

ORKA VENTURES LTD. RESULTS REPORT FOR SIX MONTH ENDING 30 JUNE 2020

*Proactive business response to Covid-19, providing continuous service to customers and adapting products.
Consumer demand increasing since mid-May with online issuance in July returning close to normal levels.
Repayment behaviour of consumers significantly improved during the first six months.*

20 September 2020. Orka Ventures Ltd (the 'Group' or Orka Ventures), the northern European digital consumer lending and payment group disclosed today its unaudited consolidated results for the six months ending 30 June 2020 (the 'period').

Operational Highlights

- The Group maintained a strong, proactive operational response to Covid-19. It rapidly adapted operations in March and April as a consequence of the lockdown measures in the Czech Republic, Iceland and Denmark. The company focused on ensuring employee safety and providing continuous service to customers.
- The Group continued to provide credit to loyal customers, with high acceptance rates for returning customers in single payment products. Lockdown periods and governmental restrictions due to the spread of Covid-19 had no adverse effect neither on customer demand in Iceland and Denmark nor online loan issuance. Overall online issue volumes in the period increased by about 13% compared to the previous year. Production variance over the same period a year earlier showed a volume increase almost every month. In January 120%, in February 137%, in March 107%, in April 106%, in May 116% and in June 95%.
- Overall repayment behaviour has increased since April as a result of government Covid-19 financial support to citizens. Repayment behaviour is expected to return to normal levels during the third quarter of 2020. Furthermore, a possible change to the overall rate of unemployment might result in the tightening of risk criteria and lower loan issuance.
- On 22 May 2020, the Group launched online lending operations in Denmark under the brand BREA. Brea provides instalment loans with a fixed maturity of 12 months and a fixed amount of 10 000 DKK (approximately €1300). The product launched in connection with the new APR-cap legislation in Denmark. BREA is still undertaking an ongoing licencing process in Denmark in close cooperation with the FSA.

Financial Highlights

- The gross profit margin on the last 12 matured portfolios over 90 days from issuance is 64.2%, including the cost of risk in ratio to circulated funds. Despite the rate cap restriction in Iceland and Denmark, the Group maintains profitability of products, and there are no expected adverse effects on profitability related to the spread of Covid-19 in 2020.
- Group post-provision operating profit for the period was €0.82 million.
- As of 30 June 2020, the overall gross NPL ratio stands at 15.6%, compared with 39.7 % as of 30 June 2019. Significant improvement in NPL ratio was a consequence of the new interest rate caps.

- The overall cost of risk was 3.3% for the Period, slightly improved from 3.9% in the prior-year period. The 90 days default in the period was 3.9%, significantly improved from 6.0% in the prior-year period as a result of government Covid-19 financial support to citizens.
- The company has a strong cash position and has extremely high utilisation of junior funding

Strategic Highlights

- NÚNÚ Lán ehf, a leading digital lender in Iceland, has continued performing well and reporting stable business results, with its strong market position helping to maintain a good and stable level of consumer loan issuance volumes in Q2 and further in H2Y20. Iceland has still high potential for loan issuance through the current product scale.
- BREAA ApS, a Danish digital lender, started leaving its footprint in the near-prime credit segment market. Launched in May 2020, it reached its first thousand customers within the first month of operations. A basic loans portfolio is being created for the definition of a steady scorecard for further portfolio upscale.
- The Skatra ApS ORKA Prepaid Mastercard program is still at the preparation stage, expecting to launch physical payment Mastercards and a mobile banking app in Q4Y20.
- Costs have been reviewed across the Group. Staff reductions have been initiated that will result in savings of approximately 20% of personnel costs, with some savings visible in Q2 even after severance costs.
- The Group has terminated cooperation with the crowdfunding platform Fast Invest Ltd. and repaid all outstanding commitments.
- In June the Group commenced a formal process to establish its CZK bond programme. The bond program's expected volume is up to €112 million over ten years. All regulatory documents, T&C and other documents are being prepared for submission to the Czech National Bank for regulatory approval. When approved, individual tranches will be announced.
- The Group sought more potential markets for near-prime digital lending. Sweden was identified as the most probable prospective market thanks to its stable regulatory environment, high country digitalisation, high synergies with Denmark, the expected payment probability of target customers and possible cost-sharing synergies with Danish operations (Copenhagen / Malmö region).

Ondrej Šmakal, Group Chief Executive Officer of Orka Ventures, commented:

"During the first half of 2020, the society around the world went through a new challenge called Covid-19. The hitherto unknown adversary was a challenge not only for the governments of individual countries but also for companies and the people themselves.

Orka Ventures Group has a clear strategy to do business in highly digitally matured markets and automating the maximum number of operational and decision-making processes. Thanks to this, the company is highly flexible, cost-effective and, most importantly, highly scalable.



I am proud that even in difficult times, it has been confirmed that the previously established strategy of the company is correct in the long run. Initially, Covid-19 governments closed sectors and imposed quarantine measures. Our strategy has enabled the company to ensure flawless operation with a limited number of employees and allow them to work easily from their home offices. However, what is most important is the fact that our risk modules have worked to the point where clients' payment morale has even improved during that period. Thus the economic parameters of the product line showed stable performance regardless of the market situation.

