IuteCredit reports unaudited results for 6M/2021

Returning to real growth

Operational Highlights

- Loan payouts increasing y-o-y with record-high months in May and June with Balance sheet up 6,1% to 123,7 million EUR.
- Number of loans signed up y-o-y 47,9% to 137.367 (6M/2020: 92.880) steadily increasing as of June.
- Principal amount of loans issued increased 49,7% to 74.723 million EUR (6M/2020: 49.914 million EUR).
- Gross loan portfolio up 8,7% to 103,3 million EUR (31 December 2020: 95,0 million EUR).
- Repayment discipline (Customer Performance Index, CPI30) further improving to 86,9%.
- Net loan portfolio up 11.3% to 88,1 million EUR (31 December 2020: 79,2 million EUR).
- EUR 3.0 million cash inflow from court-appointed liquidator of the business activities in Kosovo.

Strategic Highlights

- Increasing geographical and product diversification.
- Next successful steps for an extraordinary customer experience in an IuteCredit ecosystem with additional services, such as insurance brokerage, certain data certificates, etc.
- Strong growth in the digitalization of IuteCredit countries towards a fully digital customer journey and the imminent breakthrough of online shopping.

Financial Highlights

- Interest and commission fee income up 3,0% to 23,4 million EUR (6M/2020: 22,7 million EUR) affected by steadily increasing payouts compared to the 13,9% increase in the average net loan portfolio.
- Net interest and commission fee income down 1,1% to 17,0 million EUR (6M/2020: 17,1 million EUR) in connection with bond issue related to expected business growth.
- Total income up 1,1% to 29,2 million EUR (6M/2020: 28,9 million EUR).
- Cost to income ratio at 36,0% (6M/2020: 27,1%) as result of recovering business activity and the related normalization of costs.
- EBITDA increased by 13,9% to 11,3 million EUR (6M/2020: 9,9 million EUR).
- Net profit more than doubled to 3,0 million EUR (6M/2020: 1,3 million EUR).
- Strong capitalization and profitability exceeding Eurobond covenants.

Statement of the Management

Q2/2021 is the first quarter of real growth we have eagerly expected since last autumn. Exceeding 29 mEUR for all financial services of the Group in H1/2021, we even achieved a new record in total revenue. The trend of irreversible and constantly accelerating digitalization is also reflected in the flourishing business of IuteCredit. In the first six months of 2021, we generated more than 6% of total revenue from various services related to payments, cards and cash transactions via IuteCredit's proprietary ATMs that can be accessed easily and fast with a smartphone. All without the need for a debit or credit card. And even more, over 20% of all customers signings in the Q2/2021 were smartphone-based, using either one-time-passwords or biometrics. And last but not least, MyIute app has already been downloaded by more than 50,000 people, even though it was not launched until Q1/2021. Having said that, our customers continued to take out and repay more loans.

The ongoing breakthrough of digitalization is directly reflected in improving IuteCredit's profitability. As a result, we are able to reduce product pricing and decrease the margins even in the face of competition, while at the same time increasing business volume. We make more money with economies of scale that result in an improved revenue/OPEX ratio. Consolidated assets climbed from 116 million EUR to 123 million EUR as the net loan portfolio grew from 81 million EUR to 88 million EUR. Similar growth applied to the gross loan portfolio. In contrast, liabilities to investors only increased from 94 million EUR to 98 million EUR. In short, IuteCredit makes money with the right mix of product parameters, customer experience, digitalization, risk management and the winning team of 438 people.

At the same time, the interest rate structures, and maturities of our products are changing. Currently, newly issued loans' average APR stands just above 50% while maturity is longer than 20 months. In the same period of the previous year, we were still at about 60% and about 16 months. Loan repayment discipline, measurable as a ratio of actual incoming repayments cashflow versus expected repayments cashflow, with maximum delay tolerance of 30 days, remains close to 90%. We recover more than 40% of defaulted principal within the first 180 days from the date of default.

Free cash position at 15 million EUR remains high as we continue to actively seek growth opportunities. Investment priority for IuteCredit is our mission to offer extraordinary experience in the field of personal finance. In other words, people need instant payment solutions and other services, which are not offered by today's banks. At the same time, our experience from the end of the previous year has shown that investors are also willing to place more capital at work into IuteCredit at short notice if an appropriate opportunity arises. As to seeking growth, we follow potato farming in our approach. We only take action, if we see a realistic way of recovering the invested capital faster than in a lifetime and can reach ambitious gains beyond the capital invested.

The markets are returning to cautious optimism, which is visible in loan applications increase. We look impatiently forward to Q3/2021 and expect it to offer new opportunities for the Company and its investors. Given the past performance and prudent future projections, we are even more optimistic that 2021 total revenue will exceed 55 million EUR while the net profit should surpass 6 million EUR. An increase in total assets to 170 million EUR by the end of 2021 also remains a realistic target.

