
Social security expenses	-1.207	-729	65,5%
Medical insurance expenses	-39	-59	-33,7%
Other expenses	-357	-245	45,7%
Total	**-6.296**	**-3.885**	**62,0%**
Number of employees adjusted to full-time	347	233	49,1%

Other operating expenses

Other operating expenses, mainly for advertising services, outsourced services, and telecommunication and IT, increased by 172.4% to 14.206 thousand EUR (12M/2018: 5.215 thousand EUR). The largest impact on the net loss from financial investments resulted from the liquidation process in Kosovo, contrasted, in particular, by a gain from the sale of FINAL.

Breakdown of other operating expenses

(in thousand EUR)	12M/2019	12M/2018	Δ in %
Advertising expenses	-2.620	-999	162,2%
Office lease expenses	-96	-325	-70,4%
Outsource services	-2.061	-1.286	60,3%
Repair, maintenance of property and equipment	-168	-193	-12,5%
Utilities	-190	-53	261,5%
Telecommunication and IT	-537	-293	83,5%
Small items of equipment	-199	-246	-19,2%
Transportation	-369	-244	51,2%
Withheld taxes	-314	-190	65,3%
Net loss from investments	-6.038	0	100,0%
Other operating expenses	-1.616	-1.389	16,3%
Total	**-14.206**	**-5.215**	**172,4%**

Foreign exchange gains/losses

Foreign exchange movements resulted in gains of 365 thousand EUR (12M/2018: 662 thousand EUR) reflecting, in particular, EUR/MDL conversion rates.

Profit before tax

Consolidated profit before tax increased by 10.2% to 10,467 thousand EUR (12M/2018: 9,500 thousand EUR). The profit before tax margin decreased by 19.8% points to 22.3% (12M/2018: 42.0%).

Income tax expense

Income tax expense decreased by 6,6% to 2.096 thousand EUR (12M/2018: 2.244 thousand EUR).

Breakdown of income tax

(in thousand EUR)	12M/2019	12M/2018	12M Δ in %
Consolidated profit before tax	10.467	9.500	10,2%
Current income tax expense from foreign jurisdictions	-2.106	-2.255	-6,6%
Change in deffered income tax	11	11	-7,4%
Net profit for the period	**-2.096**	**-2.244**	**-6,6%**

Current income tax expenses from foreign jurisdictions recorded a positive impact resulting from the implementation of IFRS in more conservative provision calculations in ICM and ICA for 2019.

Profit for the period

Net profit for the period increased by 15.4% to 8,371 thousand EUR (12M/2018: 7,256 thousand EUR) mainly due to the double-increase of incomes.

Transition statement of non-IFRS measures EBITDA and Adjusted EBITDA

Breakdown of transition to adjusted EBITDA

(in thousand EUR)	12M/2019	12M/2018	12M Δ in %	12M/2017	12M Δ in %
Profit for the period	8.371	7.256	15,4%	2.928	147,8%
Provision for corporate income tax	2.096	2.244	-6,6%	1.071	109,5%
Interest expense	8.968	3.855	132,7%	1.547	149,2%
Depreciation and amortization	1.239	220	464,3%	69	220,3%
EBITDA	**20.674**	**13.574**	**52,3%**	**5.615**	**141,8%**
Adjustments	510	662	-23,0%	163	306,0%
Adjusted EBITDA	**20.165**	**12.913**	**56,2%**	**5.452**	**136,9%**

Breakdown of adjustments to EBITDA

(in thousand EUR)	12M/2019	12M/2018	12M Δ in %	12M/2017	12M Δ in %
Discontinued operations	145	0	100,0%	0	0,0%
Foreign exchange gains/losses	365	662	-44,9%	163	306,0%
Adjustments	**510**	**662**	**-23,0%**	**163**	**306,0%**

