4FINANCE REPORTS RESULTS FOR THE SIX MONTHS ENDING 30 JUNE 2017

REVENUE UP 17%, PROFIT BEFORE TAX EUR 35.3 MILLION, SHOWING BENEFITS OF DIVERSIFICATION

29 August 2017. 4finance Holding S.A. (the 'Group' or '4finance'), Europe's largest online and mobile consumer lending group, today announces unaudited consolidated results for the six months ending 30 June 2017 (the 'Period').

Financial Highlights

- Revenue up 17% to EUR 213.6 million in the Period compared with EUR 182.8 million in the prior year period.
- Adjusted EBITDA was EUR 70.8 million for the Period, up 14% year-on-year, with adjusted interest coverage of 2.4x.
- The Group's profit before tax for the Period was EUR 35.3 million, a decrease of 9% from EUR 38.6 million in 1H 2016.
- Online loan issuance during the Period grew by 13% to EUR 609.1 million from EUR 537.2 million in 1H 2016.
- Net loan portfolio reached EUR 519.8 million as of 30 June 2017, up 5% year to date.
- Cost to revenue ratio for the Period was 55%, vs. 46% for the six months to 30 June 2016, reflecting a significant increase in staff numbers during last year, acquisitions and investment for future growth.
- Financial strength remains solid with a capital to assets ratio of 24% as of 30 June 2017 and capital / net loans of 50%, supporting an ordinary dividend payment of EUR 10 million made in July.
- Credit discipline and effective NPL management maintained, with a non-performing loans to online loan issuance ratio of 8.5% as of 30 June 2017, improving from 9.3% at year end 2016, and a reduction in net impairment / revenue to 22%.

Operational Highlights

- The number of registered online lending customers reached 6.9 million as of 30 June 2017, up 30% from a year ago, with a further 1.4 million registered banking customers added through TBI Bank.
- Continued strong financial performance from TBI Bank and an initial transfer of Swedish instalment loans underway.
- Latin American growth continues, with issued loan volumes and revenue for the Period reaching 3x the prior year period.
- Pilot of near-prime products started in Lithuania (instalment loans) and continued in Spain (point-of-sale).
- Mark Ruddock appointed as CEO, Stephen Buechner joins as CRO and new executive committee positions for Compliance and Data. Martins Baumanis has also decided to leave the Group in September.
- Lado Gurgenidze and David Geovanis appointed to Supervisory Board, bringing extensive experience.

Mark Ruddock, CEO of 4finance, commented:

"These results evidence the growing scale and geographic reach of 4finance. With revenue growth of 17% and profit before tax of EUR 35.3 million, our first half performance also demonstrates the benefits of our diversification. The quarter-on-quarter revenue growth of 4% and the quarterly reduction in the cost to revenue ratio are encouraging early signs of our drive to optimize performance as we prepare for further growth in the business.

"I am excited at the opportunity ahead for 4finance. Today, some 2.6 billion consumers globally remain underserved by traditional financial products; breakthroughs in data science and analytics are enabling new methods of scoring those with limited credit histories; we are seeing unprecedented access to the internet via increasingly ubiquitous and inexpensive mobile devices; and the millennial generation are breaking old conventions about the nature of financial products and how they are consumed.

"4finance is uniquely positioned to take advantage of these trends. The simplicity and transparency of our products, our experience in alternative scoring methodologies, our geographic diversification and the fact that over 50% of our customers now interact with us on mobile devices is a solid foundation on which to pursue this global opportunity.

"We welcome Robin Jose as Chief Data Officer and Elaine McKinney as Chief Compliance Officer. These roles reflect the importance of us being both a data-driven and a responsible lender. We respect Manu Panda's decision to return to Asia for family reasons and welcome Stephen Buechner as CRO to lead our overall risk management efforts. Lastly we thank Martins Baumanis for his great contribution to the business over the last 6 years as he steps down in September."