Tarmo Sild
CEO of IuteCredit Group

Key consolidated financial figures

	30 Jun 2021	31 Dec 2020	Δ in %
Capitalization			
Gross loan portfolio (in thousand EUR)	103.344	95.046	8,7%
Net loan portfolio (in thousand EUR)	88.115	79.186	11,3%
Assets (in thousand EUR)	123.730	116.619	6,1%
Equity (in thousand EUR	22.956	21.488	6,8%
Equity to assets ratio	18,6%	18,4%	0,1%
Capitalization ratio	26,1%	27,1%	-1,1%
Interest coverage ratio	2,0	1,9	6,1%
	6M/2021	**6M/2020**	**Δ in %**
Profitability			
Interest income	23.413	22.720	3,0%
Net interest margin	20,3%	23,5%	-3,2%
Cost to income ratio	36,0%	27,1%	8,9%
Post-allowances operating profit margin	14,2%	12,6%	1,7%
EBITDA	11.319	9.940	13,9%
Profit margin before tax	14,2%	12,1%	17,4%
Net profit	3.026	1.305	132,0%
Return on assets	2,5%	1,3%	1,2%
Return on equity	13,6%	7,0%	6,7%
	30 Jun 2021	**31 Dec 2020**	**Δ in %**
Asset quality			
Cost of risk	17,4%	20,0%	-13,0%
Impairment coverage ratio	75,4%	71,1%	4,3%
Gross NPL ratio	19,5%	23,5%	-4,0%
Net NPL ratio	11,8%	16,6%	-4,8%

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About IuteCredit:

IuteCredit - established in 2008 - is a leading European personal finance company. The Group is specialized in consumer credits via its 100% subsidiaries using equity and loan capital. IuteCredit serves customers currently in Moldova, Albania, North Macedonia, Bulgaria as well as Bosnia and Herzegovina.

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

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

www.iutecredit.com

MANAGEMENT REPORT

Company Overview

AS IuteCredit Europe (**ICE**) is a holding company that issues consumer credits and offers personal finance services via its 100% owned operating subsidiaries in local markets (**Subsidiaries**). As of 30 June 2021, ICE had eight operating subsidiaries: ICS OMF IuteCredit SRL (**ICM**) in Moldova, IuteCredit Albania SHA (**ICA**), 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 and VeloxPay SH.P.K (**Velox**) in Albania.

IutePay Albania SH.P.K. (**IutePay Albania**), incorporated on 2 July 2018, remained in inactive status until the liquidation date of 15 September 2020.

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, followed in November 2020 by a EUR 10 million tap.

The Subsidiaries and ICE together form the IuteCredit Group (**ICG**). ICG consisted of nine companies, regardless that one of them was unconsolidated and reclassified.

ICE is responsible for strategic management, including:

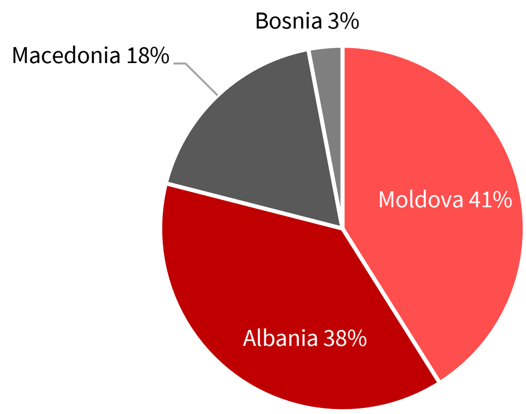
- Strategic targeting
- Organizational structure and manning of the management teams
- Human resource and customer experience framework rules and targeting guidance
- Financial management framework rules and targeting guidance
- Sales and marketing framework rules and targeting guidance
- Service process design and technological development
- Risk management, including loan products approval and general compliance framework
- Data harvesting
- Technology development and outsourcing
- 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 pledge (usually pledge on the car) secured loans with maturities of up to 60 months. The median loan amount is above 400 EUR, whereas loan amounts range between 25 EUR and 10 thousand EUR. The weighted average annual percentage rate (APR) is 56% and effective interest rate (EIR) 75% depending on the loan amount, maturity, and status of the customer (new or recurring client with good payment history).

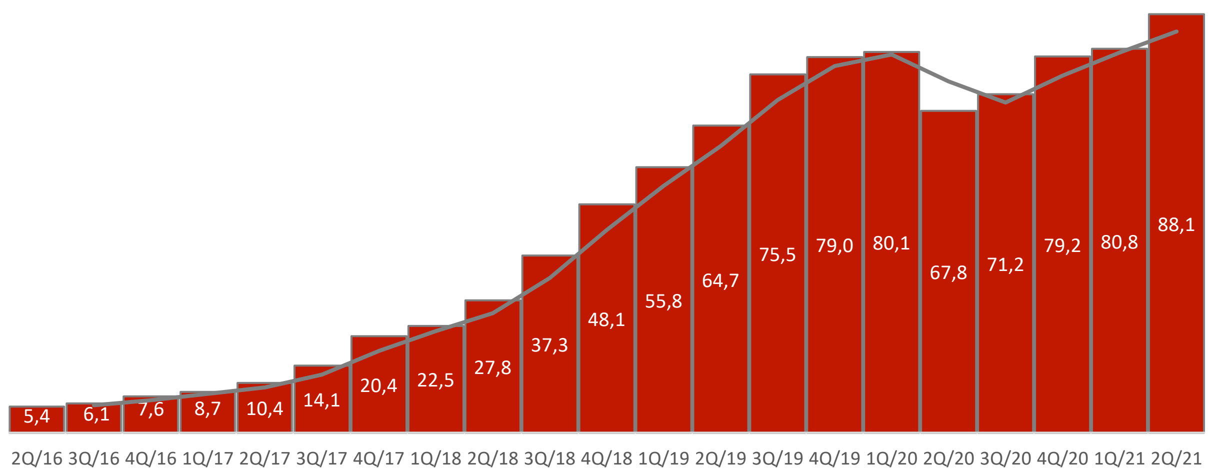
Breakdown of portfolio diversification as of 30/06/2021



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 58% of loan applications by individual customers across the Group are approved on average.