Condensed statement of financial position

(in thousand EUR)	31 Dec 2019	31 Dec 2018	Δ in %
ASSETS			
Cash and bank accounts	6.734	2.628	156,3%
Loans to customers	79.005	48.051	64,4%
Prepayments	913	251	264,3%
Trade and other receivables	2.489	1.283	94,0%
Assets held for sale	5	387	-98,8%
Other financial investments	9.908	1.456	580,7%
Property, plant and equipment	1.025	496	106,4%
Right-of-use assets	2.850	0	100,0%
Intangible assets	3.326	740	349,7%
Total assets	**106.254**	**55.290**	**92,2%**
Liabilities and equity			
Liabilities			
Loans and bonds from investors	84.073	39.178	114,6%
Trade and other payables	1.031	618	66,9%
Current income tax liabilities	455	1.359	-66,5%
Deffered tax liabilities	289	489	-41,0%
Other liabilities	1.901	955	98,9%
Total liabilities	**87.749**	**42.600**	**106,0%**
Equity			
Share capital	10.000	10.000	0,0%
Legal reserve	398	28	1347,2%
Unrealized foreign exchange differences	72	378	-81,0%
Retained earnings	8.035	2.284	251,7%
Total equity	**18.506**	**12.690**	**45,8%**
Total equity and liabilities	**106.254**	**55.290**	**92,2%**

The increase in trade and other receivables is, in particular, the result of an expansion of dealer loans; in addition, receivables from collection companies increased.

Other financial investments relate mainly to the recognition of ICKO as a financial investment and the deposits in Albania and Bosnia and Herzegovina.

The increase in intangible assets constitutes capitalized development costs.

Assets

Total assets increased by 92,2% to 106.254 thousand EUR as of 31 December 2019 (31 December 2018: 55.290 thousand EUR).

Loan portfolio

The net loan portfolio increased by 64,4% to 79.005 thousand EUR as of 31 December 2019 (31 December 2018: 48,051 thousand EUR).

Breakdown of net portfolio

(in thousand EUR)	31 Dec 2019	31 Dec 2018	Total in %	Δ in %
Moldova	41.268	26.366	52,2%	56,5%
Albania	28.465	16.003	36,0%	77,9%
Macedonia	8.031	2.557	10,2%	214,0%
Bosnia	1.241	0	1,6%	100,0%
Kosovo	0	3.125	0,0%	-100,0%
Total net loan portfolio	**79.005**	**48.051**	**100,0%**	**64,4%**

Breakdown of loan applications

	12M/2019					12M/2018					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	270.003	153.341	130.499	56,8%	85,1%	224.288	128.013	107.666	57,1%	84,1%	20,4%	19,8%	-0,3%
Albania	174.205	114.670	107.731	65,8%	93,9%	96.558	66.168	62.904	68,5%	95,1%	80,4%	73,3%	-2,7%
Macedonia	93.757	48.209	44.825	51,4%	93,0%	43.292	21.393	20.336	49,4%	95,1%	116,6%	125,3%	2,0%
Bosnia	9.456	3.115	2.903	32,9%	93,2%	0	0	0	0,0%	0,0%	100,0%	100,0%	32,9%
Kosovo	118.866	47.040	44.740	39,6%	95,1%	35.297	15.562	15.027	44,1%	96,6%	236,8%	202,3%	-4,5%
In total	**666.287**	**366.375**	**330.698**	**55,0%**	**90,3%**	**399.435**	**231.136**	**205.933**	**57,9%**	**89,1%**	**66,8%**	**58,5%**	**-2,9%**

Breakdown of issued loans APR on country level

(in %)	12M/2019	12M/2018	Δ in %
Moldova	60,3%	67,1%	-6,8%
Albania	65,7%	72,7%	-7,0%
Macedonia	51,4%	79,5%	-28,1%
Bosnia	82,1%	0,0%	82,1%
Kosovo	59,8%	76,3%	-16,5%
ICG average	**63,9%**	**73,9%**	**-10,0%**

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 %)	12M/2019	12M/2018	Δ in %
Moldova	86,8%	87,1%	-0,3%
Albania	89,4%	88,4%	1,0%
Macedonia	86,1%	85,2%	0,9%
Bosnia	81,4%	0,0%	81,4%
Kosovo	88,4%	85,6%	2,8%
ICG weighted average	**87,8%**	**86,8%**	**1,0%**
ICG weighted average without ICKO	87,7%	87,2%	0,5%

Breakdown of portfolio classification

The following tables set out the classification of the Group's net loan portfolio in terms of overdue buckets as well as the total impairment coverage ratio. Non-performing loans are recorded according to DPD+50.

