



4finance Holding SA

Investor Presentation for six month 2019 results

3 September 2019

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Agenda

- Business update
- Review of six month 2019 results
- Loan portfolio and asset quality
- Summary

H1 2019 business and financial highlights

Operational update

- Stable performance overall in larger online markets of Denmark, Poland and Spain as well as TBI Bank
 - €7bn online loan issuance milestone surpassed in June
 - Strong demand for near-prime loans in Spain
 - Approach to instalment loan issuance in Poland under review
- TBI Bank delivering growth
 - Growth in consumer and SME portfolios
 - Good progress with integration of the Bulgarian vivus.bg online business, supporting digital lending strategy
- Adapting to new regulation in the Nordics & Baltics
 - Evolving product strategy by market, with some impact visible in H1 2019
 - Product re-launch completed in Finland; positive initial response to new products in Latvia
- Year-on-year comparisons remain impacted by product and market exits during 2018
 - Fewer product 'instances' in H1 2019 than prior year, accounting for essentially all of the reduction in interest income
- Continued cost reduction and improvement in NPL ratio
 - Operating costs down 17% YoY, continued headcount reduction of 14% YoY
 - NPL ratio at record low levels, helped by increased debt sales in Q2



Interest
income

€213.4m

(13)% YoY



Cost to
income ratio

52.2%

1.4ppts YoY
improvement



Pre-tax
profit

€27.1m

+11% YoY



Overall
NPL ratio

17.9%

1.5ppts YTD
improvement

Recap of strategic focus areas in 2019

① Optimise




- Relentless execution in European online markets in shorter-term products
- Further cost optimisation, efficiency gains and automation
- Grow instalment loan and line of credit business in selected markets
- Review growth opportunities in smaller markets (eg partnerships in Mexico)
- Adapting products to regulatory changes in Latvia (Jan and Jul 2019) and Finland (Sep 2019)

② Diversify & Grow

- Creation of new “4finance Next” unit to drive near-prime lending and partnership opportunities
- IT strategy revised to give more efficient support for core markets, and local flexibility for smaller ones
- Launch pilots of funding projects including with TBI Bank and our external securitisation platform
- TBI Bank growth and execution of next generation digital lending strategy



Regulatory update, ongoing changes

	Current	Proposed	Status	Engagement & business adaptation
Latvia 	<ul style="list-style-type: none"> • 25% APR cap • Marketing restrictions 	<ul style="list-style-type: none"> • N/a 	<ul style="list-style-type: none"> • New legislation in force as of July 2019 	<ul style="list-style-type: none"> • Products adapted, with voluntary fast disbursement fee • Positive initial customer response
Finland 	<ul style="list-style-type: none"> • 20% interest cap • Limits on fees and extensions 	<ul style="list-style-type: none"> • N/a 	<ul style="list-style-type: none"> • New legislation in force as of September 2019 	<ul style="list-style-type: none"> • Products adapted, with 'mini-instalment loan' on new platform & voluntary fast disbursement fee
Poland 	<ul style="list-style-type: none"> • Non-interest fees 25% fixed and 30% annual • Consumer protection regulator 	<ul style="list-style-type: none"> • Non-interest fees of 10% fixed and 10% annual • Polish FSA regulator • Six month implementation period 	<ul style="list-style-type: none"> • Draft proposed end June 2019 • Currently in EC referral until end September • Polish elections mid-October 	<ul style="list-style-type: none"> • Contributed to EC review process • Ongoing consultation
Denmark 	<ul style="list-style-type: none"> • No interest or fee caps • Licensing regime, led by Danish FSA 	<ul style="list-style-type: none"> • Early stage political discussion on additional regulation 	<ul style="list-style-type: none"> • Licensing applications to be submitted by end 2019 • No draft regulation or timetable currently 	<ul style="list-style-type: none"> • Active contribution to political consultation process ongoing

Continued focus on responsible lending, including EU consumer credit directive consultations

Review of six month 2019 results

Summary of six month 2019 results

- Solid performance in second quarter. Stable quarterly revenue, Adjusted EBITDA up 13% QoQ, with highest quarterly PBT for two years
- H1'19 interest income down 13%, Adjusted EBITDA of €62.5m, down 16% year-on-year
 - Reduction in interest income largely attributable to products and/or markets that were rationalised during 2018
 - Interest coverage ratio for H1'19 of 2.1x (full covenant calculation ratio of 2.7x)
 - Post-provision operating profit of €31.0m, vs. €40.8m in H1'18 (impacted by significant post IFRS 9 debt sales income in H1'18)
- Interest income highlights by market and product
 - Solid performance in key online markets (Denmark, Poland, Spain) and TBI Bank
 - Stable contribution of instalment loan interest income quarter-on-quarter
 - TBI Bank increasing its own online operations and transfer of vivus.bg operations
- Continued progress on cost reduction
 - Year-on-year reduction in costs of 17%
- Strong operating cashflow and robust cash position
 - Operating cashflow before movements in portfolio & deposits of €110m
 - Full repayment of \$68m August 2019 bond maturity from cash on hand
- Overall stable risk performance
 - Overall gross NPL ratio of 17.9% (from 19.4% in December 2018)
 - Net impairment/interest income at 28.4% for H1'19 (vs 25.8% in H1'18)