Loans are handled via established partners network (such as shops, money transfer companies, postal agencies), web portals and other online channels, as well as IuteCredit branches (retail offices). By the end of June 2021, IuteCredit had 43 IuteCredit branches and almost 1.300 shops. Traditionally, ICG handles money only via bank accounts or over the counter through its agents. With the introduction of IuteCredit ATMs, the operating country subsidiaries are increasingly carrying out cash transactions.

Breakdown of net portfolio development in EUR (million)



Earnings, financial and asset position

Condensed statement of profit and loss

(in thousand EUR)	6M/2021	6M/2020	Δ in %
Interest and similar income	23.413	22.720	3,0%
Interest and similar expense	-6.463	-5.575	15,9%
Net interest and commission fee income	**16.950**	**17.145**	**-1,1%**
Loan administration fees and penalties	4.294	3.267	31,4%
Total loan administration fees and penalties	**4.294**	**3.267**	**31,4%**
Other income	1.499	2.888	-48,1%
Allowances for loan impairment	-8.612	-11.859	-27,4%
Net operating income	**14.131**	**11.441**	**23,5%**
Personnel expenses	-4.146	-3.901	6,3%
Depreciation/amortization charge	-1.239	-754	64,4%
Other operating expenses	-5.129	-3.175	61,5%
Total operating expenses	**-10.514**	**-7.829**	**34,3%**
Foreign exchange gains/losses	-297	-868	-65,7%
Total foreign exchange gains/losses	**-297**	**-868**	**-65,7%**
Profit before tax	**3.319**	**2.744**	**21,0%**
Income tax expense	-293	-1.439	-79,6%
Net profit for the period	**3.026**	**1.305**	**131,9%**

IuteCredit's business model is focused on performing customers and avoiding poorly performing or defaulting customers. Accordingly, fee income predominantly results from performing customers and primary fees. Primary loan agreement commission fees are charged for receiving, processing loan applications and issuing loans, or modifying valid loan conditions. Interest is charged on the outstanding principal loan amounts. Other primary fees are charged for various services. Secondary fees are applied as a consequence of non-performance of loan repayment payments on the due date. Secondary fees are used to offset the Group's exposure to payments past due related to the original loan agreements. Secondary fees are accounted as collected, whereas primary fees are accounted as accrued.

Total income

Total income before expenses consisting of interest income and similar income, penalties and similar income, and other income increased by 1,1% to 29.206 thousand EUR (6M/2020: 28,875 thousand EUR).

Breakdown of total income

(in thousand EUR)	6M/2021	6M/2020	Δ in %
Interest and similar income	23.413	22.720	3,0%
Penalties and similar income	4.294	3.267	31,4%
Other income	1.499	2.888	-48,1%
Total income	**29.206**	**28.875**	**1,1%**

Other income

Other income in 6M/2021 of 1.499 thousand EUR included, in particular, income of 777 thousand EUR from sales of defaulted loan portfolio and extraordinary income from debt collectors of 637 thousand EUR.

Interest income

Interest income for the period increased by 3,0% to 23.413 thousand EUR (6M/2020: 22.720 thousand EUR), affected by steadily increasing payouts compared to the 13,9% increase in the average net loan portfolio.

Breakdown of interest income

(in thousand EUR)	6M/2021	6M/2020	Δ in %
Total value of loan principal issued	74.723	49.914	49,7%
Average net loan portfolio	83.651	73.418	13,9%
Principal	87.838	75.575	16,2%
Accrued interest	15.507	14.395	7,7%
Average annualized interest rate on net portfolio	56,3%	56,2%	0,1%
Interest income	23.413	22.720	3,0%

Breakdown of interest income by countries

	6M/2021	Total share in %	6M/2020	Total share in %	Δ in %
Moldova	10.022	42,8%	12.367	54,4%	-19,0%
Albania	8.976	38,3%	7.755	34,1%	15,7%
Macedonia	3.458	14,8%	1.927	8,5%	79,4%
Bosnia	936	4,0%	671	3,0%	39,4%
Bulgaria	22	0,1%	0	0,0%	n/a
Total	**23.413**	**100,0%**	**22.720**	**100,0%**	**3,0%**

The change in interest income in Moldova resulted from the implementation of legally impermissible charging of interest after the termination of a loan agreement.

Interest expense

Interest expense increased by 15.9% to 6.463 thousand EUR (6M/2020: 5.575 thousand EUR), in connection with the borrowing related to the expected growth of business. Most notably, was the tap issue of 10 million EUR to the four-year corporate bond 2019/23 in November 2020.

Breakdown of interest expense

(in thousand EUR)	6M/2021	6M/2020	Δ in %
Interest on amounts due to creditors	-2.950	-2.828	4,3%
Interest on financial lease liabilities	-62	-48	29,3%
Interest on bonds	-3.452	-2.699	27,9%
Total	**-6.463**	**-5.575**	**15,9%**

Loan administration fees and penalties

Income from other fees and penalties increased by 31,1% to 4.294 thousand EUR (6M/2020: 3.267 thousand EUR) reflecting penalties and delay interests, resigns, deduction by dealer bonuses, and other secondary fees.

Breakdown of administration fees and penalties

(in thousand EUR)	6M/2021	6M/2020	Δ in %
Penalties under loans and delay interests	4.716	3.251	45,1%
Resigns under customer loans	186	273	-31,8%
Dealer bonuses	-648	-257	152,3%
Other fees from additional services	40	0	n/a
Total	**4.294**	**3.267**	**31,4%**

Allowances for loan impairment

Change in allowances for loan impairment decreased to 8.612 thousand EUR (6M/2020: 11.915 thousand EUR) in line with an intentionally more conservative provisioning approach as a response to the COVID-19 pandemic creating an additional risk buffer.