Key Financial Ratios

	Six Months Ended 30 June 2017 (unaudited)	Six Months Ended 30 June 2016 (unaudited)	Year Ended 31 December 2016 (audited)	Year Ended 31 December 2015 (audited)
	2017	2016	2016	2015
Net loan portfolio (in millions of EUR)(1)	519.8	322.7	493.9	308.3
Capital/assets ratio(2)	24%	34%	25%	40%
Capital/net loan portfolio(3)	50%	62%	47%	56%
Adjusted interest coverage(4)	2.4x	3.9x	3.6x	4.1x
Profit before tax margin(5)	17%	21%	21%	23%
Return on average equity(6)	21%	33%	31%	41%
Cost/revenue ratio(7)	55%	46%	48%	42%
Net impairment to revenue ratio(8)	22%	25%	23%	24%
Non-performing loans to loan issuance ratio(9)	8.5%	9.5%	9.3%	9.0%

Definitions and Notes:
(1) Gross loan portfolio less impairment provisions.
(2) Total equity/total assets.
(3) Total equity/net customer loan portfolio.
(4) Adjusted EBITDA/interest expense. See page 6 for details of adjustments.
(5) Profit before tax/interest income.
(6) Annualised profit from continuing operations/average equity (total equity as of the start and end of each period divided by two).
(7) General administrative expenses/interest income.
(8) Net impairment losses on loans and receivables/interest income.
(9) Non-performing online loans with a delay of over 90 days/value of online loans issued. The value of loans issued represents online loans issued for the two-year period before commencement of the 90 day past-due period, eg for 30 June 2017: 1 April 2015 to 31 March 2017.

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Conference call

A conference call with management to discuss these results is scheduled for **Wednesday 30 August at 15:00 UK time**. To register, please visit www.4finance.com/investors.

About 4finance

Established in 2008, 4finance is the largest and fastest growing online and mobile consumer lending group in Europe with operations in 16 countries. Putting innovative data-driven analysis into all aspects of the business, 4finance has grown rapidly, issuing over EUR 4 billion to date in single payment loans, instalment loans and lines of credit.

4finance operates through a portfolio of market leading brands with strong regional presence including Vivus, SMSCredit and Zaplo. A responsible lender, offering simple, convenient and transparent products and service, 4finance is meeting growing customer demand from those under-served by conventional lending.

4finance has group offices in Riga (Latvia), London (UK) and Miami (USA), and currently operates in Argentina, Armenia, Bulgaria, the Czech Republic, Denmark, the Dominican Republic, Finland, Georgia, Latvia, Lithuania, Mexico, Poland, Romania, Spain, Slovakia and Sweden. The group also provides consumer and SME lending through TBI Bank, its EU licensed banking operations in Bulgaria and Romania.

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.

FINANCIAL REVIEW

Income Statement

The table below sets out the condensed consolidated statement of profit and loss for the six months ending 30 June 2017 and 30 June 2016.

	6 months to 30 June		
	2017 (unaudited)	**2016 (unaudited)**	**% change**
	(in millions of EUR)		
Interest income	213.6	182.8	+17 %
Interest expense	(29.2)	(15.8)	+85 %
Net interest income	**184.4**	**167.1**	**+10 %**
Net fee and commission income	4.5	—	n/a
Net impairment losses on loans and receivables	(47.0)	(45.6)	+3 %
General administrative expenses	(116.8)	(84.0)	+39 %
Other income/(expense)	10.1	1.2	n/m
Profit before tax	**35.3**	**38.6**	**(9)%**
Corporate income tax for the reporting period	(9.2)	(7.5)	+23 %
Profit for the period	**26.1**	**31.1**	**(16)%**

Interest income

The table below shows key drivers of interest income, or revenue, *i.e.* business volumes and interest rates.

	6 months to 30 June		
	2017	**2016**	**% change**
Online lending	*(in millions of EUR)*		
Total value of loans issued	609.1	537.2	+13%
Average net loan portfolio	323.3	315.5	+2%
Average annualized interest rate on loans to customers	115%	116%	
Revenue from online lending	185.7	182.8	+2%
Banking operations			
Average net loan portfolio	183.6	—	
Average annualized interest rate on loans to customers	30%	—	
Revenue from banking operations (1)	27.9	—	

Note (1) See appendix for full TBI Bank income statement.

Interest income, or revenue, for the Period was EUR 213.6 million, a 17% increase compared with EUR 182.8 million for the six months ending 30 June 2016. Growth in revenue from online lending was 2%, reflecting the 2% increase in the average balance of the net loan portfolio and a slightly lower average interest rate. The revenue contribution from Georgia and Lithuania was lower by a total of approximately EUR 21 million compared to H1 last year following regulatory changes in those markets. The product offering is being developed in both markets to adapt to the changes, including introducing or extending instalment loans.

