

NINE-MONTH REPORT

**FOR THE PERIOD
1 JANUARY –
30 SEPTEMBER 2020**

ferratum

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COMPANY OVERVIEW AND BUSINESS MODEL

Ferratum Oyj and its subsidiaries form the Ferratum Group ("Ferratum" or the "Group"), which is a leading international provider of mobile and digital financial services for consumers and small businesses.

We have built our online financial ecosystem for, and with our customers during our 15 years of operations. Our financial ecosystem is designed to transcend the hassle of physical banking and financial transactions and transform it into a paperless and borderless real-time experience. Our data-driven approach to credit-scoring and knowing our customers puts us at the forefront of the financial revolution.

Ferratum's offerings are distributed online and via its mobile channels and the Group currently reaches more than 24 million visits annually. In addition to its lending offerings, Ferratum offers mobile banking solutions to consumers in selected markets, as well as white label and partner solutions to enterprises.

Ferratum, headquartered in Helsinki, Finland, was established in 2005 and serves more than 560,000 active customers (as of 30 September 2020). The Group operates in 20 countries across Europe, North America, South America, Africa and the Asia-Pacific region.

Ferratum Bank p.l.c., is a wholly owned subsidiary of Ferratum Oyj. The bank is licensed by the Malta Financial Services Authority (MFSA) allowing Ferratum to passport financial services and products to all European Economic Area (EEA) member states.

Over the past 15 years, we have developed proprietary credit scoring algorithms that can deliver instant credit decisions digitally, allowing us to make fully risk-assessed lending decisions at a pace unmatched by the traditional banking and lending industries. Our technology and services have been built around real customer behaviour and experience, enabling us to offer secure, easy-to-use, real-time digital products. We can also diversify the range of products available in our countries of operation, as we quickly understand the credit behaviour of customers in each new market. We

are driving growth geographically as well as through new product innovations by using big data technology and by centralising IT systems and core functions, such as customer service and collections.

The Group offers a comprehensive product portfolio to both retail and business customers. The offering includes consumer credits in amounts up to EUR 20,000 for terms up to 10 years and instalment loans for small businesses up to EUR 350,000 with a term of 6 to 24 months.

Ferratum's vision is to innovate and to operate a proprietary global digital financial platform, enabling the Group not only to distribute financial services directly to consumers and businesses, but leveraging the technology to partners with "plug-and-play" and "Banking-as-a-Service" concepts.

On the path to becoming the "Most valued Financial Platform", Ferratum has developed its own proprietary core mobile banking platform, the Mobile Wallet. The Mobile Wallet is to be rolled-out throughout Europe and Ferratum will position the Mobile Wallet into the center of its customer communications.

Ferratum Group is listed on the Prime Standard of Frankfurt Stock Exchange under the symbol 'FRU'.

9M HIGHLIGHTS

EUR 176.7M

Group revenue down
19.0% year-on-year

EUR 2.1M

Profit before tax (EBT)

EUR 19.3M

Operating profit (EBIT)

EUR 0.03

EPS (basic)

10.9%

EBIT margin

BOARD OF DIRECTORS REPORT 9M 2020

Financial Overview

Financial highlights, EUR '000	Jan - Sep 2020	Jan - Sep 2019
REVENUE	176,678	218,086
Operating profit	19,288	33,511
Profit before tax	2,050	19,693
Net cash flows from operating activities before movements in loan portfolio and deposits received	83,270	113,702
Net cash flow from operating activities	170,815	12,101
Net cash flow from investing activities	(9,569)	(11,694)
Net cash flow from financing activities	(43,957)	19,584
Net increase/decrease in cash and cash equivalents	117,289	19,990
Profit before tax %	1.2	9.0

Financial highlights, EUR '000	30 Sep 2020	31 Dec 2019
Loans and advances to customers	345,844	386,167
Deposits from customers	362,711	242,161
Cash and cash equivalents	266,940	155,518
Total assets	692,800	618,827
Non-current liabilities	238,596	174,236
Current liabilities	326,538	315,453
Equity	127,666	129,138
Equity ratio %	18.4	20.9
Net debt to equity ratio	2.34	2.59

Calculation of key financial ratios

Equity ratio (%) = 100 X

$\frac{\text{Total equity}}{\text{Total assets}}$

Net debt to equity ratio =

$\frac{\text{Total liabilities} - \text{cash and cash equivalents}}{\text{Total equity}}$