Breakdown of allowances for loan impairment

(in thousand EUR)	6M/2021	6M/2020	Δ in %
At the beginning of the period	**-15.859**	**-13.100**	**21,1%**
Allowances for loan impairment	-8.612	-11.915	-27,7%
Utilized	9.270	2.818	228,9%
Exchange differences	-27	58	-146,6%
At the end of the period	**-15.229**	**-22.139**	**-31,2%**

(in thousand EUR)	6M/2021	6M/2020	Δ in %
Impairment charges on loans	-9.441	-11.915	-20,8%
Recovery from written-off loans	829	56	>1.000%
Net impairment charges	**-8.612**	**-11.859**	**-27,4%**

With the start of monthly amortization from October 2020, the figures are not comparable between the periods. In 6M/2021, the amount utilized is split between the sale of defaulted ICA loan portfolio with 2,7 million EUR and monthly write-offs. The prior-year period solely included the sale of defaulted ICA loan portfolio.

Overall net impairment losses represented 36,8% of interest income (6M/2020: 52,2%). The cost of risk, expressed as net impairment charges to average gross loan portfolio, equaled 8,7% (31 December 2020: 20,0%).

Operating expenses

Operating expenses for the period increased by 31,1% to 9.275 thousand EUR (6M/2020: 7.076 thousand EUR) related to the recovery of business activity. Advertising expenses accounted for 9,8% (6M/2020: 8,2%) of operating expenses. The cost to income ratio for the period increased to 36,0% (6M/2020: 27,1%).

Breakdown of operating expenses

(in thousand EUR)	6M/2021	6M/2020	Δ in %
Personnel	-4.146	-3.901	6,3%
Advertising expenses	-908	-578	57,2%
IT	-767	-551	39,2%
Debt collection	-420	-155	171,1%
Legal and consulting	-333	-282	18,1%
Rent and utilities	-109	2	>-1.000%
Taxes	-1.136	-612	85,7%
Travel	-237	-105	125,7%
Other	-1.218	-894	36,2%
Total	**-9.275**	**-7.076**	**31,1%**

Excluding personnel expenses, operating expenses increased by 61,5% to 5.129 thousand EUR (6M/2020: 3.175 thousand EUR).

Personnel expenses

Personnel expenses, mainly salaries and bonuses, and social security expenses increased less than the build-up in headcount by 6,3% to 4.146 thousand EUR (6M/2020: 3.901 thousand EUR), mostly related to the employment of highly qualified specialists (in-house IT department). The average staff number in full-time equivalents increased by 17,0% to 420 employees (6M/2020: 359 employees).

Breakdown of personnel expenses

(in thousand EUR)	6M/2021	6M/2020	Δ in %
Salaries and bonuses	-3.588	-3.277	9,5%
Social security expenses	-451	-525	-14,0%
Medical insurance expenses	-78	-47	64,2%
Other expenses	-29	-51	-43,5%
Total	**-4.146**	**-3.901**	**6,3%**
Number of employees adjusted to full-time	420	359	17,0%

Foreign exchange gains/losses

Foreign exchange movements resulted in a loss of 297 thousand EUR (6M/2020: 868 thousand EUR) reflecting, in particular, EUR/MDL and EUR/ALL conversion rates.

Profit before tax

Consolidated profit before tax increased by 21,0% to 3.319 thousand EUR (6M/2020: 2.744 thousand EUR). The profit margin before tax equaled 14,2% (6M/2020: 12,1%).

Income tax expense

Income tax expense decreased by 131,9% to 239 thousand EUR (6M/2020: 1.439 thousand EUR), in particular, as a result of different taxation regulations in home markets, i.e., differences between provisions accounting in national GAAP and IFRS.

Breakdown of income tax

(in thousand EUR)	6M/2021	6M/2020	Δ in %
Consolidated profit before tax	3.319	2.744	21,0%
Current income tax expense	-293	-1.439	-79,6%
Net profit for the period	**3.026**	**1.305**	**131,9%**

Profit for the period

Net profit for the period increased by 131,9% to 3.026 thousand EUR (6M/2020: 1.305 thousand EUR).

Transition statement of non-IFRS measures EBITDA and Adjusted EBITDA

Breakdown of transition to adjusted EBITDA

(in thousand EUR)	6M/2021	6M/2020	Δ in %
Profit for the period	3.026	1.305	131,9%
Provision for corporate income tax	293	1.439	-79,6%
Interest expense	6.463	5.575	15,9%
Depreciation and amortization	1.239	754	64,3%
EBITDA	**11.022**	**9.073**	**21,5%**
Adjustments	-297	-868	-65,7%
Adjusted EBITDA	**11.319**	**9.940**	**13,9%**

Breakdown of adjustments to EBITDA

(in thousand EUR)	6M/2021	6M/2020	Δ in %
Foreign exchange gains/losses	-297	-868	-65,7%
Adjustments	**-297**	**-868**	**-65,7%**