Interest Income

€m

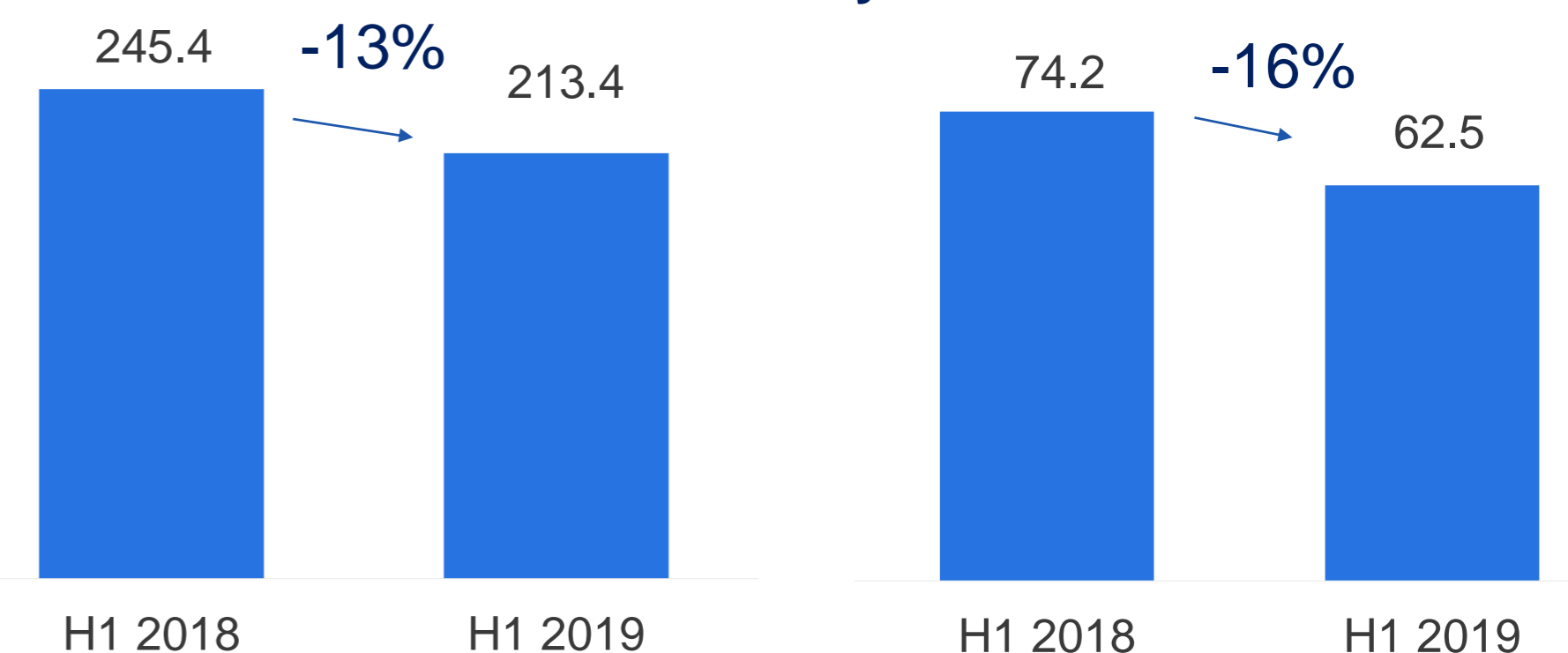
Adjusted EBITDA

€m

Quarter-on-quarter

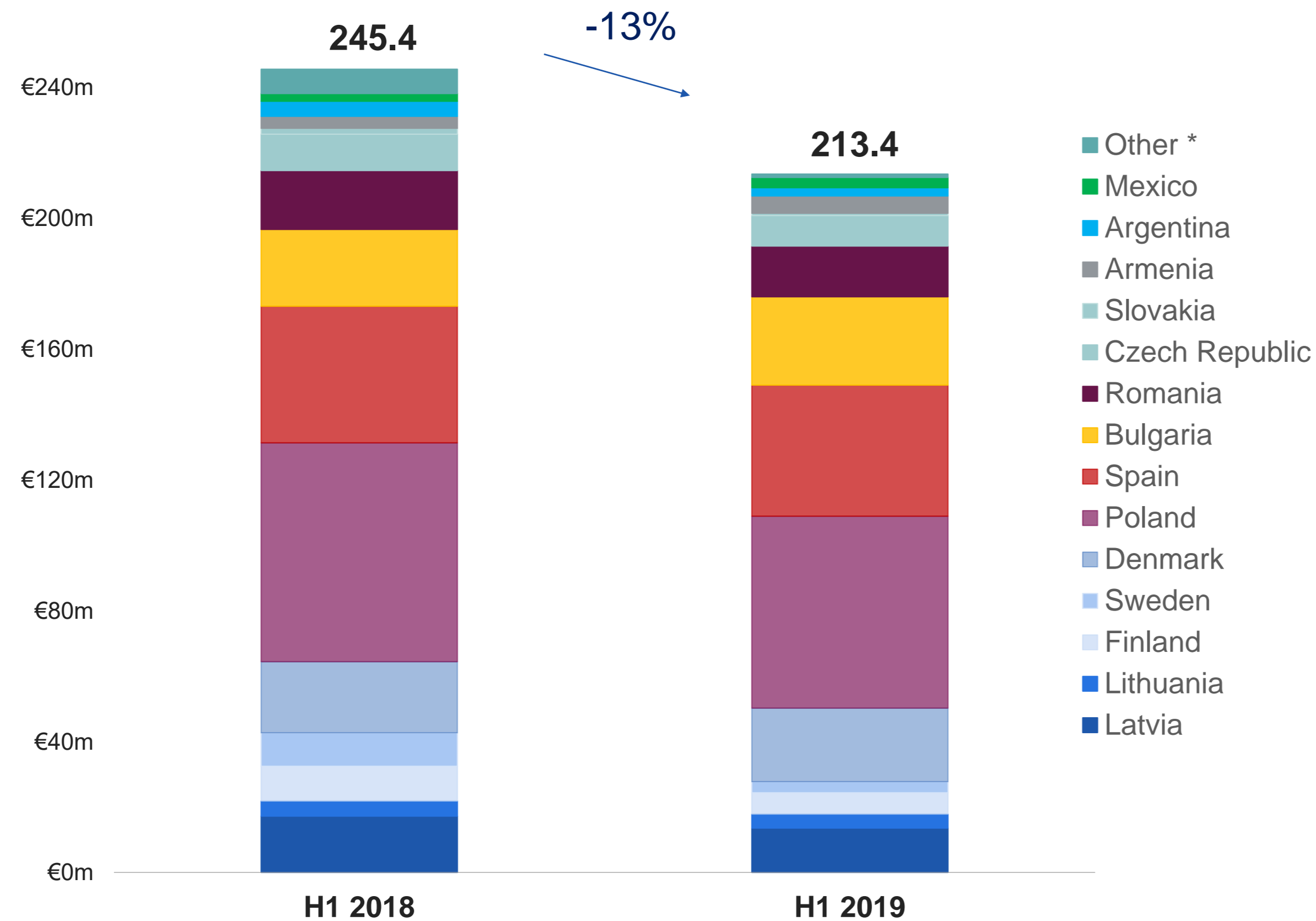


Year-on-year

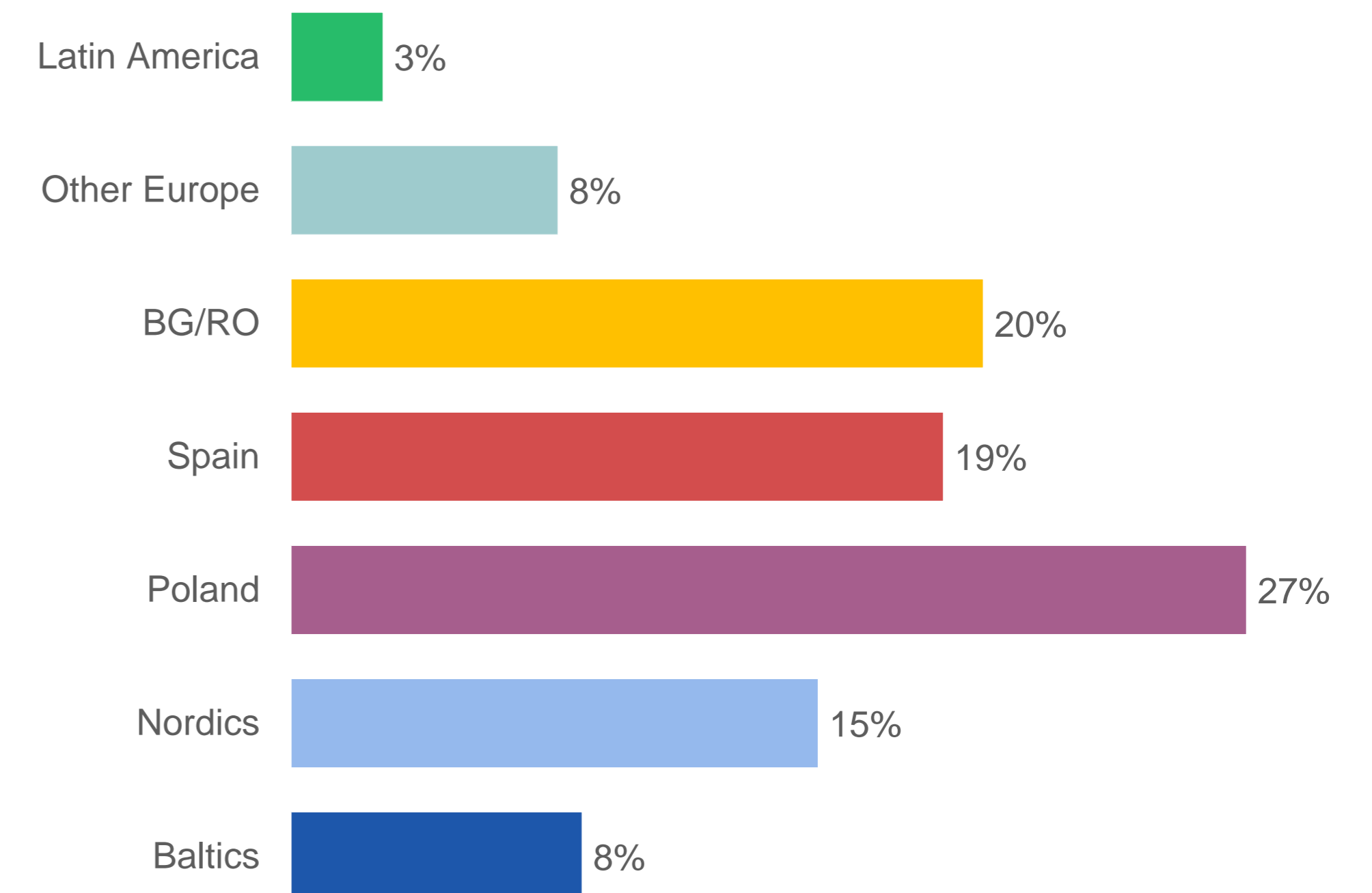


Interest income – remains well diversified

Interest income by country



H1 2019 interest income: €213m



* Other represents countries exited during 2018 (Dominican Republic and Georgia)

Operating cost drivers

- Operating costs down 17% year-on-year
 - H1'19 cost/income ratio at 52.2% compared to 53.6% in H1'18
 - 2017 costs in bar graph do not include capex that would have been expensed under more conservative approach from 2018