Profit before tax (%) = 100 X

$\frac{\text{Profit before tax}}{\text{Revenue}}$

Impaired loan coverage ratio (%) = 100 X

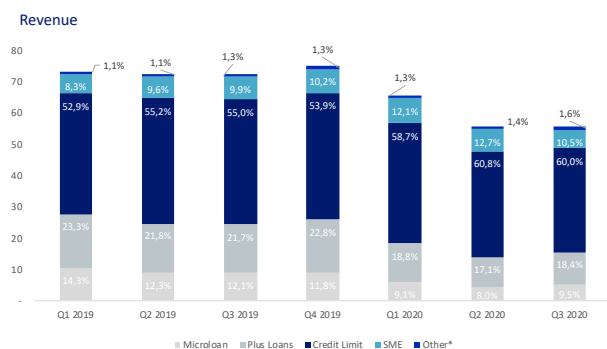
$\frac{\text{Credit loss reserves}}{\text{Gross loans and advances to customers}}$

Revenue

Revenue share of Credit Limit product stable at 60%

9M 2020 SME revenue share at 12%

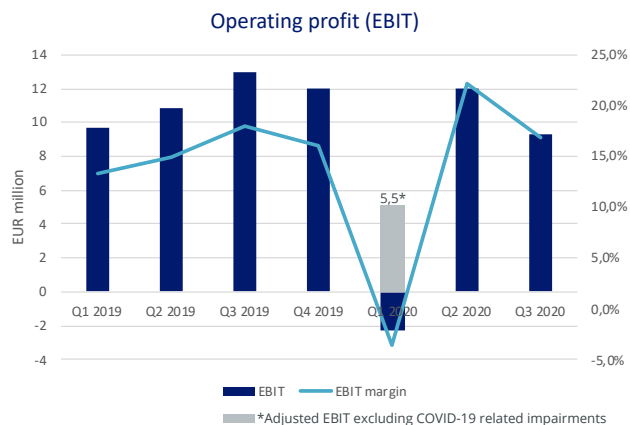
Revenue share and geographies of Microloans further decreased during 9M 2020 as per strategy



Operating profit (EBIT)

Financial metrics remained strong despite slightly increased operating expenses in Q3 2020

EBIT at EUR 9.3 million in Q3



Customer Base

	Jan - Sep 2020	Jan - Sep 2019
Active customers*	567,155	763,345

* Customers with a Mobile Bank account and lending customers who have had an open balance in the last 12 months. If loans are >24m overdue, the customer is not considered active.

KEY DEVELOPMENTS & PERFORMANCE



Successful navigation through the COVID-19 pandemic by substantial cost reductions and lowered risk appetite

Revenue performance driven by substantial reduction of the Group's risk exposure

Ferratum's revenues reached during the first nine months of 2020 EUR 176.7 million, a decrease of 19% compared to the respective period last year (9M 2019: 218.1 million). The reduction in revenues is caused by management actions related to the COVID-19 pandemic (including reduced lending and stricter scoring) and the decision to streamline the Group's countries of

operations by suspending lending in Canada, New Zealand, Poland, Russia and Spain.

Operational cost base decreased by EUR 21.5 million – EBIT remained positive at EUR 19.3 million

The Operating profit (EBIT) came in at EUR 19.3 million for the first nine months of 2020 and decreased by EUR 14.2 million compared to the first nine months of 2019 (EUR 33.5 million).

The reduction in EBIT is a result of COVID-19 related decrease in revenues and impairment charges, especially during Q1 2020 where the Group faced an EUR 7.8 million (COVID-19 related) impairment charge. As a result of the Group's reduced lending and risk exposure, impairment levels decreased during the course of Q2 (Q2 2020: EUR 19.1 million; Q2 2019: EUR 25.7 million) and Q3 2020 (Q3 2020: EUR 18.6 million; Q3 2019 EUR 24.6 million), compared to Q1 2020 and the respective periods in 2019. Consequently, impairments decreased by 7.1% or EUR 5.6 million to EUR 73.3 million for the first nine months of 2020.

Management is however expecting impairments to increase in Q4 2020 compared to the levels in Q2 and Q3 2020 as Ferratum is increasing lending volumes.

Already early in Q1 2020, the Group's management implemented a COVID-19 action plan which includes a leaner and more efficient organization. This plan has been successfully executed in the first nine months 2020. The operational cost base decreased by -20.4% or EUR 21.5 million to EUR 84.1 million. Ferratum managed to reduce personnel expenses by -22.4% or EUR 7.4 million to EUR 25.7 million (9M 2019: EUR 33.2 million) and to cut marketing expenses by EUR 13.7 million to EUR 16.0 million compared to the corresponding period in 2019. Marketing expenses are expected to increase along with the Group's plan to reactivate lending in Q4 2020.

Profit after tax stood at EUR 0.6 million (9M 2019: EUR 16.7 million).

Comfortable equity ratio and improved liquidity

The Group's equity came slightly down by EUR 1.5 million and stood at EUR 127.7 million at the end of Q3 2020 compared to year end (December 31, 2019: EUR 129.1 million). The equity-ratio remained solid at 18.4% (December 31, 2019: 20.9%) providing the Group with high flexibility to further navigate through the COVID-19 pandemic.