TBI Bank's average interest rates are a blend of consumer lending (cash lending, point-of-sale lending and credit cards) with rates that average 45-50% and SME loans with average interest rates of approximately 8-14%. TBI Bank also generates income which is not 'interest' in nature and is reported separately in either the 'net fee and commission' line or 'other income/expense' line.

Interest expense

Interest expense for the Period was EUR 29.2 million, an 85% increase compared with EUR 15.8 million for the six months ending 30 June 2016. This increase is mainly due to the new EUR bonds issued in May and November 2016 and the USD bond issuance and refinancing in April 2017. The costs associated with that refinancing, including issuance costs, tender/redemption premium and unamortised costs of the refinanced bonds were capitalised and are being amortised as part of the interest expense for the USD 2022 bonds. The average balance of the Group’s indebtedness in the Period increased to EUR 443.0 million from EUR 313.3 million, with an average interest rate of 13.2%, increased from 12.4% last year.

Net impairment losses on loans and receivables

Net impairment losses for the Period were EUR 47.0 million, a 3% increase compared with EUR 45.6 million for the six months ending 30 June 2016. The relatively small increase in net impairment losses reflects generally stable asset quality, the inclusion of banking operations which have a lower ratio of impairment/revenue and a more active programme of portfolio debt sales.

	6 months to 30 June	
	2017	**2016**
	(in millions of EUR)	
Impairment losses on loans	61.1	50.6
Over provision on debt portfolio (portfolio sale net proceeds)	(9.1)	(1.2)
Recovery from written-off loans	(5.0)	(3.8)
Total	**47.0**	**45.6**

Overall net impairment losses represented 22% of interest income, a reduction from 25% last year.

General administrative expenses

General administrative expenses reported for the Period were EUR 116.8 million, a 39% increase compared with EUR 84.0 million reported for the six months ending 30 June 2016. The increase reflects both the Group's investment in growth of existing businesses as well as the impact of including the cost base of Friendly Finance and TBI Bank. The increase in personnel costs reflects the significant staff growth last year, mainly attributable to hiring during 2016 in product development, IT, risk, legal & compliance and finance as well as in new markets.

Marketing expense has been reduced as a proportion of revenue as a result of media buying efficiencies, economies of scale and greater use of marketing technologies.

The table below sets out a breakdown of the Group's general administrative expenses.

	6 months to 30 June	
	2017	**2016**
	(in millions of EUR)	
Personnel costs	48.0	29.1
Marketing and sponsorship	24.6	27.0
Research and development	4.2	4.0
IT expenses	4.2	2.1
Debt collection costs	4.4	4.1
Legal and consulting	5.4	5.1
Application inspection costs	5.6	2.3
Depreciation and amortization	4.2	1.7
Rent and utilities	3.8	1.9
Other	12.4	6.7
Total	**116.8**	**84.0**

For the six months of 2017 and 2016, marketing and sponsorship costs accounted for 21% and 32% respectively, and personnel costs accounted for 41% and 35%, respectively, of general administrative expenses. The cost to revenue ratio for the Period was 55%, reflecting a small decrease from the first quarter to the second quarter of 2017.

Other income/(expense)

Other income for the Period amounted to EUR 10.1 million. For the six months ending 30 June 2016, other income was EUR 1.2 million. The increase in net other income was due to the contribution from TBI Bank (mainly portfolio sale gains and rental income), interest income from related party loans and a positive contribution from FX impact.

Profit before tax

For the reasons stated above, the Group's profit before tax for the Period was EUR 35.3 million, a 9% decrease compared with EUR 38.6 million for the six months ending 30 June 2016. The profit before tax margin, *i.e.,* profit before tax as a percentage of interest income, was 17% for the Period, a reduction from 21% for the six months ending 30 June 2016.

Corporate income tax

The Group's corporate income tax expense increased by 23% to EUR 9.2 million for the Period, compared with EUR 7.5 million for the six months ending 30 June 2016.

The table below sets out a breakdown of the Group's corporate income tax.

	6 months to 30 June	
	2017	**2016**
	(in millions of EUR)	
Current tax	16.4	16.1
Deferred tax	(7.2)	(8.6)
Total	**9.2**	**7.5**

Profit for the period

For the reasons stated above, profit for the Period was EUR 26.1 million, a 16% decrease compared with EUR 31.1 million for the six months ending 30 June 2016.

