Management Report

December 2020

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Business Update and Investment Strategy 2021

Business

We are looking into international growth opportunities as we have not found anyone else in Europe who is attempting to disrupt the car title market with 100% remote online lending. We believe our offering will also be able to capture part of the wider consumer credit market and offer an alternative to payday loans if we succeed in making our loans available in a matter of hours with just a few clicks.

The UK in particular looks attractive but we continue to look at other countries as well.

We will also be looking into other unregulated markets beyond Europe before making any expansion decisions.

Equity

For now we continue to focus on consolidation and growth in the Spanish market.

During Q1´21 we will be investigating new geographies both in and beyond Europe and our next steps will be largely be defined by regulation.

Once our strategy has been agreed we will plan for a Series B.

The cash raised in the Series A round continues to be deployed primarily into the loan book in combination with P2P debt.

Debt

We have agreed with our seed investors to open up the new debt facility to other investors giving us potentially unlimited growth potential. We currently have four inquiries for private debt deals and are working on standardize documentations for the new source of leverage.

In terms of P2P platforms, we continue to assign loans only to Iuvo Group and we have seen a faster market with more demand during the month of December.

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Risk Management

December was another month with excellent Collections and Risk Management performance:

- Collections rate remained high at over 95% with a consistent low level of late payments
- Prepayment as % of Loan Book also remained historically stable at 1.78%
- We have successfully restructured most NPLs
- Cumulative recovery rate on cars is 128%

Furthermore, the adoption of IFRS and a review with our auditors confirm our view that impairments should remain low:

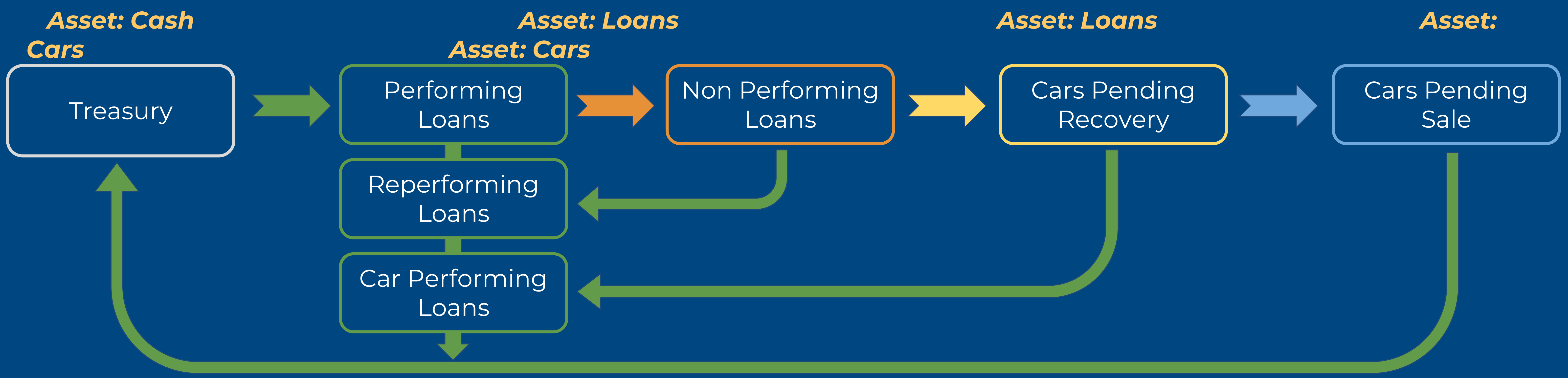
- NPLs will lead to impairment if we have not succeeded in changing title after 180 days
- CPRs lead to impairment when LTV exceeds 100% with car depreciation and costs accumulating
- Car sales lead to impairment if sale proceeds are less than outstanding capital plus recovery costs

As a result of the above changes in accounting procedure a total of €77,172 legacy loans from 2016 to 2019 were written off and there were no impairments from the 2020 loan cohort.
Writing off these legacy loans means Ibancar finalized 2020 with NPLs at 3.6% and CPRs at 2.9%

In January 2021 we intend to ramp up lending again by progressively easing the COVID precautions built into the underwriting model in early 2020 and targeting an average loan size of €3,300.

Loan Book Management

In November we introduced new asset based capital tracking to follow capital buckets in real time. The flow of capital through our lending, collection and recovery process is now broken down and managed as follows:



- **Performing Loan** - has never become non performing
- **Reperforming Loan** - non performing loan with a "debt payment agreement" that was restructured prior to title change
- **Car Performing Loan** - non performing loan with a "debt payment agreement" that was restructured after title change and we retain title until repaid
- **Non Performing Loan** - more than 30 days overdue payment, we have started the title change process
- **Cars Pending Recovery** - non performing loan cancelled when the car title change became effective, we have title but not possession
- **Cars Pending Sale** - we have title and possession, the car is available for auction and will generate a profit or a loss

Asset Book Breakdown

Year end figures, after write offs which took NPLs from 5.3% to 3.6%

Individual loans can result in a profit or a loss and historically we have successfully priced in potential losses with a year to date recovery rate in excess of 120%.