Total assets stood at EUR 692.8 million and were up by 12.0% compared to December 31, 2019 (EUR 618.8 million). Net loans to customers stood at the end of Q3 2020 at EUR 345.8 million, down 10.4% compared to December 31, 2019 (EUR 386.2 million), resulting from the decision to decrease the Group's loan disbursement rate and risk appetite as well as from the COVID-19 related impairments. Cash and cash equivalents ("liquidity") increased substantially by EUR 111.4 million to EUR 266.9 million compared to December 31, 2019. The strong improvement of the Group's liquidity related to high deposits inflows of EUR 120.6 million which stood at EUR 362.7 million as of September 30, 2020 (December 31, 2019: EUR 242.2 million). Deposits peaked by the end of

Q2 2020 at EUR 442.9 million resulting in excess liquidity. During the course of Q3 2020, Ferratum took actions to decrease the Group's deposit base by EUR 80.2 million.

As of September 30, 2020 Net debt to equity stood at 2.34, below the ratio as of December 31, 2019 (2.59).

Operational developments

Ferratum introduced in early 2020 a four-stage action plan as a reaction to the COVID-19 pandemic. This plan includes managing liquidity, controlling risk, reducing cost base and going for business opportunities.

The Group has during the first nine months of 2020 successfully executed on all four sections of the action plan and managed to strengthen the liquidity position with excess cash at hand. Ferratum decreased its risk appetite significantly in early March 2020 due to which the net credit volume at the end of Q3 2020 is below December 31, 2019 levels (EUR 345.8 million vs EUR 386.2 million).

The pandemic strengthened management's earlier decisions to continue to streamline and increase automatization within in the Group. This has resulted in a continued effort to reduce cost and further increase the centralization of functions. As a result, the operational cost base has decreased during the first nine months of 2020. The reduction during the first nine months 2020, vs. 2019 of EUR 21,5 million in operating expenses has been led by the decrease in marketing spending as loan disbursement rates have been kept at lower levels, especially during H1 2020. Ferratum has however during Q3 2020 started to increase loan disbursement rates as the Group has not seen a deterioration in the underlying payment behaviour of the lending portfolio. This increase also affected marketing expenditure in Q3 2020 as the Group increased lending, this trend is expected to continue in Q4 2020 as Ferratum continues to increase its loan portfolio. Ferratum, has in addition, managed to decrease its personnel expenses by 22.4% year on year (9M 2020: 25.7 million vs 9M 2019: 33.2 million) in a continued effort to create a leaner organization and thereby decreased the headcount by over 200 year on year.

Ferratum continued during the first nine months of 2020 to work on initiatives supporting its strategy in increased efforts within the SME, Prime lending and Mobile Wallet segments. The rebranding of the SME business was completed during Q2 2020 and has been renamed "CapitalBox". The Primeloan product was introduced to the Swedish market and the Mobile Wallet was launched to the public in Latvia.

Protecting employees and serving customers safely

Ferratum has throughout the COVID-19 pandemic been able to meet the expectations set by its customers and stakeholders. Over 95% of the Group's employees have been working remotely from home while the highest level of operational functionality and stability has been secured. The company has continued, without any interruption, to cater for its customers' needs with the digital real-time offering and services Ferratum is known for. The pandemic has not had any effects on the product range and service quality of the Group.

Shareholder structure

Ferratum received on 23 March a notification from Universal-Investment-Gesellschaft mbH that the shareholding of SPSW Capital GmbH had reached the 10% threshold on 19 March 2020.

The Group received on 9 April a notification from Universal-Investment-Gesellschaft mbH, stating that the company's ownership in Ferratum Oyj has, on 6 April 2020, decreased below the threshold of 10%.

A further notification from Universal-Investment-Gesellschaft mbH was received on May 29 in which Universal-Investment-Gesellschaft mbH informed Ferratum that they had exceeded the 10% threshold on 26 May 2020.

Personnel

At the end of September 2020 Ferratum Group employed 654 persons compared with 888 persons at the end of September 2019. The decrease is a result of actions taken by the management in both 2019 and 2020 to improve operational efficiency, increase automation and streamline operations.

Daniel Kliem was appointed as Chief Risk Officer for the Group, succeeding Dr. Clemens Krause, who will continue to serve as a member of the Board of Directors of Ferratum. Daniel joined Ferratum on October 1, 2020 and was also appointed as a member of Ferratum's Leadership Team with effect on the same date.