	31 Dec 2019				31 Dec 2018			
(in thousand EUR)	Gross amount	Provisions	Net amount	% of net portfolio	Gross amount	Provisions	Net amount	% of net portfolio
Performing	77.307	-2.147	75.160	95,1%	49.978	-5.302	44.676	93,0%
Non-Performing	14.798	-10.953	3.845	4,9%	10.538	-7.163	3.375	7,0%
Total portfolio	**92.105**	**-13.100**	**79.005**	**100,0%**	**60.516**	**-12.465**	**48.051**	**100,0%**

(in thousand EUR)	31 Dec 2019	Total share in %	31 Dec 2018	Total share in %
Stage 1	73.681	93,3%	41.462	86,3%
Stage 2	1.526	1,9%	3.214	6,7%
Stage 3	3.798	4,8%	3.375	7,0%
Total net portfolio	**79.005**	**100,0%**	**48.051**	**100,0%**
Gross NPL ratio	16,1%		17,4%	
Impairment coverage ratio	88,5%		118,3%	

The total share of poorly performing loan portfolio (Stage 2) has decreased due to the change of classification based on DPD distribution, which formerly has been implemented on loans past due more than 5 days, and since 2019 on loans past due more than 30 days. Improvement of Stage 2 and Stage 3 is affected by the better performance of Customer Performance Index (CPI30).

Distribution principles between stages

	31 Dec2019	31 Dec 2018
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)	31 Dec 2019	31 Dec 2018	Δ in %
Deffered tax assets	22	11	92,6%
Prepayments of rent	18	9	98,3%
Prepayment of taxes	700	19	3610,6%
Prepayments to suppliers and deffered expenses	174	212	-17,9%
Prepayments in total	**913**	**251**	**264,3%**
Receivables from collection companies	452	207	118,3%
Receivables from parent company	0	425	-100,0%
Other receivables	23	436	-94,6%
Deposit receivables from partners	2.013	215	836,8%
Trade and other receivables in total	**2.489**	**1.283**	**94,0%**
TOTAL	**3.402**	**1.533**	**121,9%**

Receivables of collection companies have an immaterial impact on the business model and, consequently, the measurement of loans.

Liabilities

As of 31 December 2019, total liabilities increased by 110,7% to 89.744 thousand EUR (31 December 2018: 42.600 thousand EUR).

Breakdown of loans and borrowings

As of 31 December 2019, loans and borrowings amounted to 86.068 thousand EUR (31 December 2018: 39.178 thousand EUR), accounting for 95,9% of all liabilities (31 December 2018: 92,0%).

(in thousand EUR)		31 Dec 2019	31 Dec 2018	Δ in %
Loans from investors		**41.954**	**27.029**	**55,2%**
	Due date during next 12 month	25.397	18.439	37,7%
	Due date after 12 month	16.557	8.590	92,8%
Bond liabilities		**36.967**	**11.789**	**213,6%**
	Due date during next 12 month	0	2.572	-100,0%
	Due date after 12 month	36.967	9.217	301,1%
Lease liabilties		**2.794**	**0**	**100,0%**
	Due date during next 12 month	863	0	100,0%
	Due date after 12 month	1.931	0	100,0%
Accrued interest		**2.357**	**361**	**553,7%**
TOTAL		**84.073**	**39.178**	**114,6%**
	weighted average interest rate	*11,8%*	*13,7%*	
	currency	*EUR, MDL, USD; ALL; MKD, BAM, BGN*	*EUR, MDL, USD; ALL; MKD*	

In line with the expansion of the loan book, loans from investors rose by 55.2% to EUR 41.954 thousand EUR (31 December 2018: 27.029 thousand EUR), of which 10.920 thousand EUR is accounted for by P2P loans from the Mintos platform, while liabilities to financial institutions and investors rose by 4.005 thousand EUR.

The disclosure of lease liabilities in the amount of 2.794 thousand EUR (31 December 2018: 0) results from the first-time application of IFRS 16.

ICG issued and settled in August 2019 through its wholly owned Luxembourg subsidiary IuteCredit Finance S.a.r.l. 40 million EUR senior secured bonds (Eurobond), with a maturity of 4 years and a coupon of 13%. The Bonds are listed on Frankfurt Stock Exchange Open Market and will be included into Regulated Market during Q1/2020.