As of November we distinguish in our reporting between two “capital at risk” categories:

- **NPL : **At risk of problems changing title and an increasing LTV as the car depreciates. Under normal circumstances the title change takes less than 60 days. These loans will be taken as impairments after 180 days if title change was unsuccessful
- **CPR : **After title change these are no longer loans but cars that belong to Ibancar. The risk of loss is therefore greatly reduced. They are at risk of depreciation and an increasing LTV during recovery or legal process as well as recovery costs. During 2020 we have recovered some CPRs in less than 120 days but there are cases that have taken over 650 days to resolve.

93.5%

3.6%

2.9%

ASSET BOOK	€1.501.585
APL	€1.405.034
NPL	€53.730
CPR	€42.821
CPS	€0

After 2020 legacy write offs

APL: Active Performing Loans **NPL**: Non Performing Loans **CPR**: Cars Pending Recovery **CPS**: Cars Pending Sale

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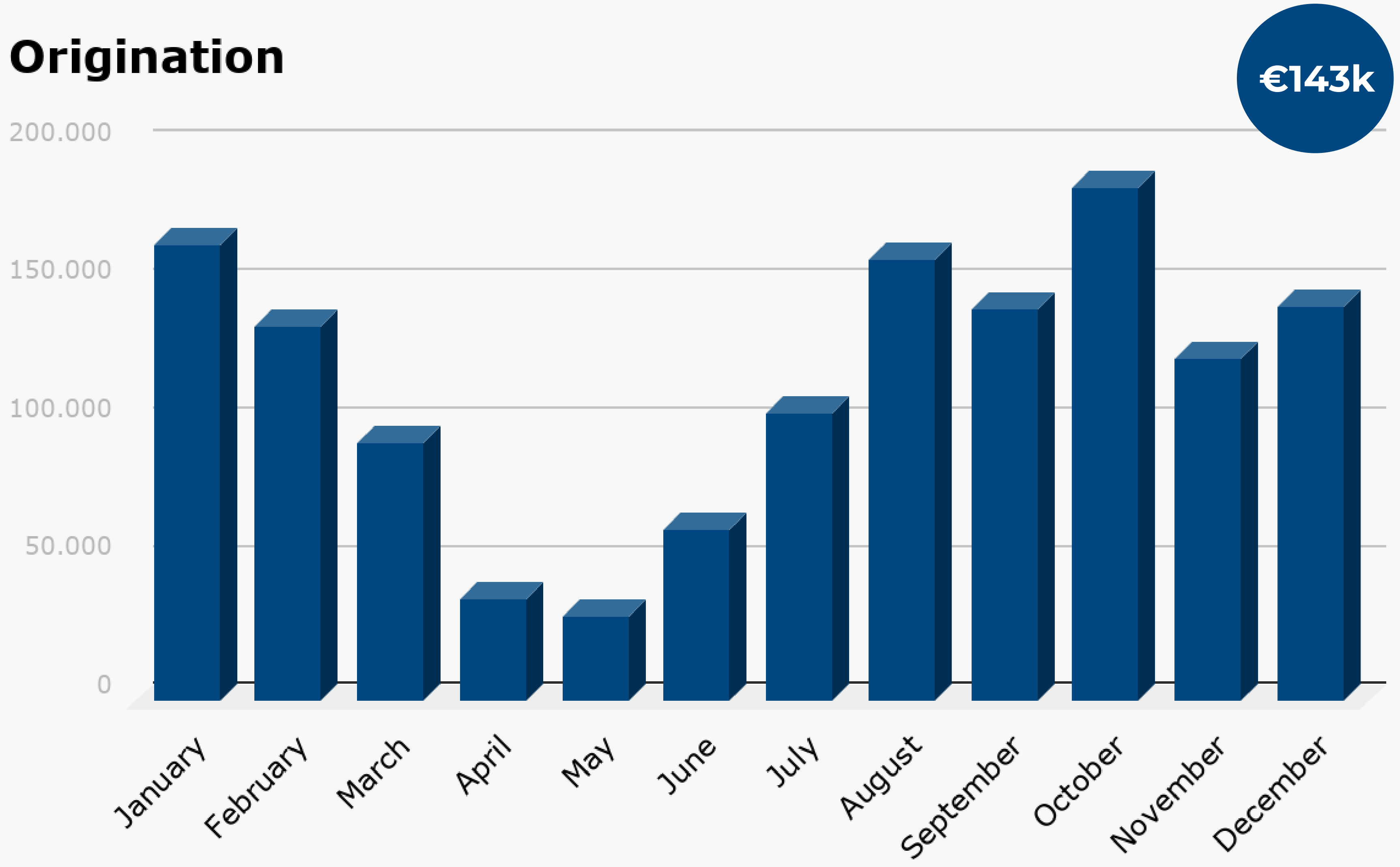
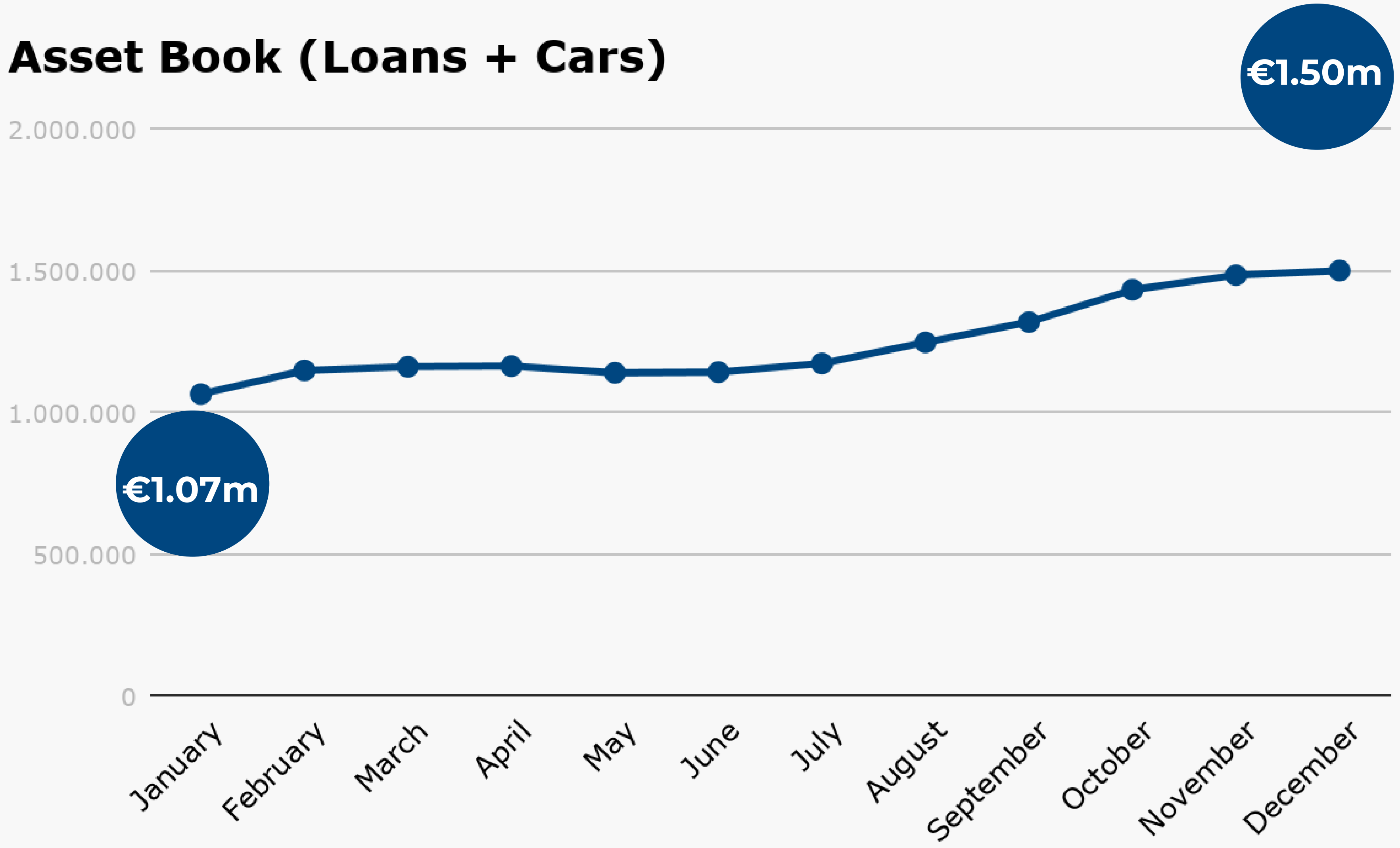
Key Performance Indicators

Origination



Asset Book (Loans + Cars)