Julie Chatterjee has been appointed as CCO & Deputy CEO of Ferratum Bank plc. and will join Ferratum on 1 December, 2020. Julie will also be appointed as a member of Ferratum's Leadership Team with effect on the same date. Her prime focus will be on the development and rollout of the Mobile Wallet, a field in which she has a substantial background. Julie holds 16 years of experience within the retail & banking industry. She has hands-on experience from consumer lending, credit card and the insurance business with an exposure to e-banking and mobile banking, while holding numerous positions at OKQ8, including CEO for OKQ8 Bank.

Risk factors and management

Ferratum decided, in the early stages of the COVID-19 pandemic, to limit lending activities to higher risk customers in both consumer and SME lending segments. After having revised its loan policies and scoring algorithms in Q2 to improve underwriting in times of such high volatility, Ferratum found itself in Q3 in a healthy position to actively target customers that were in a stable financial situation despite the pandemic.

The adjusted algorithms and scoring policies helped Ferratum maintain and even improve payment behaviour in certain countries during Q2, and this healthy payment behaviour has been maintained during Q3 while increasing disbursements as demand has returned to most markets.

The Group continues to tightly monitor its underwriting performance for any early indications of deteriorating payment behaviour and properly judge the impact of additional governmental measures as COVID-19 cases continue to increase while Europe prepares for a second COVID-19 wave.

Due to this combination of tighter monitoring and a better understanding of the economic impacts of COVID-19 lockdowns, Ferratum has maintained healthy portfolio quality and sales through October, and to date, has not seen any significant impact on materialized credit losses. However, the performance of the remainder of Q4 will depend on the development of the second wave and the various governmental responses.

Ferratum manages its risk provisioning in accordance with IFRS 9, that relies on a forward oriented methodology. Based on future macroeconomic indicators and previously recorded correlations, the reserving model is adjusted in accordance with the macroeconomic outlook. Ferratum has, based on this rigorous reserving model, increased its credit loss provisioning by EUR 7.8 million in Q1 2020, which remains unchanged as of Q3 2020 notwithstanding a less deteriorating macroeconomic outlook for 2020 issued in Q3 2020 and that Ferratum strongly suppressed its lending during Q2 2020 by establishing stricter requirements for new clients which resulted in an increase of the average quality of the client base. Ferratum retained its current provisioning unchanged after having taken cognisance of the following 12-months economic forecasts for 2021, thereby assessing the impact of COVID-19 outlook for 2020 and 2021 macroeconomic forecasts. Accordingly, the Expected Credit Loss model inputs utilized during Q1 2020 were deemed adequate to determine its Expected Credit Losses based on management judgement and Management will continue to closely monitor the economic forecasts releases and adjust the model

inputs and assess its outcomes in the light of revised macroeconomic data and other quantitative and qualitative information.

Redemption of Ferratum Bank p.l.c. bond

Ferratum Bank p.l.c. (a wholly owned subsidiary of the Group and a credit institution licensed by the Malta Financial Services Authority (MFSA) repaid an EUR 40 million 6.25% p.a. above 3 month EURIBOR (incl. floor at 0%) Senior unsecured bond (ISIN: FI4000232830) in March 2020.

Rating updates

Fitch Ratings affirmed in March the Long-Term Issuer Default Rating (IDR) of both Ferratum Oyj and the senior unsecured callable floating rate bond, issued by Ferratum Capital Germany GmbH (ISIN: SE0012453835), at 'BB-'. The Outlook on the Long-Term IDR was Stable. The rating was in April downgraded to B+ due to coronavirus-related risks. Fitch assessed that the Outlook on Ferratum's Long-Term IDR is Negative. Creditreform Rating downgraded the rating of Ferratum Oyj from BBB- to BB with a negative outlook. Creditreform Rating states in their rating letter that the current rating assessment is particularly characterized by the serious global disruption as a consequence of the upcoming global financial and economic crisis.

Subsequent Events

Appointment of new Leadership Team members

Daniel Kliem was appointed as Chief Risk Officer for the Group, succeeding Dr. Clemens Krause, who will continue to serve as a member of the Board of Directors of Ferratum. Daniel joined Ferratum on October 1, 2020 and was also appointed as a member of Ferratum's Leadership Team with effect on the same date.

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Acquisition of SpotCap NL

Ferratum announced in October the acquisition of the business operations of Spotcap Netherlands B.V. by CapitalBox. Spotcap NL is a Dutch SME lending business by which CapitalBox expands its business activities in the SME lending space further. The acquisition gives the CapitalBox deeper access to the Netherlands, home to more than 1.1 million small and medium-sized enterprises.

While the acquisition will not have a material effect on the 2020 results of Ferratum Group, the parties involved agreed not to disclose the purchase price of the acquisition.

Spotcap NL has been active as an online SME lender in the Dutch market since 2015 and has since originated close to EUR 150 million in credit lines. Spotcap NL has in addition developed a strong partner network across the Netherlands involving many specialized SME advisory firms, including accountants and tax advisors which connects the business to high-quality SMEs looking for tailored and flexible financing. CapitalBox will, with the acquisition, gain access to Spotcap NL's market knowledge, existing network and its underwriting expertise.