Eurobond covenant ratios

	31 Dec 2019	31 Dec 2018	Δ in %
Capitalization			
Capitalization ratio	23,4%	26,4%	-3,0%
(equity/net loan portfolio)			
Financial covenant at least	15,0%		
	12M/2019	**12M/2018**	**Δ in %**
Profitability			
Interest coverage ratio (ICR), times	2,2	3,3	-32,9%
(adjusted EBITDA/interest expenses)			
Financial covenant at least	1,5		

Distribution of investor loan (Mintos)

	Mintos Loans			Net loan portfolio			
(in thousand EUR)	31 Dec 2019	31 Dec 2018	Δ in %	31 Dec 2019	Total share in %	31 Dec 2018	Total share in %*
Moldova	11.806	5.140	129,69%	41.268	29%	26.366	19%
Albania	10.123	6.280	61,19%	28.465	36%	16.003	39%
Macedonia	1.487	197	654,68%	8.031	19%	2.557	8%
Bosnia	0	0	0,00%	1.241	0%	0	0%
Kosovo	0	878	-100,00%	0	0%	3.125	28%
Total	**23.415**	**12.495**	**87,40%**	**79.005**	**30%**	**48.051**	**26%**

Other liabilities

Breakdown of other liabilities

(in thousand EUR)	31 Dec 2019	31 Dec 2018	Δ in %
Trade payables	1.031	618	66,9%
Payables to employees	601	560	7,4%
Corporate Income Tax payables	455	1.359	-66,5%
Other Tax payables	289	489	-41,0%
Unpaid dividends	1	0	100,0%
Allocations and other provisions	205	0	100,0%
Other liabilities	1.093	396	176,2%
TOTAL	**3.676**	**3.421**	**7,4%**

Equity

As of 31 December 2019, equity increased by 45,8% to 18.506 thousand EUR (31 December 2018: 12.690 thousand EUR), representing an equity to assets ratio of 17,4% (31 December 2018: 23,0%). The equity to net loan portfolio ratio as of 31 December 2019 was 23.4% (31 December 2018: 26,4%), reflecting the Group's strong capitalization, still giving sufficient headroom to meet the IuteCredit Eurobond covenants.

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 by the end of the year 2019, the outstanding principal liability was 3.082 thousand EUR. The liability with accrued payables is recognized in its fair value among the financial investment of ICKO.

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated statement of comprehensive income

(in thousand EUR)	12M/2019	12M/2018	Δ in %
Interest income	46.994	22.602	107,9%
Interest expense	-8.968	-3.855	132,7%
Net interest and commission fee income	**38.026**	**18.748**	**102,8%**
Loan administration fees and penalties	3.041	9.440	-67,8%
Loan administration fees and penalties in total	**3.041**	**9.440**	**-67,8%**
Other income	749	347	116,1%
Allowances for loan impairment	-10.937	-10.376	5,4%
Net operating income	**30.880**	**18.158**	**70,1%**
Personnel expenses	-6.296	-3.885	62,0%
Depreciation/amortization charge	-1.239	-220	464,3%
Other operating expenses	-14.206	-5.215	172,4%
Total operating expenses	**-21.741**	**-9.320**	**133,3%**
Financial assets measured at fair value	964	0	100,0%
Total finance income	**964**	**0**	**100,0%**
Foreign exchange gains/losses	365	662	-44,9%
Total foreign exchange gains/losses	**365**	**662**	**-44,9%**
Profit before tax	**10.467**	**9.500**	**10,2%**
Income tax expense	-2.096	-2.244	-6,6%
Profit for the reporting period	**8.371**	**7.256**	**15,4%**
Other comprehensive income			
Other comprehensive income to be classified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations	-306	505	-160,7%
Other comprehensive income total	**8.065**	**7.761**	**3,9%**
Profit attributable to:			
Equity holders of the parent	8.065	7.761	3,9%
Total comprehensive income attributable to:			
Equity holders of the parent	8.065	7.761	3,9%