Condensed statement of financial position

(in thousand EUR)	30 Jun 2021	31 Dec 2020	Δ in %
ASSETS			
Cash and bank accounts	14.927	19.453	-23,3%
Loans to customers	88.115	79.187	11,3%
Prepayments	2.584	1.297	99,2%
Other assets	4.008	2.702	48,3%
Other financial investments	5.963	7.196	-17,1%
Property, plant and equipment	1.107	978	13,2%
Right-of-use assets	2.053	2.113	-2,8%
Intangible assets	4.973	3.693	34,7%
Total assets	**123.730**	**116.619**	**6,1%**
LIABILITIES AND EQUITY			
Liabilities			
Loans and bonds from investors	97.563	91.434	6,7%
Trade and other payables	1.036	1.051	-1,5%
Current income tax liabilities	5	238	-98,1%
Deferred tax liabilities	395	655	-39,7%
Other liabilities	1.776	1.753	1,3%
Total liabilities	**100.775**	**95.131**	**5,9%**
Equity			
Share capital	10.000	10.000	0,0%
Legal reserve	537	537	0,0%
Unrealized foreign exchange differences	-1.747	-1.689	3,4%
Retained earnings	14.166	12.640	12,1%
Total equity	**22.956**	**21.488**	**6,8%**
Total equity and liabilities	**123.730**	**116.619**	**6,1%**

Assets

Total assets increased by 6,1% to 123.730 thousand EUR as of 30 June 2021 (31 December 2020: 116.619 thousand EUR), among other things as a result of the cash inflow of EUR 3.0 million from the court-appointed liquidator of the business activities in Kosovo.

Loan portfolio

The net loan portfolio increased by 11.3% to 88.115 thousand EUR as of 30 June 2021 (31 December 2020: 79.186 thousand EUR).

Breakdown of net portfolio

(in thousand EUR)	30 Jun 2021	Total in %	31 Dec 2020	Total in %	Δ in %
Moldova	35.758	40,6%	35.139	44,4%	1,8%
Albania	33.865	38,4%	30.037	37,9%	12,7%
Macedonia	15.461	17,5%	11.315	14,3%	36,6%
Bosnia	2.828	3,2%	2.695	3,4%	4,9%
Bulgaria	203	0,2%	0	0,0%	n/a
Total net loan portfolio	**88.115**	**100,0%**	**79.186**	**100,0%**	**11,3%**

Breakdown of loan applications

	6M/2021					6M/2020					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	98.285	60.076	56.922	61,1%	92,1%	79.082	46.365	41.756	58,6%	40,2%	24,3%	29,6%	4,3%
Albania	76.292	54.830	54.215	71,7%	94,4%	58.217	36.473	34.157	62,7%	41,0%	31,0%	50,3%	14,4%
Macedonia	37.629	22.508	22.575	59,8%	98,9%	25.516	14.921	14.545	58,5%	38,7%	47,5%	50,8%	2,3%
Bosnia	8.101	3.288	3.196	40,4%	97,0%	6.079	2.486	2.422	40,9%	69,8%	33,3%	32,3%	-1,3%
Bulgaria	4.902	528	459	13,8%	100,0%	0	0	0	0,0%	0,0%	n/a	n/a	n/a
In total	**225.209**	**141.230**	**137.367**	**62,7%**	**96,5%**	**168.894**	**100.245**	**92.880**	**59,4%**	**92,7%**	**33,3%**	**40,9%**	**5,6%**

Breakdown of issued loans APR on country level

(in %)	6M/2021	6M/2020	Δ in %
Moldova	58,7%	55,2%	6,4%
Albania	60,8%	63,1%	-3,7%
Macedonia	43,5%	38,9%	11,8%
Bosnia	59,7%	63,4%	-5,8%
Bulgaria	40,9%	0,0%	n/a
ICG weighted average	56,3%	56,2	0,1%

The increase in average annual percentage rates (APR) at group level in 6M/2021 despite the shift to longer loan maturities and the increasing share of repeating customers is attributable to, in particular, in Moldova, the lower proportion of dealers compared with the previous year due to lockdowns, while cash loans had higher APRs with lower payouts.

Breakdown of customer performance index (CPI30)

The following table sets out the ratio of actual loan repayments compared to expected repayments according to loan repayment schedules, plus 30 days tolerance, i.e., Customer Performance Index (CPI30).

(in %)	6M/2021	6M/2020	Δ in %
Moldova	85,9%	83,7%	2,6%
Albania	89,8%	81,0%	10,9%
Macedonia	86,5%	88,7%	-2,5%
Bosnia	70,2%	73,6%	-4,6%
ICG weighted average	**86,9%**	**82,9%**	**4,8%**

Customer repayment discipline (Customer Performance Index, CPI30) was driven by the shift to longer loan maturities and a growing share of repeating customers.

Breakdown of portfolio classification

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

	30 Jun 2021				31 Dec 2020			
(in thousand EUR)	Gross amount	Provisions	Net amount	% of net portfolio	Gross amount	Provisions	Net amount	% of net portfolio
Performing	83.144	-5.446	77.698	88,2%	72.751	-6.746	66.005	83,4%
Non-Performing	20.200	-9.783	10.417	11,8%	22.295	-9.113	13.182	16,6%
Total portfolio	**103.344**	**-15.229**	**88.115**	**100,0%**	**95.046**	**-15.859**	**79.187**	**100,0%**

(in thousand EUR)	30 Jun 2021	Total share in %	31 Dec 2020	Total share in %
Stage 1	75.910	86,1%	64.796	81,8%
Stage 2	1.788	2,0%	1.209	1,5%
Stage 3	10.417	11,8%	13.182	16,6%
Total net portfolio	**88.115**	**100,0%**	**79.187**	**100,0%**
Gross NPL ratio	**19,5%**		**23,5%**	
Impairment coverage ratio	**75,4%**		**71,1%**	

The total share of poorly performing loan portfolio (Stage 3) decreased starting monthly depreciation of fully impaired loans DPD 365 in October 2020.