Other financial data – EBITDA and Adjusted EBITDA

	Six Months Ended 30 June 2017	Six Months Ended 30 June 2016	Year Ended 31 December 2016	Year Ended 31 December 2015
	2017	**2016**	**2016**	**2015**
	(in millions of EUR)			
Profit for the period	26.1	31.1	63.2	64.1
Provision for corporate income tax	9.2	7.5	17.8	15.7
Interest expense	29.2	15.8	38.7	28.7
Depreciation and amortization	4.2	1.7	5.1	1.6
EBITDA	**68.7**	**56.1**	**124.9**	**110.0**
Adjustments	2.0	6.0	12.5	8.6
Adjusted EBITDA	**70.8**	**62.1**	**137.4**	**118.6**

	Six Months Ended 30 June 2017	Six Months Ended 30 June 2016	Year Ended 31 December 2016	Year Ended 31 December 2015
	2017	**2016**	**2016**	**2015**
	(in millions of EUR)			
Summary breakdown of Adjustments to EBITDA				
Discontinued operations	-	-	-	(5.9)
Net effect of FX hedging	0.7	2.5	7.3	7.0
One-off costs and other prescribed adjustments	1.3	3.5	5.2	7.5
Total	**2.0**	**6.0**	**12.5**	**8.6**

Note:

(1) Adjusted EBITDA is a non-IFRS measure that represents EBITDA (profit for the period plus tax, plus interest expense, plus depreciation and amortization) as adjusted by 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 EBITDA, as presented in this report, may not be comparable to similarly-titled measures that are reported by other companies due to differences in the way these measures are calculated.

Balance Sheet

The table below sets out the Group's condensed consolidated statement of its financial position.

	30 June 2017 (unaudited)	31 December 2016 (audited)
	(in millions of EUR)	
Cash and cash equivalents	278.4	157.6
Placements with other banks	5.3	4.8
Net loans and advances due from customers	519.8	493.9
Net investment in finance leases	11.8	13.1
Loans to related parties	67.9	67.2
Property and equipment	11.6	12.3
Assets held for sale	8.9	8.6
Financial assets available for sale	11.4	10.6
Investments in associates	1.9	2.1
Derivatives	0.4	11.2
Deferred tax asset	30.6	23.7
Current tax assets	17.4	16.1
Prepaid expenses	6.8	5.6
Intangible assets	42.2	39.8
Goodwill	43.4	43.4
Other assets	37.1	21.5
Total assets	**1,094.8**	**931.4**
Loans and borrowings	488.9	397.2
Deposits from customers	263.8	237.1
Deposits from banks	2.2	—
Corporate income tax payable	16.4	14.6
Other liabilities	57.2	47.5
Liabilities held for sale	5.0	4.8
Total liabilities	**833.4**	**701.2**
Share capital	35.8	35.8
Retained earnings	260.6	233.9
Reorganization reserve	(31.2)	(31.2)
Currency translation reserve	(4.2)	(9.6)
Share based payment reserve	1.7	1.7
Obligatory reserve	0.3	0.3
Other reserves	(1.5)	(1.5)
Total equity attributable to the Group's equity holders	**261.5**	**229.4**
Non-controlling interests	(0.2)	0.7
Total equity	**261.3**	**230.1**
Total shareholders' equity and liabilities	**1,094.8**	**931.4**

Assets

The Group had total assets of EUR 1,094.8 million as of 30 June 2017, a 18% increase compared with EUR 931.4 million as of 31 December 2016. The increase in cash mainly reflects the net proceeds of the USD bond issue and refinancing exercise conducted in the second quarter.

Loan Portfolio

As of 30 June 2017, the Group's net loan portfolio equaled EUR 519.8 million, compared with EUR 493.9 million as of 31 December 2016, representing an increase of EUR 25.9 million, or 5%. The increase was from growth in both online and banking consumer loans. The net loan portfolio includes EUR 23.3 million from Friendly Finance and EUR 189.7 million from TBI Bank. Details of TBI Bank's portfolio classification are shown in the appendix.

Classification of the Group's online loan portfolio

The following table sets out the classification of the Group's online loan portfolio in terms of performing and non-performing loans (ie those more than 90 days past due), including accrued interest.