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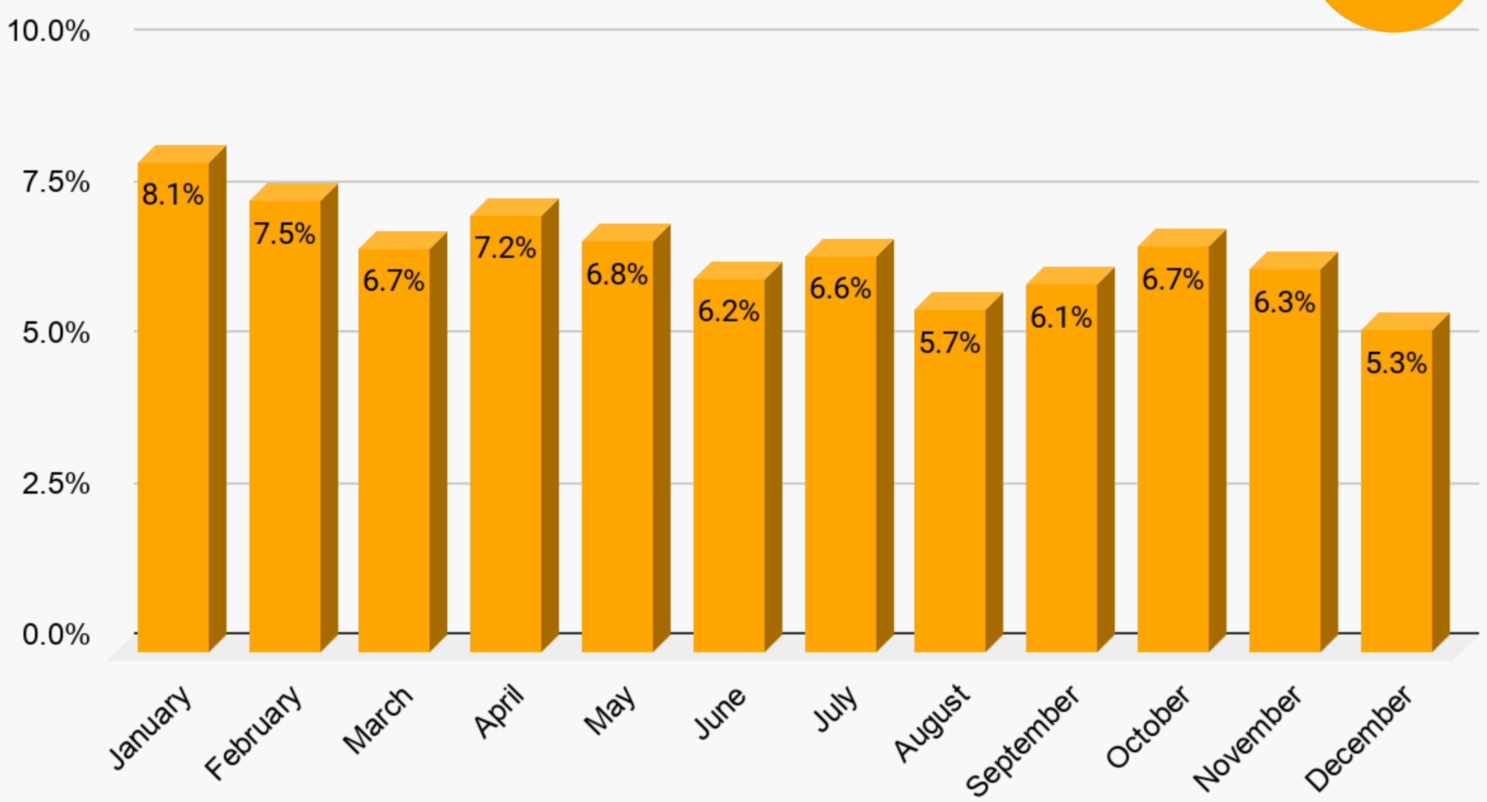
Key Performance Indicators