Distribution principles between stages

	30 Jun 2021	31 Dec 2020
Stage 1	DPD <=30	DPD <=30
Stage 2	30 < DPD <=50	30 < DPD <=50
Stage 3	DPD > 50	DPD > 50

Other assets and prepayments

Breakdown of other assets and prepayments

(in thousand EUR)	30 Jun 2021	31 Dec 2020	Δ in %
Deferred tax assets	270	104	159,7%
Prepayments of rent	70	77	-9,7%
Prepayment of taxes	1.940	1.011	91,9%
Prepayments to suppliers and deferred expenses	304	105	189,3%
Prepayments in total	**2.584**	**1.297**	**99,2%**
Receivables from collection companies	624	292	113,5%
Other receivables	288	73	294,7%
Deposit receivables from partners	3.112	2.337	33,2%
Trade and other receivables in total	**4.024**	**2.702**	**48,9%**
TOTAL	**6.607**	**3.999**	**65,2%**

The increase in advance tax payments is based on the 2020 audited financial statements. Corresponding adjustments are to be incurred on the basis of the audited 2021 financial statements.

Liabilities

As of 30 June 2021, total liabilities increased by 5,9% to 100.775 thousand EUR (31 December 2020: 95.131 thousand EUR). The changes mainly relate to the tap issue of 10 million EUR to the four-year corporate bond 2019/23 in November 2020.

Breakdown of loans and borrowings

Loans and borrowings increased by 6,7% to 97.563 thousand EUR (31 December 2020: 91.434 thousand EUR), accounting for 96,8% of all liabilities (31 December 2020: 96,1%).

(in thousand EUR)		30 Jun 2021	31 Dec 2020	Δ in %
Loans from investors		**44.848**	**41.852**	**7,2%**
	Due date during next 12 months	21.714	23.803	-8,8%
	Due date after 12 months	23.135	18.049	28,2%
Bond liabilities		**47.812**	**44.596**	**7,2%**
	Due date during next 12 months	0	0	n/a
	Due date after 12 months	47.812	44.596	7,2%
Lease liabilities		**2.053**	**2.121**	**-3,2%**
	Due date during next 12 months	875	860	1,8%
	Due date after 12 months	1.178	1.261	-6,5%
Accrued interest		**2.849**	**2.866**	**-0,6%**
TOTAL		**97.563**	**91.434**	**6,7%**
	weighted average interest rate	*12,9%*	*13,1%*	
	currency	*EUR, MDL, USD; ALL; MKD*	*EUR, MDL, USD; ALL; MKD*	

Loans from investors increased to 44.848 thousand EUR (31 December 2020: 41.852 thousand EUR), of which 36.050 thousand EUR (31 December 2020: 32.232 thousand EUR) is accounted for by P2P loans from the Mintos platform.

IuteCredit Finance S.a.r.l., wholly owned Luxembourg subsidiary of ICG, issued and placed in August 2019 40 million EUR senior secured bonds (Eurobond), with a maturity of 4 years and a coupon of 13%, guaranteed by ICG and its subsidiaries.

In November 2020, a 10 million EUR tap at a price of 97 per cent followed. After the tap issue, the total amount outstanding of IuteCredit's 13% corporate bonds 2019/2023 amounts to 50 million EUR. The bonds are listed on the Regulated Market Frankfurt of Stock Exchange.

Eurobond covenant ratios

	30 Jun 2021	31 Dec 2020	Δ in %
Capitalization			
Capitalization ratio *(equity/net loan portfolio)*	26,1%	27,1%	-4,0%
Financial covenant at least	15%		
	6M/2021	**6M/2020**	**Δ in %**
Profitability			
Interest coverage ratio (ICR), times	2,0	1,8	13,1%
(adjusted EBITDA/interest expenses)			
Financial covenant at least	1,5		

Distribution of investor loan (Mintos)

	Mintos loans			Net loan portfolio			
(in thousand EUR)	**30 Jun 2021**	**31 Dec 2020**	**Δ in %**	**30 Jun 2021**	**Total share in %**	**31 Dec 2020**	**Total share in %**
Moldova	10.974	12.770	-14,1%	35.758	30,7%	35.139	36,3%
Albania	17.228	15.274	12,8%	33.865	50,9%	30.037	50,9%
Macedonia	7.848	4.188	87,4%	15.461	50,8%	11.315	37,0%
Bosnia	0	0	0,0%	2.828	0,0%	2.695	0,0%
Bulgaria	0	0	0,0%	203	0,0%	0	0,0%
Total	**36.050**	**32.232**	**11,8%**	**88.115**	**42,3%**	**79.186**	**42,1%**

Other liabilities

Breakdown of other liabilities

(in thousand EUR)	30 Jun 2021	31 Dec 20	Δ in %
Trade payables	1.036	1.051	-1,5%
Payables to employees	408	529	-22,8%
Corporate Income Tax payables	5	238	-98,1%
Other Tax payables	395	655	-39,7%
Dealer loan liabilities	308	115	167,6%
Over-/wrong payments from customers	439	411	6,9%
Other liabilities	620	689	-9,9%
TOTAL	**3.212**	**3.688**	**-12,9%**

Equity

As of 30 June 2021, equity increased by 6,8% to 22.956 thousand EUR (31 December 2020: 21.488 thousand EUR), representing an equity to assets ratio of 18,6% (31 December 2020: 18,4%). The equity to net loan portfolio ratio in line with the portfolio growth decreased to 26,1% (31 December 2020: 27,1%), reflecting the Group's strong capitalization, and exceeds IuteCredit Eurobond covenants of at least 15% significantly.