 - Some cost reduction effect from IFRS 16, with €2.4m of costs in H1'19 effectively moved to D&A and interest expense lines
 - Q2'19 costs include annual TBI Bank state deposit guarantee fund payment of €1.0m
- Cost efficiency projects ongoing with focus on cost/income ratio
 - Friendly Finance integration fully complete
 - Continued headcount reduction of 14% year-on-year
 - Lower above-the-line marketing spend due to efficiency savings from econometric modelling (seasonal increase in Q4'18 as expected)

Notes:

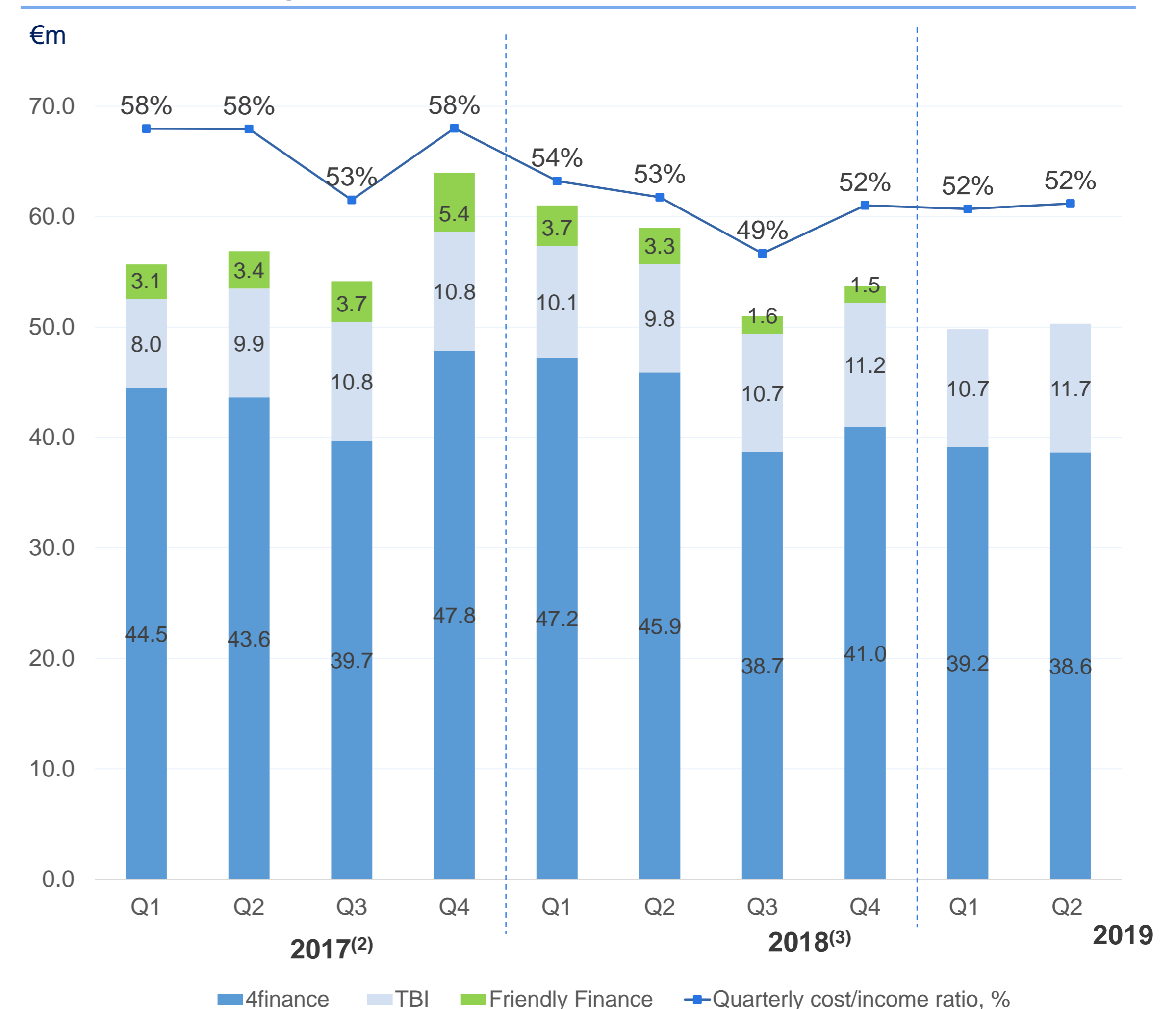
(1) As of Q1 2019 costs are no longer shown separately for Friendly Finance as it is fully integrated into the Group's online operations