One of Spotcap NL's core strengths is its SME underwriting capabilities resulting in annual credit write-offs at low single-digit levels. The loan book performance has also remained strong throughout the COVID-19 pandemic with no notable changes in borrower behaviour or default rates.

The existing Spotcap NL distribution channels will allow CapitalBox to increase its average loan size at low customer acquisition costs. Ferratum plans to merge Spotcap NL to the Dutch business of CapitalBox, subsequently also rebrand the business CapitalBox.

Consolidated Income Statement for the Period 1 January to 30 September, 2020

9 months ended 30 September

EUR '000	2020	2019
REVENUE	176,678	218,086
Other income	70	19
Impairments on loans	(73,328)	(78,945)
Operating expenses:		
Personnel expenses	(25,739)	(33,162)
Selling and marketing expenses	(16,014)	(29,686)
Lending costs	(10,649)	(13,214)
Other administrative expenses	(1,165)	(1,492)
Depreciations and amortization	(9,821)	(7,663)
Other operating expenses	(20,745)	(20,433)
Operating profit	19,288	33,511
Financial income	389	189
Finance costs	(17,627)	(14,007)
Finance costs – net	(17,237)	(13,818)
Profit before income tax	2,050	19,693
Income tax expense	(1,475)	(2,953)
Profit for the period	575	16,740
Earnings per share, basic	0.03	0.78
Earnings per share, diluted	0.03	0.78
Profit attributable to:		
– owners of the parent company	575	16,740
– non-controlling interests (NCI)	0	0

Consolidated Statement of Comprehensive Income for the Period 1 January to 30 September, 2020

9 months ended 30 September

EUR '000	2020	2019
Profit for the period	575	16,740
Other comprehensive income		
Items that may be subsequently reclassified to profit or loss		
Translation difference	(1,388)	136
Total items that may be subsequently reclassified to profit or loss	(1,388)	136
Total comprehensive income	(813)	16,876
Allocation of total comprehensive income to:		
– owners of the parent company	(813)	16,876
– non-controlling interests (NCI)	0	0

Consolidated Statement of Financial Position

EUR '000	30 Sep 2020	31 Dec 2019
ASSETS		
Non-current assets		
Property, plant and equipment	4,119	3,896
Right-of-use assets	4,741	6,693
Intangible assets	36,758	35,281
Deferred tax assets	10,169	10,813
Other financial assets	4,608	3,829
Total non-current assets	60,395	60,512
Current assets		
Loans and advances to customers	345,844	386,167
Other receivables	13,818	14,448
Derivative assets	2,389	15
Current tax assets	3,413	2,167
Cash and cash equivalents	266,940	155,518
Total current assets	632,405	558,315
Total assets	692,800	618,827
EQUITY AND LIABILITIES		
Equity attributable to owners of the parent		
Share capital	40,134	40,134
Treasury shares	(142)	(142)
Reserves	(5,331)	(1,098)
Unrestricted equity reserve	14,708	14,708
Retained earnings	78,298	75,536
Total equity	127,666	129,138
LIABILITIES		
Non-current liabilities		
Deposits from customers	61,356	0
Borrowings	174,703	169,164
Lease liabilities	2,255	4,400
Deferred tax liabilities	281	672
Total non-current liabilities	238,596	174,236
Current liabilities		
Current tax liabilities	3,631	4,539
Deposits from customers	301,355	242,161
Borrowings	26	47,514
Derivative liabilities	465	2,215
Trade payables	4,514	5,235
Lease liabilities	2,400	2,398
Other current liabilities	14,147	11,390
Total current liabilities	326,538	315,453
Total liabilities	565,133	489,689
Total equity and liabilities	692,800	618,827

Consolidated Statement of Cash flow

9 months ended 30 September

EUR '000	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/loss for the period	575	16,740
Adjustments for:		
Depreciation and amortization	9,821	7,663
Finance costs, net	17,237	13,818
Tax on income from operations	1,475	2,953
Transactions without cash flow	298	2,291
Impairments on loans	73,328	78,945
Working capital changes:		
Increase (-) / decrease (+) in other current receivables	(2,524)	1,890
Increase (+) / decrease (-) in trade payables and other liabilities	(2,633)	3,025
Interest paid	(10,763)	(9,726)
Interest received	396	160
Other financing activities	-	(709)
Income taxes paid	(3,942)	(3,349)
Net cash from operating activities before movements in loan portfolio and deposits	83,270	113,702
Deposits from customers	120,550	21,958
Movements in the portfolio:		
Movements in gross portfolio	26,197	(73,711)
Movements in credit loss allowance	(59,203)	(49,849)
Net cash from operating activities	170,815	12,101
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of tangible and intangible assets	(9,569)	(11,694)
Net cash used in investing activities	(9,569)	(11,694)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	26	199
Repayment of short-term borrowings	(47,514)	(46,245)
Proceeds from long-term borrowings	5,540	71,476
Repayment of finance lease liabilities	(2,009)	(1,962)
Dividends paid / distribution of funds	-	(3,885)
Net cash (used in) from financing activities	(43,957)	19,584
Net increase in cash and cash equivalents	117,289	19,990
Cash and cash equivalents at the beginning of the period	155,518	115,559
Exchange gains/(losses) on cash and cash equivalents	(5,868)	(1,791)
Net increase/decrease in cash and cash equivalents	117,289	19,990
Cash and cash equivalents at the end of the period	266,940	133,758