Off-balance sheet arrangements

Future receivable commission fees, guarantee fees, administration fees, collaterals of car loan credit and penalties (penalties are also called: secondary receivables) are not accounted in the Group's balance sheet, although the customers have a legally binding, irreversible obligation to pay those receivables in full according to the terms of signed loan agreements.

Outstanding debts of ICKO in front of Mintos, which was recognized as off-balance sheet for the Group as of 30 November 2019, was repaid by ICE in mid-June 2020.

Recent developments

Taking into account current market conditions, IuteCredit is also evaluating a range of financing options.

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated statement of comprehensive income

(in thousand EUR)	6M/2021	6M/2020	Δ in %
Interest and similar income	23.413	22.720	3,0%
Interest and similar expense	-6.463	-5.575	15,9%
Net interest and commission fee income	**16.950**	**17.145**	**-1,1%**
Loan administration fees and penalties	4.294	3.267	31,4%
Loan administration fees and penalties in total	**4.294**	**3.267**	**31,4%**
Other income	1.499	2.888	-48,1%
Allowances for loan impairment	-8.612	-11.859	-27,4%
Net operating income	**14.131**	**11.441**	**23,5%**
Personnel expenses	-4.146	-3.901	6,3%
Depreciation/amortization charge	-1.239	-754	64,4%
Other operating expenses	-5.129	-3.175	61,5%
Total operating expenses	**-10.514**	**-7.829**	**34,3%**
Foreign exchange gains/losses	-297	-868	-65,7%
Total foreign exchange gains/losses	**-297**	**-868**	**-65,7%**
Profit before tax	**3.319**	**2.744**	**21,0%**
Income tax expense	-293	-1.439	-79,6%
Profit for the reporting period	**3.026**	**1.305**	**132,0%**
Other comprehensive income			
Other comprehensive income to be classified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations	-58	-227	-74,7%
Other comprehensive income total	**2.969**	**1.078**	**175,5%**
Profit attributable to:			
Equity holders	2.969	1.078	175,5%
Total comprehensive income attributable to:			
Equity holders	2.969	1.078	175,5%

Consolidated statement of financial position

(in thousand EUR)	30 Jun 2021	31 Dec 2020	Δ in %
ASSETS			
Cash and bank accounts	14.927	19.453	-23,3%
Loans to customers	88.115	79.187	11,3%
Prepayments	2.584	1.297	99,2%
Other assets	4.008	2.702	48,3%
Assets held for sale	5.963	7.196	-17,1%
Other financial investments	1.107	978	13,2%
Property, plant and equipment	2.053	2.113	-2,8%
Right-of-use assets	4.973	3.693	34,7%
Intangible assets	**123.730**	**116.619**	**6,1%**
Total assets	14.927	19.453	-23,3%
LIABILITIES AND EQUITY			
Liabilities			
Loans and bonds from investors	97.563	91.434	6,7%
Trade and other payables	1.036	1.051	-1,5%
Current income tax liabilities	5	238	-98,1%
Deferred tax liabilities	395	655	-39,7%
Other liabilities	1.776	1.753	1,3%
Total liabilities	**100.775**	**95.131**	**5,9%**
Equity			
Share capital	10.000	10.000	0,0%
Legal reserve	537	537	0,0%
Unrealized foreign exchange differences	-1.747	-1.689	3,4%
Retained earnings	14.166	12.640	12,1%
Total equity	**22.956**	**21.488**	**6,8%**
Total equity and liabilities	**123.730**	**116.619**	**6,1%**

Consolidated statement of cash flows

(in thousand EUR)	6M/2021	6M/2020	Δ in %
Paid prepayments (-)	-10.726	-4.101	161,6%
Received pre- and overpayments (+)	15.257	22.168	-31,2%
Paid trade payables outside the Group (-)	-7.785	-5.589	39,3%
Received debts from buyers and received other claims (+)	1.732	142	>1.000%
Received from collection companies (+)	11.891	11.558	2,9%
Paid net salaries (-)	-3.103	-2.858	8,6%
Paid tax liabilities, exc. CIT (-)	-2.527	-1.425	77,4%
Corporate income tax paid (-)	-818	-827	-1,0%
Paid out to customers outside the Group (-)	-32.374	-20.511	57,8%
Change in MasterCard settlement account (+/-)	-8.457	-2.170	289,7%
Principal repayments from customers outside the Group (+)	21.845	15.662	39,5%
Loan principal repayments from customers related to MasterCard (+)	5.031	1.268	296,7%
Interest, commission and other fees received outside the Group (+)	9.209	6.899	33,5%
NET CASH FLOWS FROM OPERATING ACTIVITIES	**-825**	**20.216**	**-104,1%**
Purchase of fixed assets outside the Group, incl. prepayments (-)	-810	-153	429,7%
Payments for other financial investments (-)	-170	-1.511	-88,7%
Receipts from other financial investments (+)	6.750	504	100,0%
NET CASH FLOWS FROM INVESTING ACTIVITIES	**5.769**	**-1.160**	**-597,3%**
Loans received from investors outside the Group (+)	18.020	18.367	-1,9%
Repaid loans to investors outside the Group (-)	-20.815	-22.927	-9,2%
Change in overdraft (+/-)	0	-5.162	-100,0%
Principal payments of financial lease contracts (-)	-487	-420	16,0%
Interests paid outside the Group (-)	-4.735	-4.090	15,8%
Dividends paid outside the Group (-)	-1.499	-499	200,3%
Payments for other financing activities (-)	0	-38	100,0%
Receipts from other financing activities (+)	0	3	100,0%
NET CASH FLOWS FROM FINANCING ACTIVITIES	**-9.516**	**-14.766**	**-35,6%**
Change in cash and cash equivalents	**-4.572**	**4.290**	**-206,6%**
Cash and cash equivalents at the beginning of the period	**19.453**	**6.734**	**188,9%**
Change in cash and cash equivalents	-4.572	4.290	-206,6%
Net foreign exchange difference	46	-206	-122,2%
Cash and cash equivalents at the end of the period	**14.927**	**10.818**	**38,0%**