Non Performing Loan %

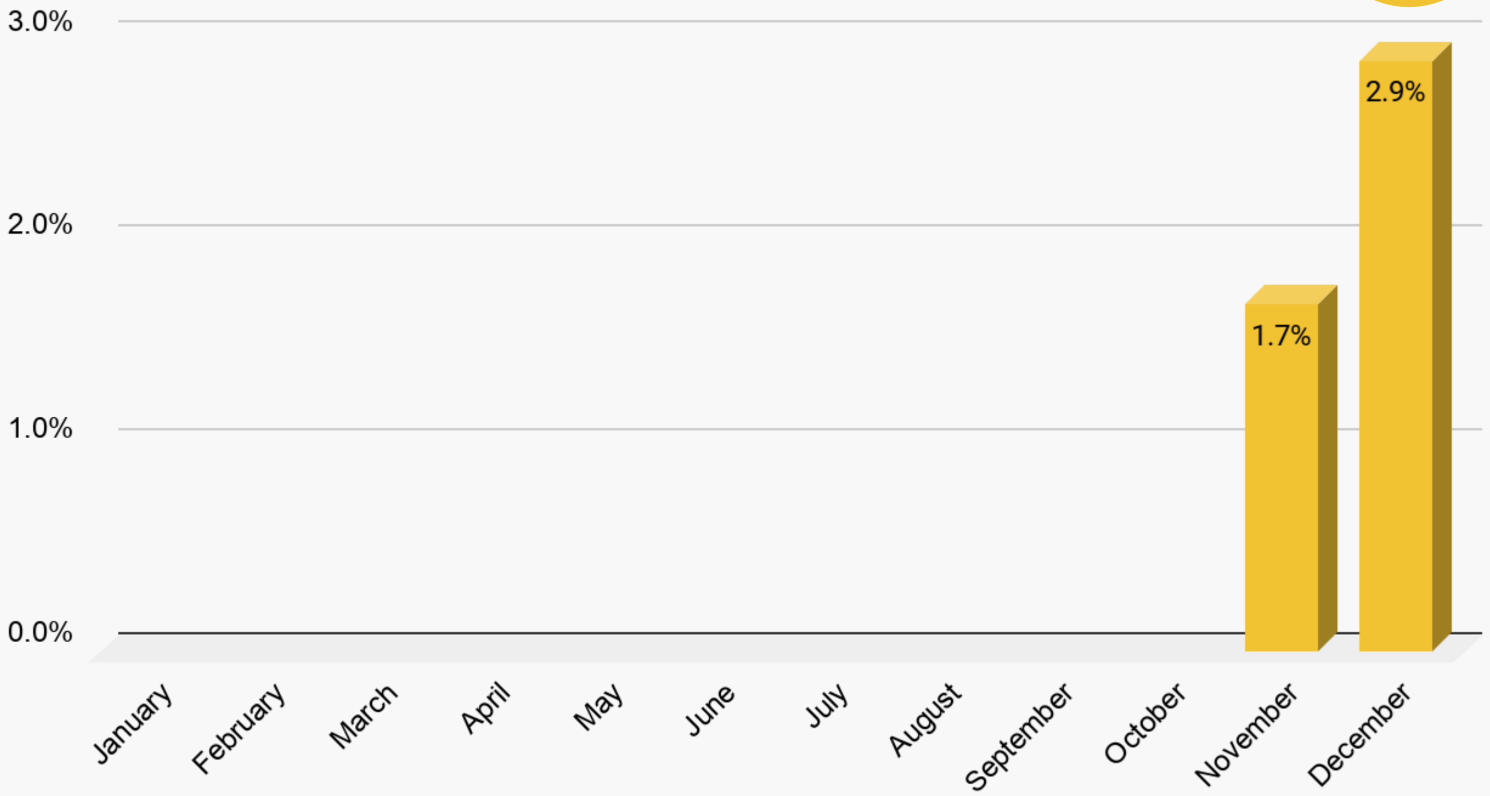
5.3%*



*Before write offs. After write offs 3.5%

Cars Pending Recovery %

2.9%

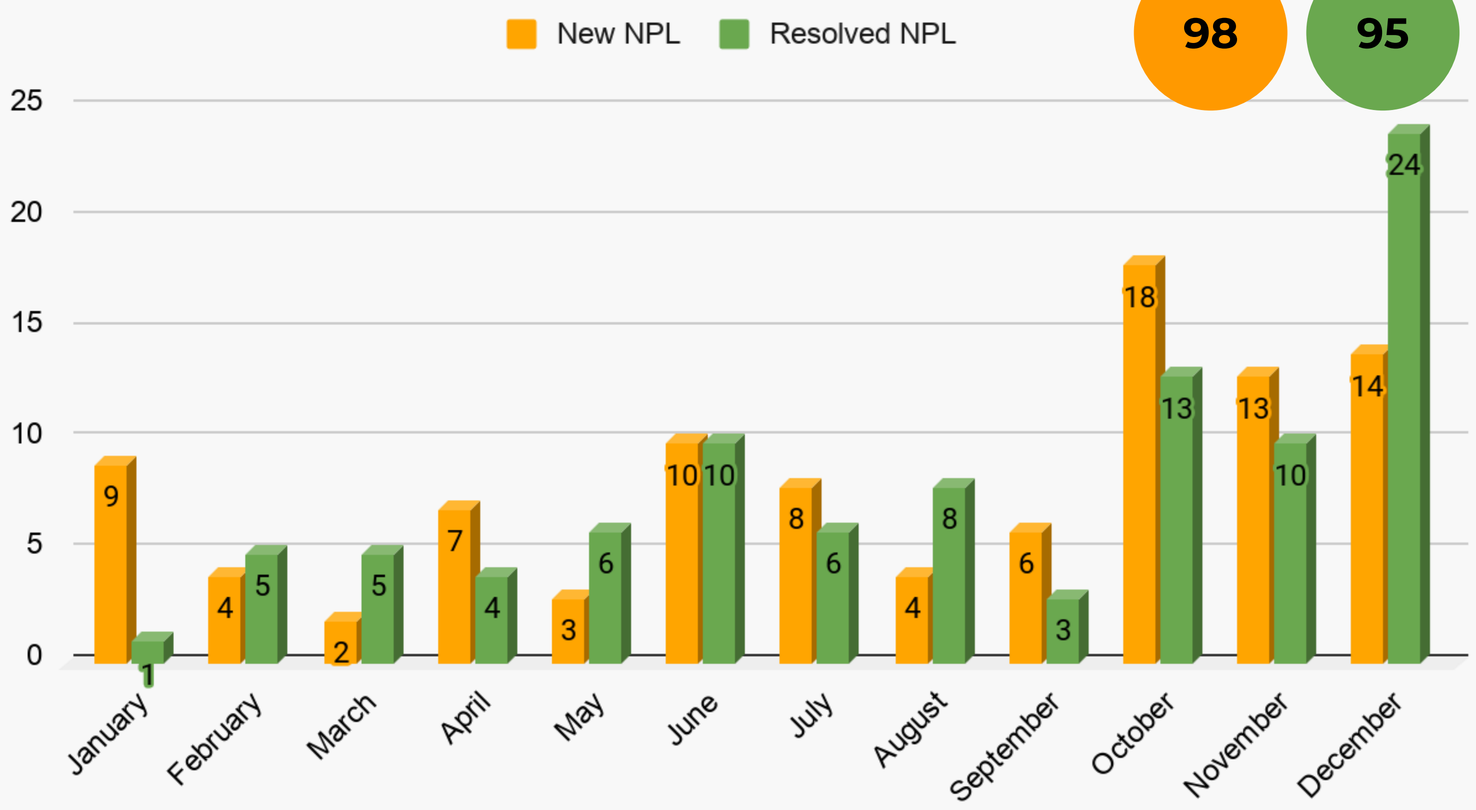


New accounting method introduced in November separating NPL and CPR

New NPL vs Resolved NPL

98

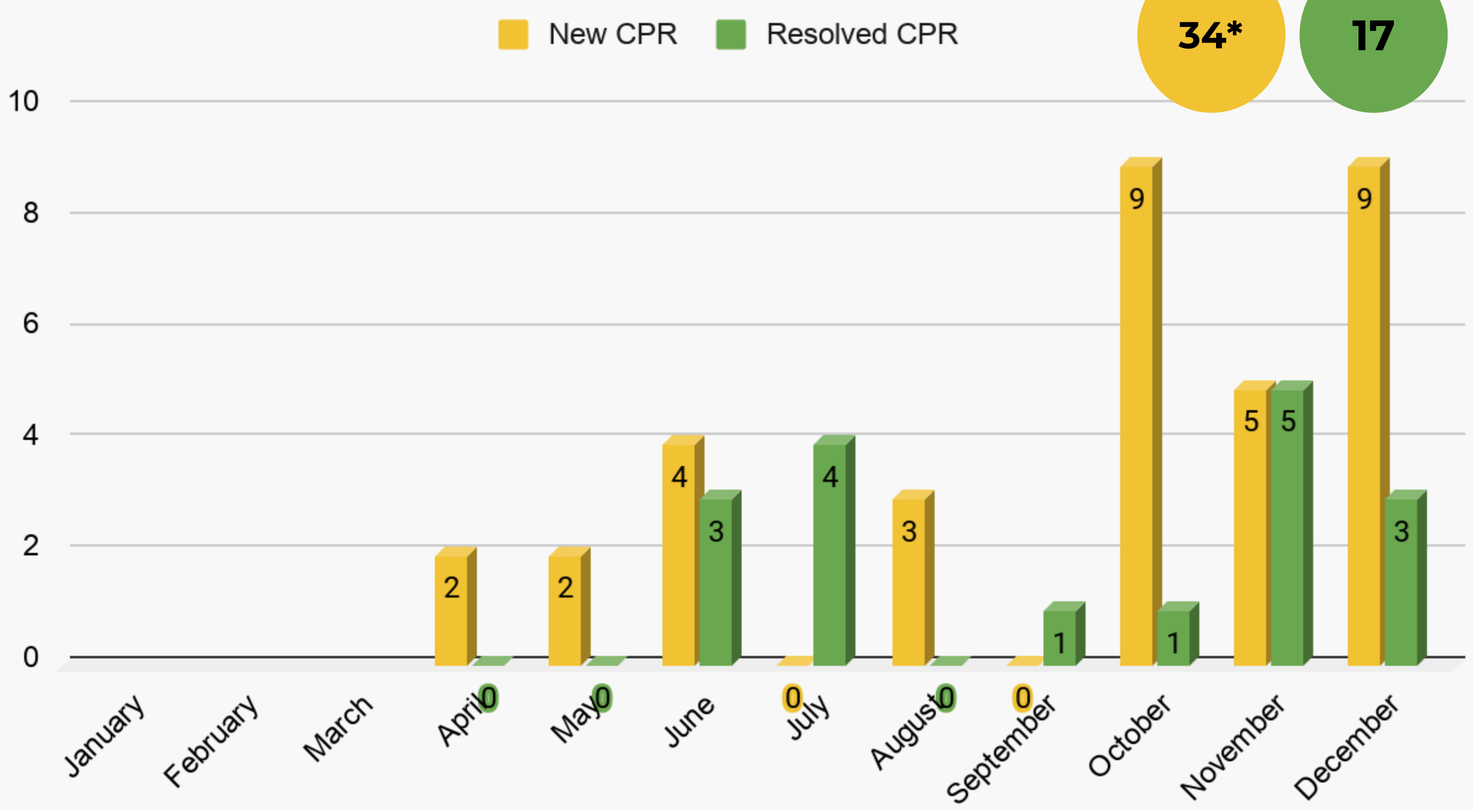
95



New CPR vs Resolved CPR

34*

17



*Increase in December CPRs caused by new asset category classification

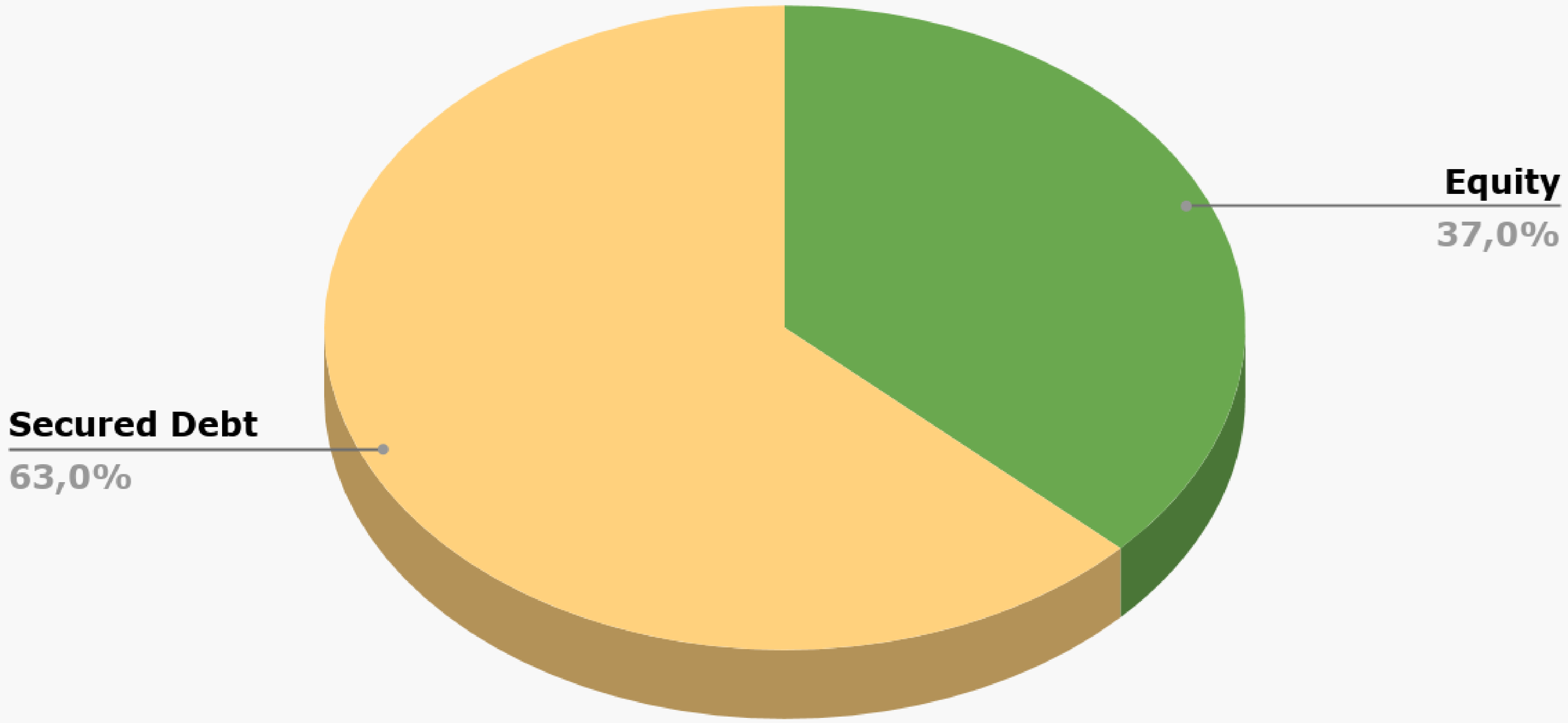
Key Balance Sheet Figures

Asset Book
€1,501,585

Asset Book Equity	€540,140
Secured Debt	€961,445

Corporate Debt* €163,806

*Excludes asset leases



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Financials - FY20*

Profit & Loss €'000	Actuals FY20	Actuals FY19	YoY €
Total Revenue	**881**	**504**	**377**
Impairments	(15)	(0)	(14)
Funding Costs	(101)	(42)	(59)
CAC	(68)	(48)	(21)
Operating Costs	(192)	(96)	(96)
Contribution Margin	***505***	***319***	***186***
Contribution Margin %	*57%*	*63%*	*(6%)*
Staff Costs	(468)	(230)	(237)