(2) 2017 quarterly costs reflect as-reported quarterly numbers. Totals do not match with 2017 audited financials due to capex de-recognition as part of year end one-off adjustments to intangible assets

(3) Q4 2018 costs have been adjusted to reflect audited figures

See appendix for definitions of key metrics and ratios

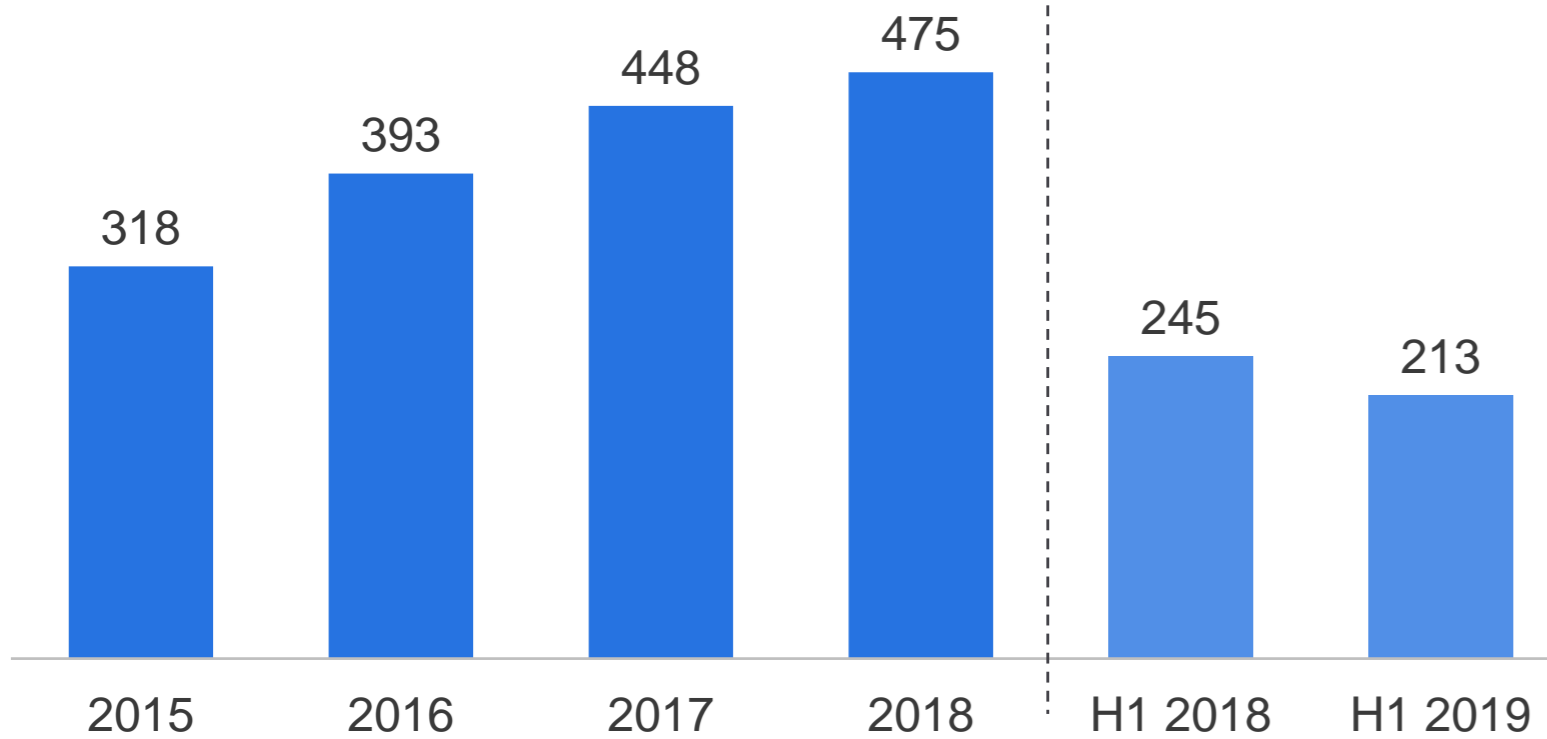
Total operating costs (1)