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.1 Basis of Presentation

Ferratum Group's interim financial statements have been prepared in accordance with the accounting policies set out in the annual report for the year ended 31 December 2019. New IFRS standards and interpretations have not had a material impact to the

accounting policies. The group has chosen not to apply IAS 34 Interim Financial Reporting in preparing these interim financial statements but applies the recognition and measurement principles of IFRS.

2.SEGMENT INFORMATION

Operating segments are based on the major product types provided by Ferratum: Microloan, PlusLoan, Credit Limit, CapitalBox (SME) and Mobile bank including Primeloan.

Attributable product margin is defined and calculated as a difference between the revenue, other income and

directly attributable costs of each product segment. Costs non-directly attributable are allocated according to the share of revenue and finance costs are allocated according to the portfolio size of related product types, i.e. their share in total loans and advances to customers.

2.1 Business Segments in Q3 2020

EUR '000	Microloan	PlusLoan	Credit Limit	CapitalBox SME	Mobile bank and Primeloan	Total
REVENUE	15,726	32,020	105,586	20,826	2,519	176,678
Share in Revenue, %	8.9	18.1	59.8	11.8	1.4	100.0
Other income	6	13	43	8	-	70
Directly attributable costs:						
Impairments	(6,299)	(23,431)	(34,322)	(6,821)	(2,455)	(73,328)
Marketing	(2,277)	(2,857)	(8,125)	(2,288)	(466)	(16,014)
Attributable Product Margin	7,156	5,745	63,181	11,725	(402)	87,406
Attributable Product Margin, %	45.5	17.9	59.8	56.3		49.5
Non-directly attributable costs:						
Personnel expenses	(2,273)	(4,628)	(15,261)	(3,010)	(566)	(25,739)
Lending costs	(962)	(1,958)	(6,456)	(1,273)	-	(10,649)
Other administrative expenses	(52)	(105)	(347)	(68)	(592)	(1,165)
Depreciation and amortization	(655)	(1,333)	(4,397)	(867)	(2,569)	(9,821)
Other operating income and expenses	(1,749)	(3,561)	(11,742)	(2,316)	(1,378)	(20,745)
Total Non-directly attributable costs	(5,690)	(11,585)	(38,203)	(7,535)	(5,105)	(68,118)
Operating profit	1,466	(5,840)	24,979	4,190	(5,507)	19,288
Gross Product Margin, %	9.3	(18.2)	23.7	20.1		10.9
Unallocated finance income	-	-	-	-	-	389
Finance expenses	(412)	(2,028)	(7,488)	(2,325)	(870)	(13,123)
Unallocated finance expense	-	-	-	-	-	(4,504)
Finance costs, net	(412)	(2,028)	(7,488)	(2,325)	(870)	(17,237)
Profit before income tax	1 055	(7,868)	17,490	1,865	(6,377)	2,050
Net Profit Margin, %	6.7	(24.6)	16.6	9.0		1.2
Loans and advances to customers	10,846	53,439	197,353	61,276	22,931	345,844
Unallocated assets						346,956
Unallocated liabilities						563,133