Loan portfolio	**30 June 2017**				**31 December 2016**			
	Gross Amount	**Allowance for doubtful debts**	**Net Amount**	**% of Net Portfolio**	**Gross Amount**	**Allowance for doubtful debts**	**Net Amount**	**% of Net Portfolio**
	(in millions of EUR, except percentages)				*(in millions of EUR, except percentages)*			
Performing	290.1	(27.8)	262.3	79.4 %	277.4	(28.8)	248.6	78.6 %
Non-performing	193.9	(126.1)	67.8	20.6 %	196.6	(128.8)	67.8	21.4 %
Total	**484.0**	**(153.9)**	**330.1**	**100.0%**	**474.0**	**(157.6)**	**316.4**	**100.0%**

Performing online loan portfolio

The following table shows the Group's performing online loan portfolio by product.

	30 June 2017		**31 December 2016**	
	Amount	**% of Portfolio**	**Amount**	**% of Portfolio**
Performing loan portfolio by product:	*(in millions of EUR, except percentages)*			
Single Payment Loans	197.2	68.0 %	193.5	69.8 %
Instalment Loans	87.9	30.3 %	81.0	29.2 %
Line of Credit	4.2	1.5 %	2.9	1.0 %
Point of Sales	0.7	0.2 %	—	— %
Total performing loan portfolio	**290.1**	**100.0%**	**277.4**	**100.0%**

Non-performing online loan portfolio

The Group's policy is to write off any online loans which have been overdue for more than 730 days. As of 30 June 2017, the Group's non-performing online loan portfolio was EUR 193.9 million, representing 8.5% of the value of loans issued between 1 April 2015 and 31 March 2017. Given the mostly short-term nature of the Group's online lending, the majority of loans issued during a reporting period are repaid prior to the period end, while non-performing loans are accumulated for 730 days. The Group's non-performing loan (NPL) portfolio as of 30 June 2017 represented 40% of total gross loans outstanding as of that date. EUR 14.5 million, or 8.7%, of this was non-performing interest. The Group's total gross non-performing loan portfolio decreased by 2.7 million, or 1%, during the Period. This reflects stable asset quality as well as sales of NPL loans in some markets.

The following table sets out an analysis of the Group's online NPL portfolio by product.

	30 June 2017	**31 December 2016**
	(in millions of EUR, except percentages)	
Non-performing loan portfolio by product:		
Single Payment Loans	143.1	146.9
Instalment Loans	49.7	48.8
Line of Credit	1.1	0.9
Total non-performing loan portfolio	**193.9**	**196.6**
Allowance for doubtful NPL debts	126.1	128.8
Allowance for doubtful NPL debts / non-performing loans	65 %	66 %
Overall allowance / NPL coverage ratio	79 %	80 %
Value of loans issued[(1)]	2,279	2,106
Ratio of NPLs to value of loans issued	**8.5%**	**9.3%**
Average Loss Given Default rate	57 %	57 %

Notes:
(1) The value of loans issued as of a particular date represent loans issued for the two-year period before commencement of the 90 day past-due period. For example, the applicable period for the 30 June 2017 reporting date is 1 April 2015 to 31 March 2017.

Liabilities

The Group had total liabilities of EUR 833.4 million as of 30 June 2017, compared with EUR 701.2 million as of 31 December 2016, representing an increase of EUR 132.2 million. Liabilities increased mainly due to the USD bond issue and refinancing as well as increased customer deposits at TBI Bank.

Loans and borrowings

As of 30 June 2017, the Group had loans and borrowings of EUR 488.9 million, compared with EUR 397.2 million as of 31 December 2016. The Group's loans and borrowings accounted for 59% of total liabilities as of 30 June 2017 and 57% of total liabilities as of 31 December 2016. The table below sets out the loans and borrowings by type as of the dates indicated.

	30 June 2017	**31 December 2016**
	(in millions of EUR)	
4finance Notes	473.6	376.3
TBI Bank	3.4	3.5
FF Notes	3.0	2.8
Loans from bank	0.2	0.2
Other(1)	8.7	14.4
Total loans and borrowings(2)	**488.9**	**397.2**

Note:
(1) 'Other' consists primarily of loans to Friendly Finance.
(2) Includes accrued but unpaid interest.

In August 2014, 4finance S.A. issued USD 200.0 million of 11.75% notes (the '*2019 Notes*') which are listed on the Irish Stock Exchange and are senior to all of the Group's future subordinated debt. The 2019 Notes will mature in August 2019. Following the tender offer conducted in April, an amount of USD 68 million remains outstanding.