Financial highlights – strong credit metrics

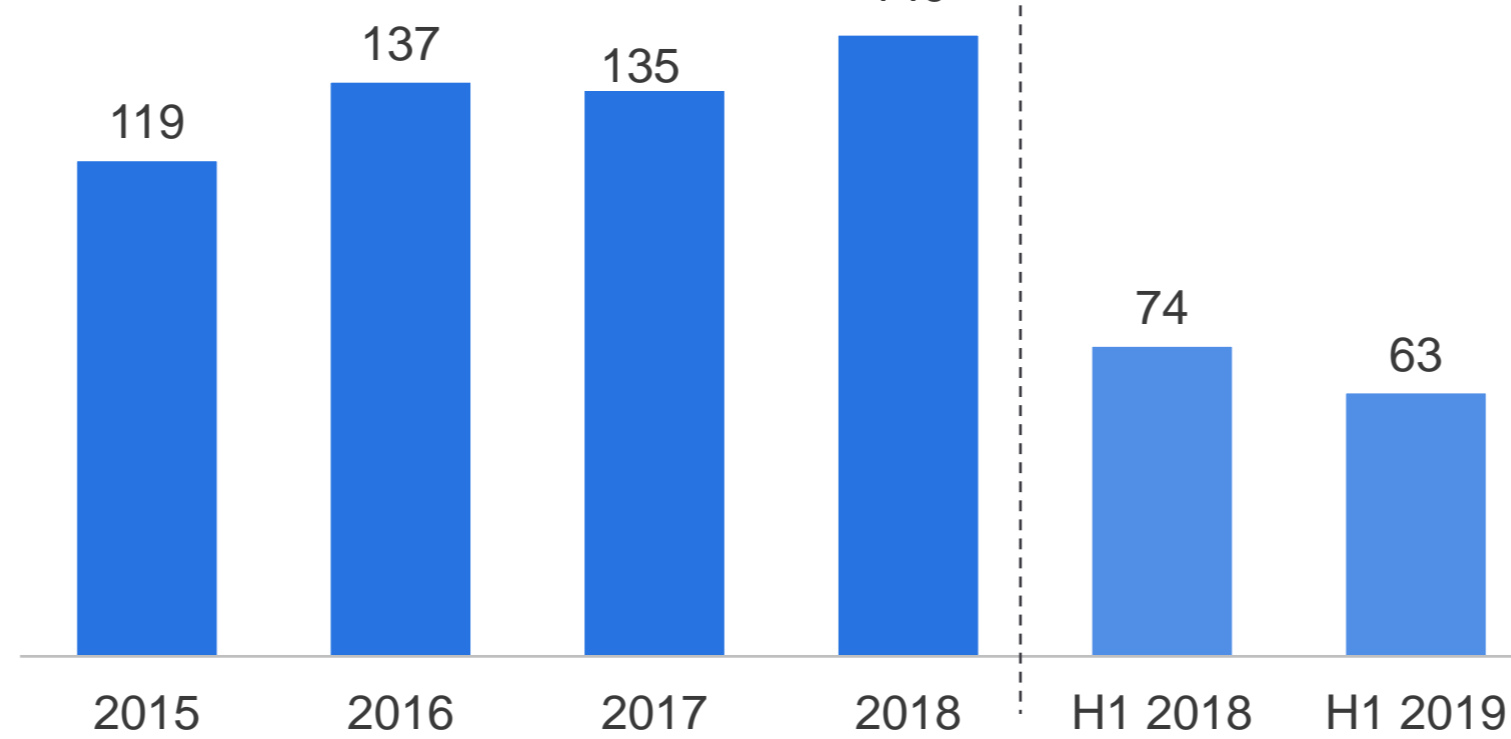
Interest income

€m



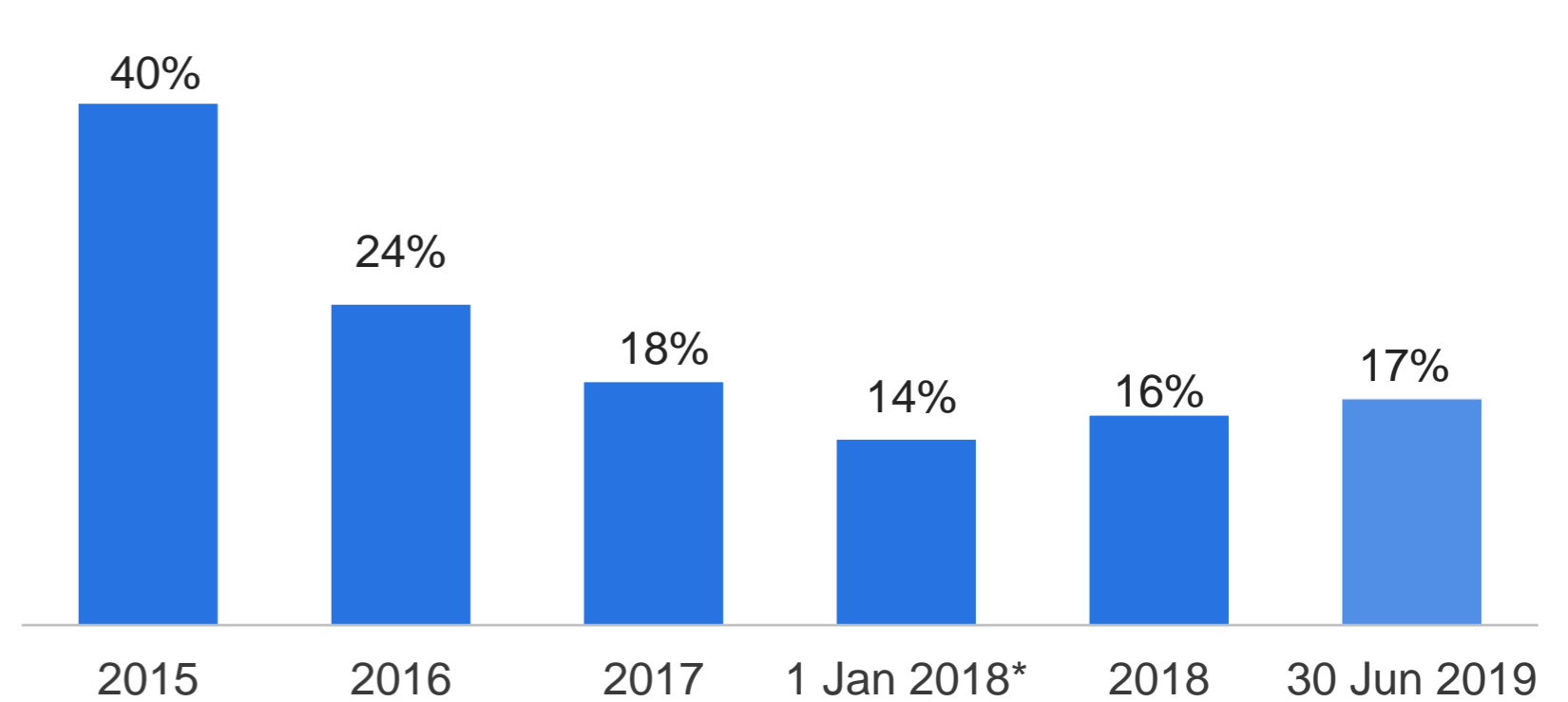
Adjusted EBITDA

€m



Equity / assets ratio