2.2 Business Segments in Q3 2019

EUR '000	Microloan	PlusLoan	Credit Limit	CapitalBox SME	Mobile bank and Primeloan	Total
REVENUE	28,143	48,593	118,603	20,160	2,586	218,086
Share in Revenue, %	12.9	22.3	54.4	9.2	1.2	100.0
Other income	3	4	11	2	-	19
Directly attributable costs:						
Impairments	(10,585)	(20,534)	(38,902)	(6,112)	(2,812)	(78,945)
Marketing	(1,933)	(5,781)	(16,927)	(4,141)	(905)	(29,686)
Attributable Product Margin	15,628	22,282	62,786	9,909	(1,131)	109,474
Attributable Product Margin, %	55.5	45.9	52.9	49.2		50.2
Non-directly attributable costs:						
Personnel expenses	(4,211)	(7,271)	(17,747)	(3,017)	(915)	(33,162)
Lending costs	(1,726)	(2,980)	(7,272)	(1,236)	-	(13,214)
Other administrative expenses	(115)	(198)	(484)	(82)	(613)	(1,492)
Depreciation and amortization	(903)	(1,559)	(3,805)	(647)	(749)	(7,663)
Other operating income and	(2,549)	(4,401)	(10,742)	(1,826)	(915)	(20,433)
Total Non-directly attributable costs	(9,504)	(16,409)	(40,050)	(6,808)	(3,192)	(75,963)
Operating profit	6,124	5,873	22,735	3,101	(4,323)	33,511
Gross Product Margin, %	21.8	12.1	19.2	15.4		15.4
Unallocated finance income	-	-	-	-	-	189
Finance expenses	(867)	(2,415)	(5,333)	(2,175)	(539)	(11,329)
Unallocated finance expense	-	-	-	-	-	(2,679)
Finance costs, net	(867)	(2,415)	(5,333)	(2,175)	(539)	(13,818)
Profit before income tax	5,257	3,458	17,402	926	(4,862)	19,693
Net Profit Margin, %	18.7	7.1	14.7	4.6		9.0
Loans and advances to customers	27,958	77,832	171,888	70,105	17,371	365,152
Unallocated assets						205,612
Unallocated liabilities						449,673

3. PERSONNEL EXPENSES

EUR '000	Jan - Sep 2020	Jan - Sep 2019
Salaries and other employee benefits (incl. bonuses)	(21,092)	(24,453)
Employee pension expenses	(1,329)	(1,187)
Other personnel expenses	(3,072)	(5,231)
Share-based payments equity settled	(246)	(2,291)
Total personnel expenses	(25,739)	(33,162)

4. FINANCE INCOME

EUR '000	Jan – Sep 2020	Jan – Sep 2019
Interest income from cash and cash equivalents	389	156
Interest derivatives held for trading – net gain / (loss)	-	34
Total finance income	389	189

5. FINANCE COSTS

EUR '000	Jan – Sep 2020	Jan – Sep 2019
Interest on borrowings	(13,123)	(11,329)
Interest expenses on leases	(260)	(315)
Foreign exchange loss*	(4,244)	(2,364)
Total finance costs	(17,627)	(14,007)

*includes net gain / (loss) of currency derivatives.

6. LOANS AND ADVANCES TO CUSTOMERS

Ferratum Group calculates the expected credit losses (ECL) for its loans and advances to customers on a collective basis, given that its portfolio of micro-credit facilities is composed of homogenous groups of loans that are not considered individually significant, using three main components: probability of default (PD), loss given default (LGD) and exposure at default (EAD). These three components are multiplied together effectively calculating the forward-looking ECL, which is then discounted back to the reporting date. The discount rate used in the ECL calculation is the originated effective interest rate or an approximation thereof.

The ECL is measured on either a 12-month or on a lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD). Group uses an allowance account to recognize the impairment losses on loans and advances to customers. The following tables shows the reconciliation of movements in the allowance account. For further information about loans and advances to customers and the ECL calculation methodology, please refer to Note 2 and 3 in the group's annual financial statements for the year ended 31 December 2019.

Ferratum Group manages the credit quality of its loans and advances to customers by using internal riskgrades, which provide a progressively increasing risk profile ranging from 'Regular' (best quality, less risky) to 'Loss'. These risk grades are an essential tool for the Group to identify both non-performing exposures and better performing customers. The internal risk grades used by the Group are as follows:

- Performing: Internal grade 'Regular'
- Under performing: Internal grades 'Watch' and 'Substandard'; and
- Non-performing: Internal grades 'Doubtful' and 'Loss'.

Regular

The Group's loans and advances to customers which are categorised as 'Regular' are principally debts in respect of which payment is not overdue by 30 days and no recent history of customer default exists. Management does not expect any losses from non-performance by these customers, which are considered as fully performing.

Watch

Loans and advances that attract this category principally comprise those where

- (i) payment becomes overdue by 30 days, but does not exceed 60 days where a loan is deemed to be as nonperforming when past due for a more than 90 days;
- (ii) and payment becomes overdue by 30 days but does not exceed 45 days where a loan is deemed to be as non-performing when past due for more than 60 days.

Substandard

Loans and advances that are categorised within this category comprise those where

- (i) payment becomes overdue by 61 days but does not exceed 90 days for where a loan is deemed to be as non-performing when past dues for more than 90 days.
- (ii) and where payment becomes overdue by 46 days but does not exceed 60 days where a loan is deemed to be as non-performing when past due for more than 60 days.