In May 2016, 4finance S.A. issued EUR 100.0 million of 11.25% notes (the '*2021 Notes*') which are senior to all of the Group's future subordinated debt. The 2021 Notes are listed on the Prime Standard regulated market segment of the Frankfurt Stock Exchange. In November 2016, a further EUR 50.0 million of 2021 Notes were issued at par. The 2021 Notes will mature in May 2021.

In April 2017, 4finance S.A. issued USD 325.0 million of 10.75% notes (the '*2022 Notes')* which are listed on the Irish Stock Exchange and will mature in May 2022.

In November 2015, Friendly Finance Poland issued PLN 15.0 million of 10% Notes due in May 2018. These were fully repaid in August 2017.

As part of the refinancing completed in the second quarter, the SEK bonds issued by 4finance S.A. have been fully repaid.

Customer deposits

As of 30 June 2017, the Group had total customer deposits of EUR 263.8 million. Banking operations contributed EUR 249.2 million in deposits at an average cost of approximately 2% with the balance from 4spar in Sweden at an average cost of 7%. Further details of TBI Bank's deposits that are presented in the appendix.

Equity

As of 30 June 2017, the Group's total equity amounted to EUR 261.3 million, compared with EUR 230.1 million as of 31 December 2016, representing an increase of EUR 31.2 million, or 14%, which was mainly attributable to profits generated. The Group's capital to assets ratio as of 30 June 2017 was 24%. This reflects the significant increase in assets of the Group (for illustration, the capital to assets ratio excluding TBI Bank as of 30 June 2017 was 35%, comparable with prior periods). The capital to net loan portfolio ratio as of 30 June 2017 was 50%, reflecting the Group's strong capitalization which gives significant headroom to bond covenants.

Off-Balance Sheet Arrangements

The Group's total off-balance sheet commitments as of 30 June 2017 were EUR 12.6 million. This includes TBI Bank's undrawn lending commitments of EUR 9.2 million and financial guarantees EUR 0.4 million as well as EUR 3.1 million in connection with the Group's online portfolio (line of credit product). The Group also enters into currency hedging transactions which may result in additional off-balance sheet assets or liabilities, but these generally have limited net exposure and are designed to limit overall exposure to currency movements.

Condensed Consolidated Statement of Cash Flows for the Period

The table below sets out the Group's condensed consolidated statement of cash flows.

	6 months to 30 June	
	2017	2016
Cash flows from operating activities	*(in millions of EUR)*	
Profit before taxes	**35.3**	**38.6**
Adjustments for:		
Depreciation and amortization	4.2	1.7
Net losses on foreign exchange from borrowings	(15.6)	(4.3)
Increase in impairment allowance	61.1	50.6
Write-off and disposal of intangible and property and equipment assets	0.3	0.7
Provisions	(0.1)	0.1
Interest income	(4.5)	(3.4)
Interest expenses	29.2	15.8
Equity-settled share-based payment transactions	—	1.0
Profit or loss before adjustments for the effect of changes to current assets and short-term liabilities	109.9	100.8
Adjustments for:		
Increase in loans due from customers	(84.5)	(46.9)
Net (decrease)/increase in deposits from customers	28.6	1.6
Change in financial instruments measured at fair value through profit or loss	11.3	0.3
Increase in other assets (including TBI statutory reserve, placements & finance leases)	(46.7)	(12.5)
Proceeds from sale of portfolio	25.2	1.4
Deposit interest payments	(2.0)	(0.2)
Increase in accounts payable to suppliers, contractors and other creditors	9.7	13.3
Acquisition of non-controling interest	—	(2.0)
Gross cash flows from operating activities	**51.5**	**55.8**
Corporate income tax paid	(16.0)	(14.1)
Net cash flows from operating activities	**35.5**	**41.7**
Cash flows used in investing activities		
Purchase of property and equipment and intangible assets	(7.5)	(11.2)
Loans issued to related parties	(0.6)	(21.2)
Loans repaid from related parties	2.3	—
Interest received	0.6	1.1
Allocation for potential acquisition	—	(6.6)
Acquisition of subsidiaries, net of cash acquired	—	(32.1)
Net cash flows used in investing activities	**(5.2)**	**(70.0)**
Cash flows from financing activities		
Loans received and notes issued	299.5	110.6
Repayment and repurchase of loans and notes	(167.4)	(7.1)
Interest payments	(26.5)	(12.7)
Costs of notes issuance and premium on repurchase of notes	(19.1)	(2.5)
Dividend payments	—	(0.7)
Net cash flows from financing activities	**86.5**	**87.6**
Net (decrease) / increase in cash and cash equivalents	**116.9**	**59.3**
Cash and cash equivalents at the beginning of the period	**137.0**	**56.9**
Effect of exchange rate fluctuations on cash	(0.4)	0.3
Cash and cash equivalents at the end of the period	**253.5**	**116.4**
Minimum statutory reserve	**24.9**	**—**
Total cash on hand and cash at central banks	**278.4**	**116.4**