Cash and cash equivalents comprise	6M/2021	6M/2020	Δ in %
Cash on hand	418	5	>1.000%
Non-restricted current account	14.509	10.813	34,2%

Consolidated statement of changes in equity

(in thousand EUR)	Share capital	Legal reserve	Share premium	Unrealized foreign exchange differences	Retained earnings	Total
01/01/20	**10.000**	**398**	**0**	**72**	**8.035**	**18.505**
Profit for the year	**0**	**0**	**0**	**0**	**1.305**	**1.305**
Other comprehensive income						
Foreign currency translation	0	0	0	-227	0	**-227**
Total comprehensive income	**0**	**0**	**0**	**-227**	**1.305**	**1.078**
Contribution to share capital	0	139	0	0	-139	0
Dividends	0	0	0	0	-638	**-638**
30/06/20	**10.000**	**537**	**0**	**-155**	**8.563**	**18.945**
01/01/21	**10.000**	**537**	**0**	**-1.689**	**12.639**	**21.487**
Profit for the period	**0**	**0**	**0**	**0**	**3.026**	**3.026**
Other comprehensive income						
Foreign currency translation	0	0	0	-58	0	**-58**
Total comprehensive income	**0**	**0**	**0**	**-58**	**3.026**	**2.969**
Allocation to reserves	0	0	0	0	0	0
Dividends	0	0	0	0	-1.500	**-1.500**
30/06/21	**10.000**	**537**	**0**	**-1.747**	**14.165**	**22.956**

Additional key performance indicators

Profitability	6M/2021	6M/2020	Δ in %
Return on average assets	2,5%	1,3%	1,2%
Return on average equity	13,6%	7,0%	6,7%
Interest income/Average interest earning assets	22,3%	22,5%	-0,3%
Interest income/Average gross loan portfolio	23,6%	25,0%	-1,4%
Interest income/Average net loan portfolio	26,7%	30,1%	-3,4%
Interest expense/Interest income	27,6%	24,5%	3,1%
Cost of funds	6,6%	6,7%	-0,1%
Cost of interest-bearing liabilities	6,8%	7,0%	-0,2%
Net interest margin	20,3%	23,5%	-3,2%
Net effective annualized yield	28,0%	37,9%	-9,9%
Net impairment/interest income	36,8%	52,2%	-15,4%
Net fee and commission income/Total operating income	94,9%	90,0%	4,9%
Earnings before taxes/Average total assets	2,8%	2,7%	0,1%
Efficiency	**6M/2021**	**6M/2020**	**Δ in %**
Total assets/Employee (in thousand EUR)	295	316	-6,8%
Total operating income/Employee (in thousand EUR)	70	80	-13,1%
Cost/Income ratio	36,0%	27,1%	8,9%
Total recurring operating costs/Average total assets	1,9%	1,0%	0,9%
Total operating income/ Average total assets	24,3%	28,4%	-4,1%
Personnel costs/Total recurring operating costs	184,1%	389,3%	-205,2%
Personnel costs/Total operating income	14,2%	13,5%	0,7%
Net operating income/Total operating income	48,4%	39,6%	8,8%
Net income (Loss)/Total operating income	10,4%	4,5%	5,8%
Profit before tax (Loss)/Interest income	14,2%	12,1%	2,1%
Liquidity	**6M/2021**	**6M/2020**	**Δ in %**
Net loan receivables/Total assets	71,2%	67,9%	3,3%
Average net loan receivables/Average total assets	73,1%	74,5%	-1,4%
Net loan receivables/Total liabilities	87,4%	83,2%	4,2%
Interest earning assets/Total assets	85,0%	86,4%	-1,4%
Average interest earning assets/Average total assets	85,7%	82,3%	3,4%
Liquid assets/Total assets	16,9%	22,9%	-6,0%
Liquid assets/Total liabilities	20,7%	28,0%	-7,3%
Total deposits/Total assets	0,6%	0,1%	0,5%
Total deposits/Total liabilities	0,7%	0,1%	0,6%
Total deposits/Shareholders' equity	3,1%	0,6%	2,5%
Tangible common equity/Tangible assets	15,1%	15,8%	-0,6%
Tangible common equity/Net receivables	20,4%	22,5%	-2,1%
Net Loan Receivables/Equity (times)	3,8	3,7	4,2%
Asset quality	**6M/2021**	**31 Dec 2020**	**Δ in %**
Loan loss reserve/Gross receivables from client	14,7%	16,7%	-2,0%
Average loan loss reserve/Average gross receivables from clients	15,7%	15,5%	0,2%
Cost of risk	8,7%	20,0%	-11,3%
Gross NPL ratio	19,5%	23,5%	-4,0%
Impairment coverage ratio	75,4%	71,1%	4,3%
Selected operating data	**6M/2021**	**6M/2020**	**Δ in %**
Number of employees (adjusted to full-time)	420	359	17,0%
Average monthly gross salary in group (in EUR)	712	1.520	-53,2%

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 – Intangible IT assets (software and developments costs)

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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IMPRINT

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