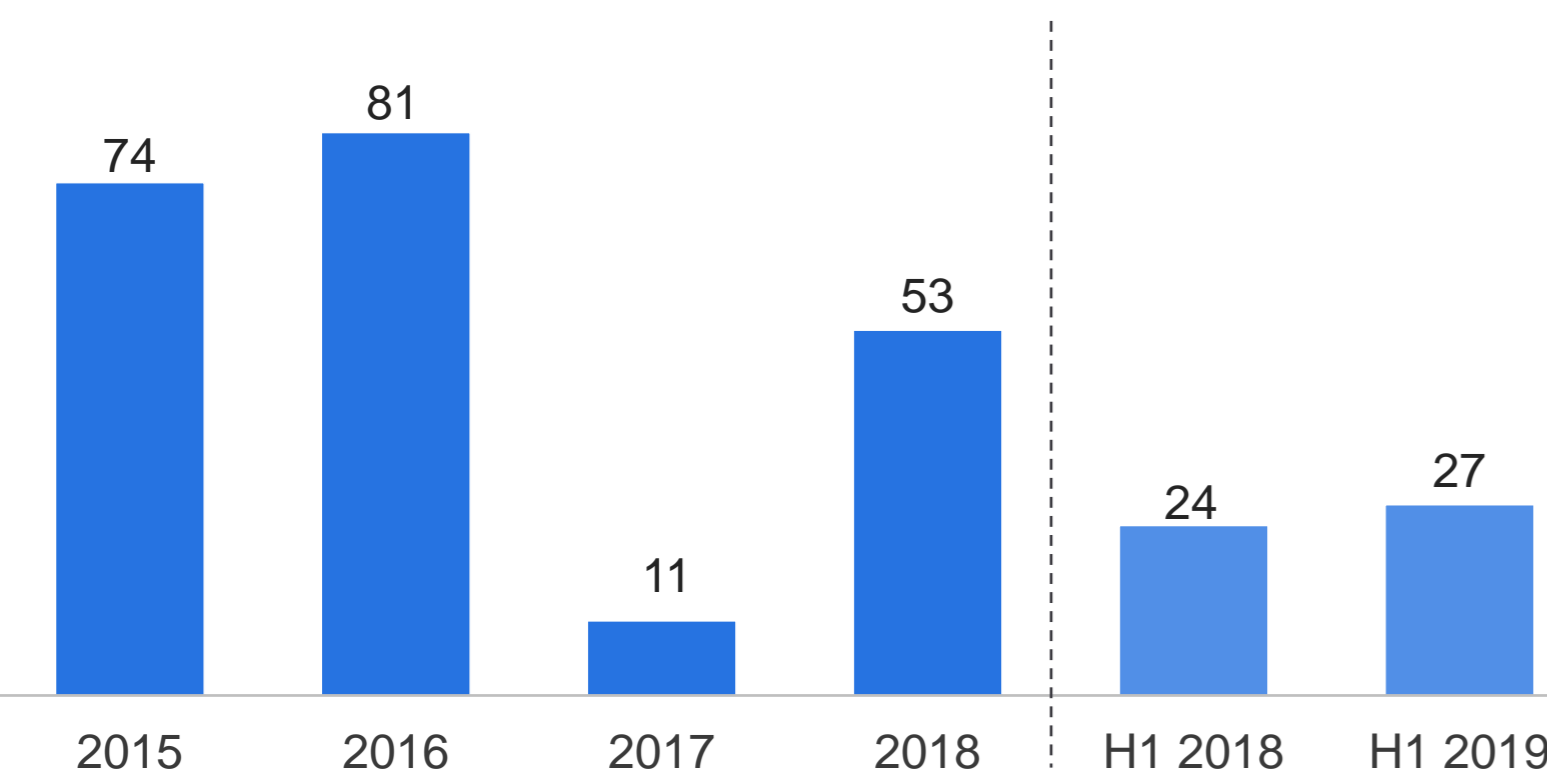
%



* Post IFRS 9

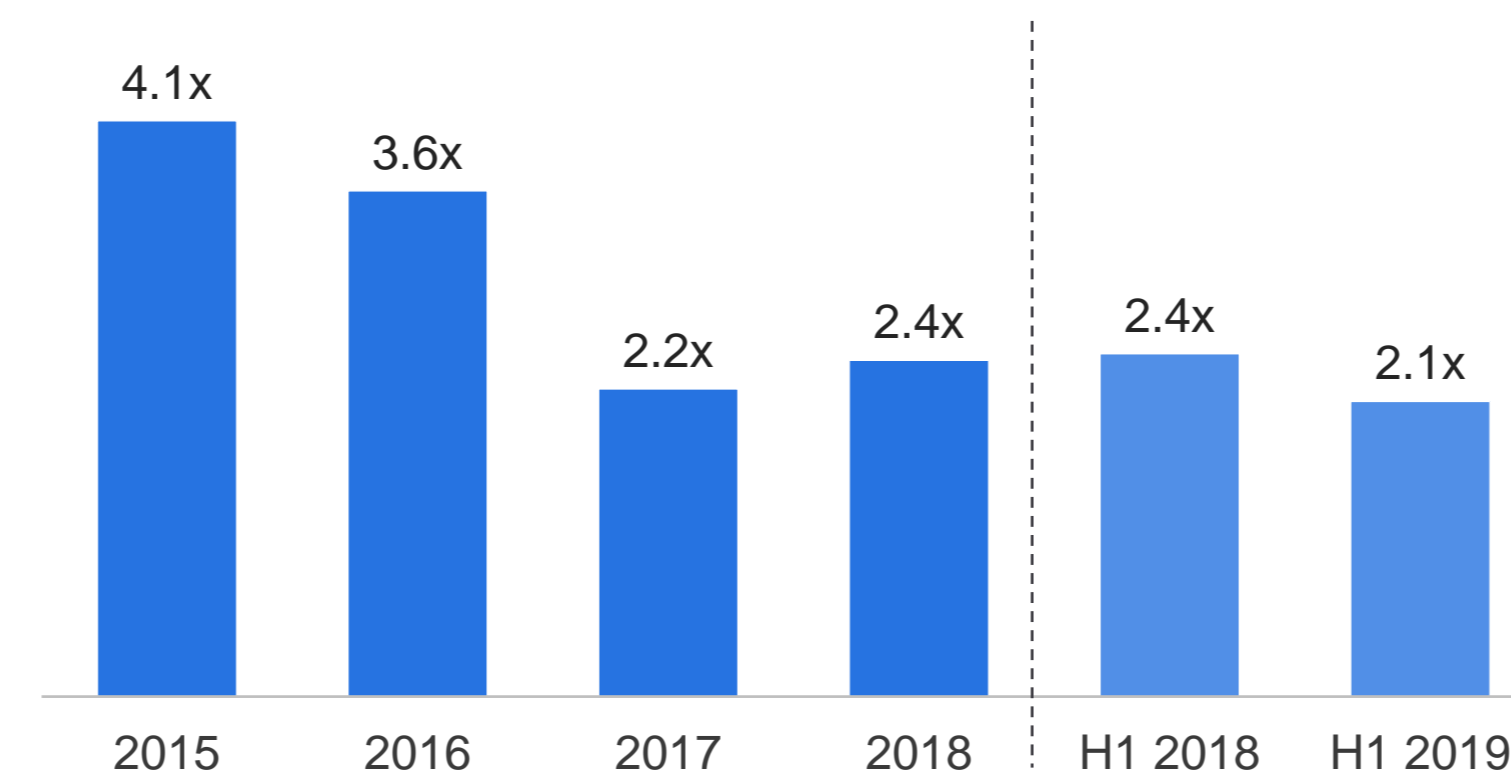
Profit before tax

€m



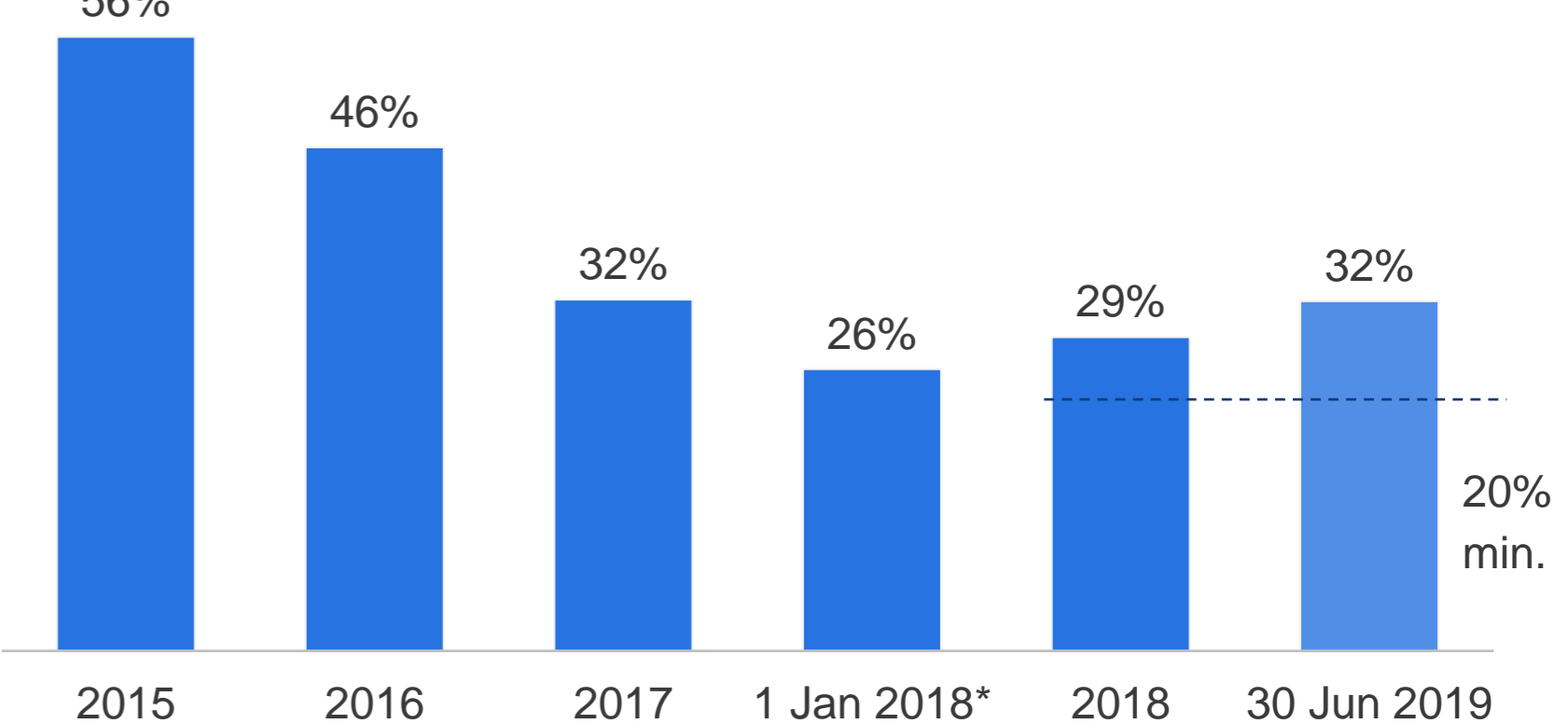
Adjusted interest coverage ratio ⁽¹⁾

Times



Equity / net receivables

%



* Post IFRS 9

Note (1): The full covenant calculation of interest coverage ratio is based on proforma last twelve month figures, and is currently 2.7x