Net cash flows generated in operating activities in the Period was EUR 35.5 million compared with EUR 41.7 million in the same period last year, a decrease of 15%. Net cash used in investing activities was EUR 5.2 million in the Period, significantly lower than the prior year period. The Group's cash flows from financing activities reflect the proceeds from the new USD 2022 bond issue and the refinancing of all of its SEK 2018 bonds and part of its USD 2019 bonds.

TBI Bank Appendix: Income Statement, Balance Sheet and key ratios

The Group finalised the purchase of TBI Bank EAD ("TBI Bank"), via the acquisition of TBIF Financial Services B.V., in August 2016. Presented here for illustration and reference are TBI Bank's results for the six months ending 30 June 2017 and the year ended 31 December 2016.

Income statement

The table below sets out the income statement for TBI Bank, presented on the same basis as the bank's published 2016 IFRS financial statements.

	30 June 2017	31 December 2016
	(unaudited, in millions of EUR)	*(audited, in millions of EUR)*
Interest income	28.6	46.8
Interest expense	(2.0)	(3.3)
Net interest income	**26.6**	**43.5**
Fee and commission income	5.3	8.6
Fee and commission expense	(0.8)	(1.7)
Net fee and commission income	**4.5**	**7.0**
Net trading gain	4.2	2.0
Other operating expenses	(19.1)	(31.7)
Loss on impairment of financial assets	(5.2)	(5.9)
Other operating income	1.7	3.9
Profit before tax from continuing operations	**12.7**	**18.8**
Income tax expense	(1.9)	(2.1)
Profit from continuing operations	**10.8**	**16.6**

Balance sheet

The table below sets out the statement of financial position for TBI Bank. For the purpose of consolidation with the Group's balance sheet, shown on page 6 of the report, the fair values assessed as part of the Group's updated goodwill calculation under IFRS are used, rather than the book values presented below.

	30 June 2017	**31 December 2016**
	(unaudited, in millions of EUR)	***(audited, in millions of EUR)***
Cash on hand and balances with central banks	100.1	34.0
Placements with other banks [1]	14.3	54.9
Non-current assets held for sale	15.4	15.4
Loans to customers [2]	205.8	194.3
Available-for-sale financial assets	6.5	5.5
Financial assets held for trading	—	0.5
Held-to-maturity investments	4.1	4.1
Other assets	3.1	2.8
Current tax assets	0.7	0.1
Intangible assets	1.0	0.8
Property, plant and equipment	6.4	6.5
Total assets	**357.4**	**318.9**
Deposits from customers	249.2	224.4
Deposits from banks	2.2	3.0
Other borrowings	3.4	0.5
Tax liabilities	0.1	0.1
Liabilities held for sale	5.0	4.7
Other liabilities	12.2	11.5
Total liabilities	**272.1**	**244.3**
Share capital	41.7	41.7
Retained earnings	29.1	12.7
Other reserves	3.7	3.7
Revaluation reserve	—	0.1
Foreign currency translation reserve	—	(0.1)
Current result	10.8	16.6
Equity attributable to the owners of the parent	**85.3**	**74.7**
Non-controling interest	—	—
Total equity	**85.3**	**74.7**
Total shareholders' equity and liabilities	**357.4**	**318.9**

Notes:
1. Placements with other banks that are short-term are included on the Group's balance sheet within 'cash and cash equivalents'.
2. Loans to customers includes finance leases, which are shown separately on the Group's balance sheet to net customer loans.

Loan portfolio

Below is TBI Bank's loan portfolio, including accrued interest, split by consumer and SME customers as of the dates indicated.