Doubtful

Loans and advances which attract a 'Doubtful' grading are principally those assets in respect of which

- (i) payment becomes overdue by 61 days and over but does not exceed 180 days for where a loan is deemed to be as non-performing when past dues for more than 60 days.
- (ii) and where payment becomes overdue by 91 days and over but does not exceed 180 days where a loan is deemed to be as non-performing when past due for more than 90 days.

Loss

Loans and advances in respect of which payment becomes overdue by 180 days.

The Group does not have a material amount of individually impaired loan receivables. The ageing analysis of loan receivables which are collectively assessed for impairment is as follows:

EUR '000	30 Sep 2020			31 Dec 2019	
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	Total
Loans and advances to customers					
Regular	287,071	-	-	287,071	321,722
Watch	-	12,412	-	12,412	21,371
Substandard	-	9,708	-	9,708	11,715
Doubtful	-	-	31,900	31,900	32,154
Loss	-	-	188,626	188,626	168,952
Gross carrying amount	287,071	22,120	220,525	529,716	555,914
Loss allowance	22,271	7,483	154,119	183,872	169,747
Carrying amount	264,800	14,637	66,406	345,844	386,167
Impaired Loan Coverage Ratio	7.8%	33.8%	69.9%	34.7%	30.5%

EUR '000	30 Sep 2019			31 Dec 2018	
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	Total
Loans and advances to customers					
Regular	298,202	-	-	298,202	262,280
Watch	-	17,616	-	17,616	12,783
Substandard	-	11,395	-	11,395	11,576
Doubtful	-	-	36,713	36,713	35,173
Loss	-	-	177,596	177,596	145,998
Gross carrying amount	298,202	29,011	214,309	541,522	467,811
Loss allowance	24,820	8,382	143,167	176,370	147,273
Carrying amount	273,382	20,629	71,142	365,152	320,538
Impaired Loan Coverage Ratio	8.3 %	28.9 %	66.8 %	32.6 %	31.5 %

The following tables explain the changes in gross carrying amount between the beginning and the end of the period September 30:

EUR '000	30 Sep 2020			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loans and advances to customers	321,722	33,086	201,106	555,914
Gross carrying amount as at 1 January 2020				
Total changes in gross carrying amounts arising from transfers in stages, originations and derecognitions	(28,591)	(10,499)	56,426	17,336
Loans and advances written off during the period	-	-	(32,351)	(32,351)
FX and other movements	(6,060)	(467)	(4,656)	(11,183)
Total net change during the year	(34,651)	(10,966)	19,420	(26,198)
Gross carrying amount as at 30 September 2020	287,071	22,120	220,525	529,716

EUR '000	30 Sep 2019			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loans and advances to customers				
Gross carrying amount as at 1 January 2019	262,280	24,359	181,172	467,811
Total changes in gross carrying amounts arising from transfers in stages, originations and derecognitions	37,297	4,786	43,815	85,897
Loans and advances written off during the period	-	-	(9,689)	(9,689)
FX and other movements	(1,375)	(134)	(988)	(2,497)
Total net change during the year	35,922	4,652	33,137	73,711
Gross carrying amount as at 30 September 2019	298,202	29,011	214,309	541,522

The following tables explain the changes in the loss allowance between the beginning and the end of the period September 30:

EUR '000	30 Sep 2020			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loans and advances to customers				
Loss allowance as at 1 January 2020	23,330	8,822	137,594	169,747
Increases in allowances- charge to profit or loss	(814)	(1,029)	72,169	70,326
Total net P&L charge during the year	(814)	(1 029)	72,169	70,326
Other movements				
Unwind of discount	-	-	(271)	(271)
Loans and advances written off and sold during the period	-	-	(49,662)	(49,662)
Exchange differences	(246)	(311)	(5,711)	(6,267)
Loss allowance as at 30 September 2020	22,271	7,483	154,119	183,872

EUR '000	30 Sep 2019			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loans and advances to customers				
Loss allowance as at 1 January 2019	22,325	7,351	117,597	147,273
Increases in allowances- charge to profit or loss	2,572	1,063	75,311	78,945
Total net P&L charge during the year	2,572	1,063	75,311	78,945
Other movements				
Unwind of discount	0	0	(432)	(432)
Loans and advances written off and sold during the period	0	0	(48,698)	(48,698)
Exchange differences	(76)	(31)	(611)	(719)
Loss allowance as at 30 September 2019	24,820	8,382	143,167	176,370

For further information about gross carrying amount and loss allowances please refer to note 3 in the Group's annual financial statements for the year ended 31 December 2019.

FURTHER INFORMATION



Contact

Paul Wasastjerna

Head of Investor Relations, Fixed-income
E: paul.wasastjerna@ferratum.com
M: +358 40 724 82 47

Bernd Egger

Chief Financial Officer
E: bernd.egger@ferratum.com
M: +49 173 793 1235

For further information on the Ferratum share and all publications please visit www.ferratumgroup.com

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