Infrastructure and Administration	(66)	(33)	(33)
External Services	(51)	(41)	(10)
Other Expenses	(56)	(46)	(10)
Overhead Costs	(640)	(350)	(291)
Operating Profit	***(135)***	***(31)***	***(104)***
Depreciation & Amortization	(11)	(12)	0
Financial Activity	(86)	2	(88)
Profit Before Tax	***(233)***	***(41)***	***(192)***
Income Tax expense	0	9	(9)
Net Profit/(Loss)	***(233)***	***(32)***	***(201)***
Net Profit/(Loss) %	*(26%)*	*(6%)*	*(20%)*

2020 Highlights

- **Revenue: €0.9m:** €0.4m or +75% YoY increase aligned with loan book growth and higher car sale proceeds
- **Contribution margin: €0.5m or 57%:** strong YoY performance mainly driven by:

- Exceptional NPL performance driving into a low impairment rate (2% of revenue)

- Efficient marketing, underwriting, and servicing processes

- **Overhead costs and other expenses: €0.7m:** €0.4m YoY increase due to higher staff costs (€0.2m) and one-off expenses (capital raise expenses and office ramp up costs)
- **Profit before tax: -€0.2m**

*Provisional results subject to Audit

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Financials – Quarterly view - FY20*

P&L	Q120	Q220	Q320	Q420	FY20
Total Revenue	**220**	**159**	**229**	**273**	**881**
Impairments	0	0	0	(15)	(15)
Funding Costs	(27)	(29)	(18)	(27)	(101)
CAC	(19)	(10)	(19)	(20)	(68)
Operating Costs	(73)	(28)	(40)	(51)	(192)
Contribution Margin	***101***	***92***	***152***	***160***	***505***
Contribution Margin %	*46%*	*58%*	*66%*	*59%*	*57%*
Overhead Costs	(120)	(119)	(171)	(230)	(640)
Operating Profit	***(19)***	***(27)***	***(19)***	***(70)***	***(135)***
Depreciation & Amortization	(2)	(2)	(4)	(4)	(11)
Financial Activity	5	(9)	(7)	(75)	(86)
Profit Before Tax	***(16)***	***(38)***	***(30)***	***(149)***	***(233)***
Income Tax expense	0	0	0	0	0
Net Profit/(Loss)	***(16)***	***(38)***	***(30)***	***(149)***	***(233)***
Net Profit/(Loss) %	*(7%)*	*(24%)*	*(13%)*	*(55%)*	*(26%)*

Balance Sheet	Q120	Q220	Q320	Q420	FY20
Loan Book	**1,165**	**1,136**	**1,322**	**1,459**	**1,459**
Cash and Cash Equivalents	199	184	614	1,152	1,152
Total Assets	**1,585**	**1,571**	**2,205**	**2,885**	**2,885**
Financial Debt (SPV)	0	0	0	0	0
Financial Debt (P2P)	807	855	892	961	961
Financial Debt (Other)	295	212	200	164	164
Total Debt	**1,101**	**1,066**	**1,091**	**1,125**	**1,125**
Accounts Payable	14	31	38	97	97
Other Liabilities	25	68	48	100	100
Total Liabilities	**1,141**	**1,165**	**1,177**	**1,322**	**1,322**
Capital and Reserves	504	504	1,156	1,841	1,841
Retained Earnings	(45)	(45)	(45)	(45)	(45)
Earnings from Current Period	(16)	(54)	(84)	(233)	(233)
Total Equity	**444**	**406**	**1,028**	**1,563**	**1,563**
Total Liabilities and Equity	**1,585**	**1,571**	**2,205**	**2,885**	**2,885**

Ibancar achieved a record year in terms of loan book and revenue growth with exceptional credit and operational performance while incurring one-off capital raise and restructuring expenses to set up the foundation for the next growth stage.

*Provisional results subject to Audit

Thank you for your interest in Ibancar