Consolidated statement of financial position

(in thousand EUR)	31 Dec 2019	31 Dec 2018	Δ in %
ASSETS			
Cash and bank accounts	6.734	2.628	156,3%
Loans to customers	79.005	48.051	64,4%
Prepayments	913	251	264,3%
Trade and other receivables	2.489	1.283	94,0%
Assets held for sale	5	387	-98,8%
Other financial investments	9.908	1.456	580,7%
Property, plant and equipment	1.025	496	106,4%
Right-of-use assets	2.850	0	100,0%
Intangible assets	3.326	740	349,7%
Total assets	**106.254**	**55.290**	**92,2%**
Liabilities and equity			
Liabilities			
Loans and bonds from investors	84.073	39.178	114,6%
Trade and other payables	1.031	618	66,9%
Current income tax liabilities	455	1.359	-66,5%
Deffered tax liabilities	289	489	-41,0%
Other liabilities	1.901	955	98,9%
Total liabilities	**87.749**	**42.600**	**106,0%**
Equity			
Share capital	10.000	10.000	0,0%
Legal reserve	398	28	1347,2%
Unrealized foreign exchange differences	72	378	-81,0%
Retained earnings	8.035	2.284	251,7%
Total equity	**18.506**	**12.690**	**45,8%**
Total equity and liabilities	**106.254**	**55.290**	**92,2%**

Consolidated statement of cash flows

(in thousand EUR)	12M/2019	12M/2018	Δ in %
Paid prepayments	-11.263	-6.263	79,8%
Received pre- and overpayments	12.754	9.312	37,0%
Paid trade payables	-10.728	-5.942	80,6%
Received debts from buyers and received other claims	681	68	902,3%
Received from collection companies	13.017	7.432	75,2%
Paid net salaries	-4.547	-2.311	96,8%
Paid tax liabilties, exc. CIT	-2.907	-1.473	97,3%
Corporate income tax paid (CIT)	-3.256	-1.403	132,0%
Paid out to customers	-76.199	-39.316	93,8%
Principal repayments from customers	40.275	20.429	97,1%
Interest, commission and other fees	17.362	8.761	98,2%
Net cash flows from operating activities	**-24.811**	**-10.706**	**131,8%**
Purchase of fixed assets	-840	-778	7,9%
Net cash flow from aquisition of subsidiaries	-2.604	-1.057	146,4%
Received from the sale of subsidiaries	159	0	100,0%
Payments for other financial investments	0	-1.456	-100,0%
Receipts from other financial investments	0	10	-100,0%
Net cash flows from investing activities	**-3.285**	**-3.280**	**0,1%**
Loans received from investors	85.006	26.081	225,9%
Repaid loans to investors	-47.778	-10.758	344,1%
Change in overdraft	4.168	1.974	111,2%
Change in MasterCard (MC) settlement account	-1.405	0	100,0%
Paid out loans to customers related to MC	-100	0	100,0%
Loan principal repayments from customers related to MC	476	0	100,0%
Principal payments of lease contracts	-865	0	100,0%
Paid interests	-5.166	-3.677	40,5%
Capital increase	0	3.200	-100,0%
Paid dividends	-2.248	-1.965	14,4%
Grants received	25	0	100,0%
Net cash flows from financing activities	**32.115**	**14.855**	**116,2%**
Change in cash and cash equivalents	**4.018**	**869**	**362,6%**
Cash and cash equivalents at the beginning of the year	**2.628**	**1.793**	**46,5%**
Change in cash and cash equivalents	4.018	869	362,6%
Net foreign exchange difference	87	-34	-354,6%
Cash and cash equivalents at the end of the year	**6.733**	**2.628**	156,2%

	31 Dec 2019	31 Dec 2018	Δ in %
Cash and cash equivalents comprises			
Cash on hand	53	1	4854,3%
Non-restricted current account	6.681	2.627	154,4%

Consolidated statement of changes in equity

(in thousand EUR)	Share capital	Legal reserve	Share premium	Unrealized foreign exchange differences	Retained earnings	Total
01.01.2018	**275**	**28**	**38**	**-127**	**4.476**	**4.690**
Effect of adoption of IFRS9	0	0	0	0	-996	**-996**
01.01.2018 (restated)	**275**	**28**	**38**	**-127**	**3.480**	**3.694**
Profit for the year	**0**	**0**	**0**	**0**	**7.256**	**7.256**
Other comprehensive income						
Foreign currency translation	0	0	0	505	0	**505**
Total comprehensive income	**0**	**0**	**0**	**505**	**7.256**	**7.761**
Contribution to share capital	31	0	3.169	0	0	**3.200**
Bonus issue of share capital	9.694	0	-3.206	0	-6.487	**0**
Dividends	0	0	0	0	-1.965	**-1.965**
31.12.2018	**10.000**	**28**	**0**	**378**	**2.284**	**12.690**
01.01.2019	**10.000**	**28**	**0**	**378**	**2.284**	**12.690**
Profit for the period	**0**	**0**	**0**	**0**	**8.371**	**8.371**
Other comprehensive income						
Foreign currency translation	0	0	0	-306	0	**-306**
Total comprehensive income	**0**	**0**	**0**	**-306**	**8.371**	**8.065**
Allocation to reserves	0	371	0	0	-371	**0**
Dividends	0	0	0	0	-2.249	**-2.249**
31.12.2019	**10.000**	**398**	**0**	**72**	**8.035**	**18.506**