The Group has stable performance in the sub-prime segment in Iceland, where, despite the generally challenging market situation, it sees its high potential for further growth and consolidation of its position in the segment. Besides the sub-prime, the Group started to build its position in the near-prime segment in Denmark and sought further potential in Sweden. For this reason, we want to offer a share of our success to ordinary investors/ consumers - we decided to launch a bond and bill of exchange program with a target value of CZK 3 billion (€ 112 million).

In conclusion, I would like to thank all our clients, employees and business partners, and wish them stability in today's turbulent times."

Contact

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About Orka Ventures Ltd.

The Group's history dates back to 2009 when the first credit business was founded. In 2017, we consolidated activities into Orka Ventures. The Group is active in 4 European countries and is the leading digital lender in Iceland.

Orka Venture's goal is to combine state-of-the-art technology into the operation and distribution of traditional financial products which are available using a regular computer or smartphone. Machine learning and artificial intelligence technologies allow us to automate common processes, paperless or contactless distribution and risk management. We make more accurate decisions, sell faster and save significant costs on internal operations and human resources. With all this, we are becoming a highly profitable and well-scalable company.

Orka Ventures operates a portfolio of successful brands and, as a responsible lender, offers both single payment loans and instalment loans to customers who are typically underserved by conventional lenders and banks.

The Group is registered in the United Kingdom, One Canada Square in Canary Wharf. Orka Ventures has its Group management office in Prague, Czech Republic and further offices in Iceland and Denmark.

Forward-Looking Statements

Certain statements in this document are "forward-looking statements". These statements are based on management's current expectations and are subject to uncertainty and changes in circumstances. Actual results may differ materially from those included in these statements.

Rounding



Some numerical figures included in this report have been subject to rounding adjustments. Accordingly, numerical figures shown for the same category presented in different tables may vary slightly, and numerical figures shown as totals in individual tables may not be an arithmetic aggregation of the figures that precede them.

Inside information

This announcement contains inside information as stipulated under the Market Abuse Regulation.

Data validity

Data is unaudited and valid to 20 September 2020.

KEY PERFORMANCE INDICATORS

Loan Issuance

	6 months to 30 June		
	2020 (not audited) ('000 EUR)	2019 (not audited) ('000 EUR)	Diff (%)
Loans Issuance	6 650	5 862	13%
<i>Sub-prime</i>	6 629	5862	13%
<i>Near-prime</i>	21	0	100%
Loan counts (pcs)	78 044	38 689	102%
<i>Sub-prime (pcs)</i>	77 882	38 689	101%
<i>Near-prime (pcs)</i>	162	0	100%

Portfolio Performance

	6 months to 30 June		
	2020 (not audited) (%)	2019 (not audited) (%)	Diff (%)
NPL ratio	15,60%	39,70%	(40%)
Cost of Risk	3,30%	4,00%	(15%)
90 day avg default rate	3,90%	6,00%	(35%)

Income Performance

	6 months to 30 June		
	2020 (not audited) ('000 EUR)	2019 (not audited) ('000 EUR)	Diff (%)
Total Income	931	2 386	(61%)
<i>Interest Income</i>	383	1 657	(77%)
<i>Penalties</i>	548	729	(25%)
Bad Loans Provisions	(105)	(534)	(80%)
Post-provision Profit	826	1 852	(55%)

DEFINITIONS

Cost of risk – The expected percentage of unpaid capital and loan charge from issued capital after 720 days from loan issuance.

Post-provision operating profit – Gross revenue income netted by non-performing loans provisions

APR – Annual percentage rate. Calculated annual loan of loan charge defined by EU Directive **2008/48/EC**

APR-cap – Is the limitation of maximal APR defined local regulations.

Gross NPL ratio – Non-performing accumulated receivables (including accrued loan fees) with a delay of over 720 days / total loan issuance

FSA – Financial Supervisory Authority. The local regulatory body which oversees the financial market.

Interest income – Interest and similar income generated from our customer loan portfolio

Loss given default – Loss on non-performing receivables (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

Non-performing loans (NPLs) – Loan principal or receivables (as applicable) that are over 720 days past due

Overall provision coverage – Allowance account for provisions / non-performing receivables

Return on average assets – Annualised profit from continuing operations / average assets (total assets as of the start and end of each period divided by two)

RECENT DEVELOPMENTS

Recent developments include significant and material information about the Group's development which occurred between the End Results Report Period (30 June 2020) and date when this report was published (20 September 2020)

Acquisitions and disposals

On 20 August 2020 Group has acquired Orka Project Financing a.s. its purpose is to cover the financial support of Group business development.

Changes in management

There were no changes

Ownership changes

There were no changes

Regulatory changes

In Denmark: 1 July 2020, the parliament has enforced a bill introducing 25%/35% cap on interest rates for consumer lending. As part of their Covid-19 response, various governments and regulators continue to introduce or update debt forbearance measures such as payment deferrals.

Financing

To secure its development strategy, the Group made the significant decision to establish bond and Bill of Exchange programs in the Czech republic. The total expected volume of both programmes is EUR 112 million. The respective T&C are subject to approval by the Czech National Bank. Approval is expected in November 2020.

Orka Ventures Ltd.

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