	30 June 2017	31 December 2016	% Change
	(unaudited, in millions of EUR)	*(audited, in millions of EUR)*	
Consumer	160	144	11 %
SME (including financial leases)	62	65	(5)%
Total gross loans	**221**	**209**	**6 %**
Provisions	(15)	(15)	3 %
Total net loans	**206**	**194**	**6 %**

As of 30 June 2017, consumer loans made up 72% of TBI Bank's gross loans, up from 69% as of 31 December 2016. The overall loan portfolio has a roughly equal contribution from both Bulgaria and Romania.

The non-performing loan ratios by loan type are shown below.

	Consumer	SME	Overall
Non-performing loans to gross portfolio ratio	8.0%	17.4%	10.6%
Provision coverage(1)	100.9%	23.4%	65.1%

Note (1) In addition to provisions, the SME portfolio is backed by collateral with average loan-to-value of 50%.

Customer deposits

TBI Bank's customer deposits by client and type are shown below.

	30 June 2017	31 December 2016	% Change
	(unaudited, in millions of EUR)	*(audited, in millions of EUR)*	
Consumer deposits total	207	180	15 %
- Current accounts	16	13	23 %
- Term deposits	191	167	14 %
SME deposits total	42	44	(5)%
- Current accounts	23	27	(15)%
- Term deposits	19	18	6 %

The average interest rate paid on term deposits varies by type and currency, ranging from 0.6% to 2.5%. Customer deposits were relatively stable during the second quarter. The average remaining maturity of consumer term deposits is 6 months.

Capital and liquidity ratios

TBI Bank continues to have a very strong capital and liquidity position.

The table below shows TBI Bank's statutory capital and liquidity ratios as of 30 June 2017. The capital ratios have improved since the year end following adoption of the 2016 audited profit as retained earnings.

	Standalone	Consolidated
Common equity Tier 1 ratio	27.9%	26.6%
Capital adequacy	27.9%	26.6%
Liquidity ratio	47.0%	—

RECENT DEVELOPMENTS

Recent developments include significant and material information about the Group's development and any changes since its last quarterly report that was published on 30 May 2017.

Acquisitions and disposals

The sale of the TBI Rent business by TBI Bank was completed in July 2017.

The Group acquired a further 10% stake in online SME lender SpotCap Global SARL in July 2017 from Tirona for approximately EUR 5 million, taking the Group's ownership to 19.9%.

Changes in management

As previously announced, Mark Ruddock was appointed as CEO of the Group, Chairman of the management board of 4finance Group S.A. and Chairman of the board of 4finance Holding S.A. as of 1 July 2017. George Georgakopoulos left the Group to pursue other interests and stepped down from those roles as of 30 June 2017.

Manu Panda left the Group in June 2017 to move back to Asia for family reasons and Stephen Buechner has joined as Chief Risk Officer. Stephen has over 16 years of experience in banking, eCommerce, cards & payment products including with Citi, Barclays and Ingenico. Most recently he was CRO at Paysafe Group.

Elaine McKinney joined the Group in the new role of Chief Compliance Officer in July 2017. Elaine has over 20 years of experience in compliance covering integrity, data protection and privacy, and information security. She has worked in the public and private sector in the United Kingdom, Netherlands and Czech Republic, most recently for online security company AVG Technologies.

Robin Jose joined the Group in the new role of Chief Data Officer in July 2017. Robin was head of Data Science and Analytics Innovation at EMC/Dell and VP of the Big Data Analytics Division at Reliance. He has extensive experience in the analytics and technology sector including with Finstar Labs, Siemens, Witness Systems, Novell and Cisco.

Martins Baumanis, the Group's EVP of Loans, has given notice of his intention to leave the Group in September 2017 after more than 6 years with the business to pursue other interests. Mark Ruddock will join the board of 4finance S.A. on Martins' departure.

As previously announced, Lado Gurgenidze and David Geovanis were appointed to Supervisory Board of 4finance Group S.A. in July 2017. Following their appointments and Mark Ruddock becoming CEO, the membership of the Supervisory Board is as follows: Nick Jordan (Chairman), William Horwitz, Lado Gurgenidze and David Geovanis.

Regulatory Changes

The National Bank of Romania has announced plans for additional regulation for non-bank financial institutions offering loans over 200% APR, including special registration and increased capital requirements.

Financing

In July 2017, an ordinary dividend of EUR 10 million was paid by 4finance Holding S.A. to 4finance Group S.A. from its 2016 audited net profit.

In August 2017, the Group repaid the PLN 15 million of May 2018 Notes issued by Friendly Finance Poland at par plus accrued interest.

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