Additional key performance indicators

Profitability	**12M/2019**	**12M/2018**	**Δ in %**
Return on average assets	10,4%	18,5%	-8,2%
Return on average equity	53,7%	83,5%	-29,8%
Interest Income/Average Interest Earning Assets	52,9%	45,7%	7,2%
Interest Income/Average Gross Loan Portfolio	61,6%	53,5%	8,1%
Interest Income/Average Net Loan Portfolio	74,0%	66,1%	7,9%
Interest Expense/Interest Income	19,1%	17,1%	2,0%
Cost Of Funds	13,8%	12,7%	1,1%
Cost Of Interest Bearing Liabilities	14,6%	13,7%	0,9%
Net interest margin	56,2%	50,4%	5,8%
Net effective annualised yield	83,5%	76,1%	7,4%
Net impairment / interest income	23,3%	45,9%	-22,6%
Net Fee & Commission Income/Total Operating Income	99,5%	102,4%	-2,9%
Earnings Before Taxes/Average Total Assets	13,0%	24,3%	-11,3%
Efficiency	**12M/2019**	**12M/2018**	**Δ in %**
Total Assets/Employee, (in thousand EUR)	306	237	28,9%
Total Operating Income/Employee, (in thousand EUR)	146	139	5,2%
Cost/Income Ratio	42,8%	28,8%	14,0%
Total Recurring Operating Costs/Average Total Assets	4,2%	4,6%	-0,4%
Total Operating Income/ Average Total Assets	62,9%	82,7%	-19,9%
Personnel Costs/Total Recurring Operating Costs	184,2%	214,4%	-30,3%
Personnel Costs/Total Operating Income	12,4%	12,0%	0,4%
Net Operating Income/Total Operating Income	60,8%	56,1%	4,7%
Net Income (Loss)/Total Operating Income	16,5%	22,4%	-5,9%
Profit before tax (Loss)/Interest income	22,3%	42,0%	-19,8%
Liquidity	**12M/2019**	**12M/2018**	**Δ in %**
Net Loan Receivables/Total Assets	74,4%	86,9%	-12,6%
Average Net Loan Receivables/Average Total Assets	78,7%	87,4%	-8,7%
Net Loan Receivables/Total Liabilities	90,0%	112,8%	-22,8%
Interest Earning Assets/Total Assets	83,7%	89,5%	-5,9%
Average Interest Earning Assets/Average Total Assets	85,7%	89,2%	-3,5%
Liquid Assets/Total Assets	15,7%	7,4%	8,3%
Liquid Assets/Total Liabilities	19,0%	9,6%	9,4%
Total Deposits/Total Assets	4,7%	0,0%	4,7%
Total Deposits/Total Liabilities	5,7%	0,0%	5,7%
Total Deposits/Shareholders' Equity	27,1%	0,0%	27,1%
Tangible Common Equity/Tangible Assets	14,7%	21,9%	-7,2%
Tangible Common Equity/Net Receivables	19,2%	24,9%	-5,7%
Net Loan Receivables/Equity, Times	4,3	3,8	12,7%
Asset quality	**12M/2019**	**12M/2018**	**Δ in %**
Loan Loss Reserve/Gross Receivables from Client	14,2%	20,6%	-6,4%
Average Loan Loss Reserve/Average Gross Receivables from Clients	16,8%	20,2%	-3,4%
Cost of risk	14,3%	24,6%	-10,2%
Gross NPL ratio	16,1%	17,4%	-1,3%
Impairment coverage ratio	88,5%	118,3%	-29,8%
Selected operating data	**12M/2019**	**12M/2018**	**Δ in %**
Number of employees adjusted to full-time	347	233	49,1%
Average monthly gross salary in group (in EUR)	1.126	1.020	10,4%

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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