See appendix for definitions of key metrics and ratios

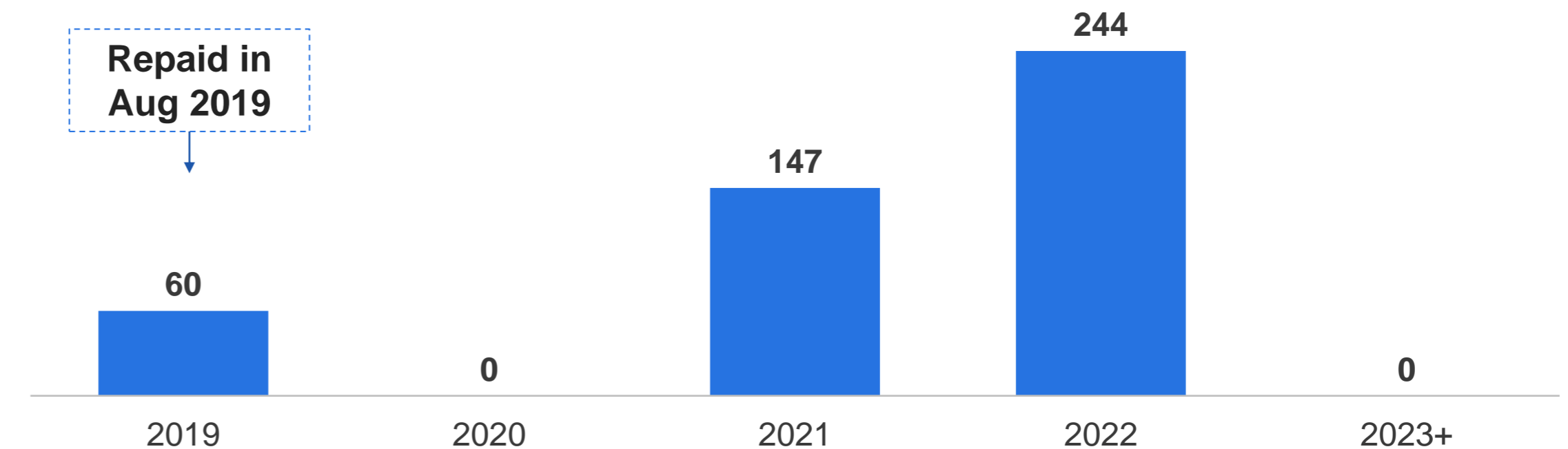
Funding strategy

Strategy to diversify sources of funding and reduce overall funding cost over time

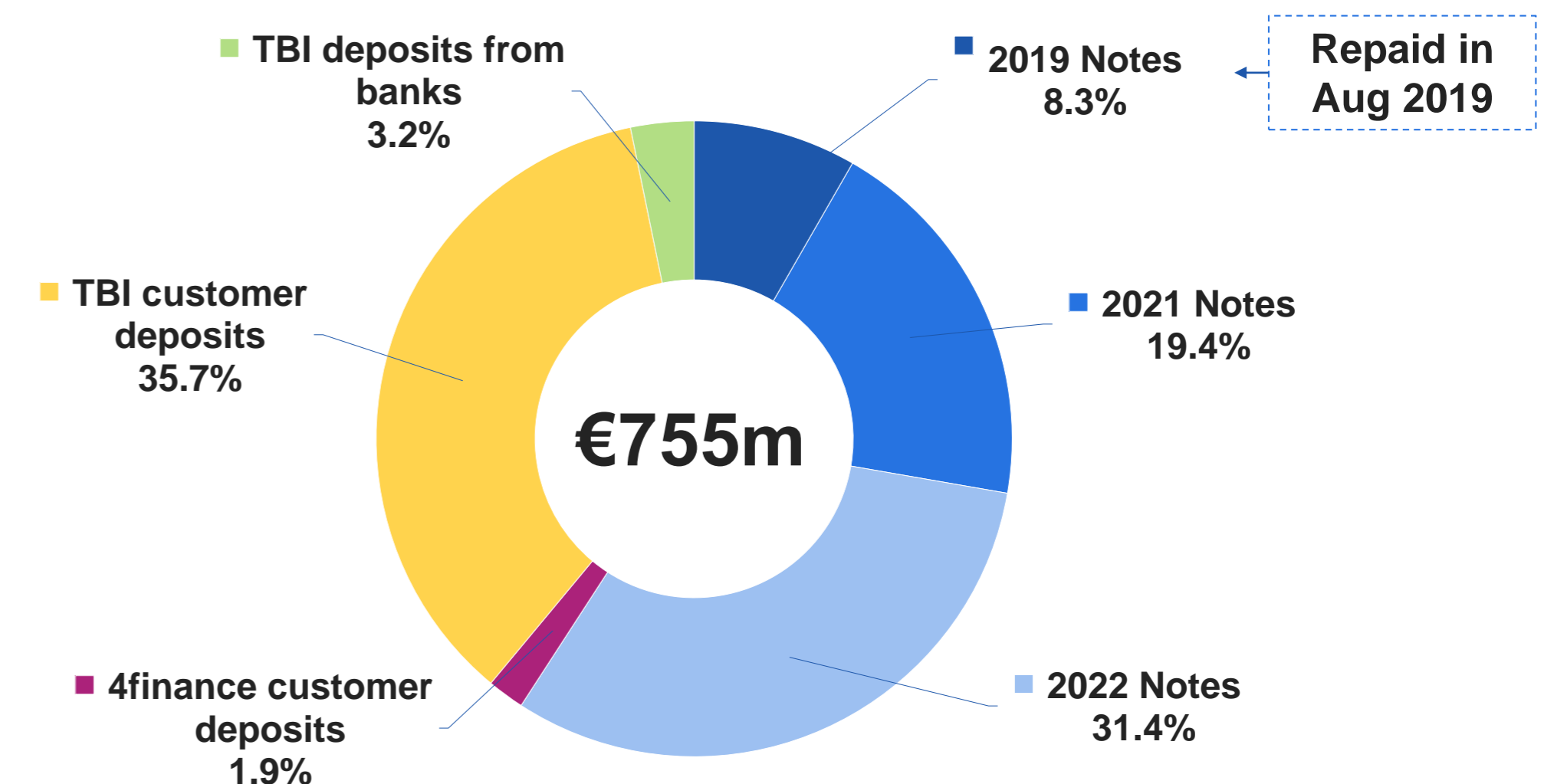
- Bond markets remain strategically important source of funding
 - Retain flexibility to buy back bonds with spare liquidity given attractive market yield
 - Early stage preparation for refinancing of EUR 2021 bonds, with sizing & approach dependent on progress with other funding sources and business development over next 12-18 months
- Accessing TBI Bank balance sheet to fund online loans
 - Bulgarian vivus.bg online business moved to TBI Bank (c.€5m funding benefit)
 - Portfolio sales of Polish instalment loans expected to start in early Q4
 - Reviewing approach in other markets, focusing on near-prime
- Developing secured funding alternatives
 - 'Internal pilot' of Luxembourg securitisation launched, with Danish LOC loans sold to SPV in June
 - Reviewing approach in other markets, including partnering with local banks
- Strong and improving capital position
 - Improving tangible equity ratios since end of 2017
 - €5m dividend paid in August 2019

Debt maturity schedule, 30 June 2019 ⁽¹⁾

€m



Overview of funding structure, 30 June 2019 ⁽²⁾



Notes:

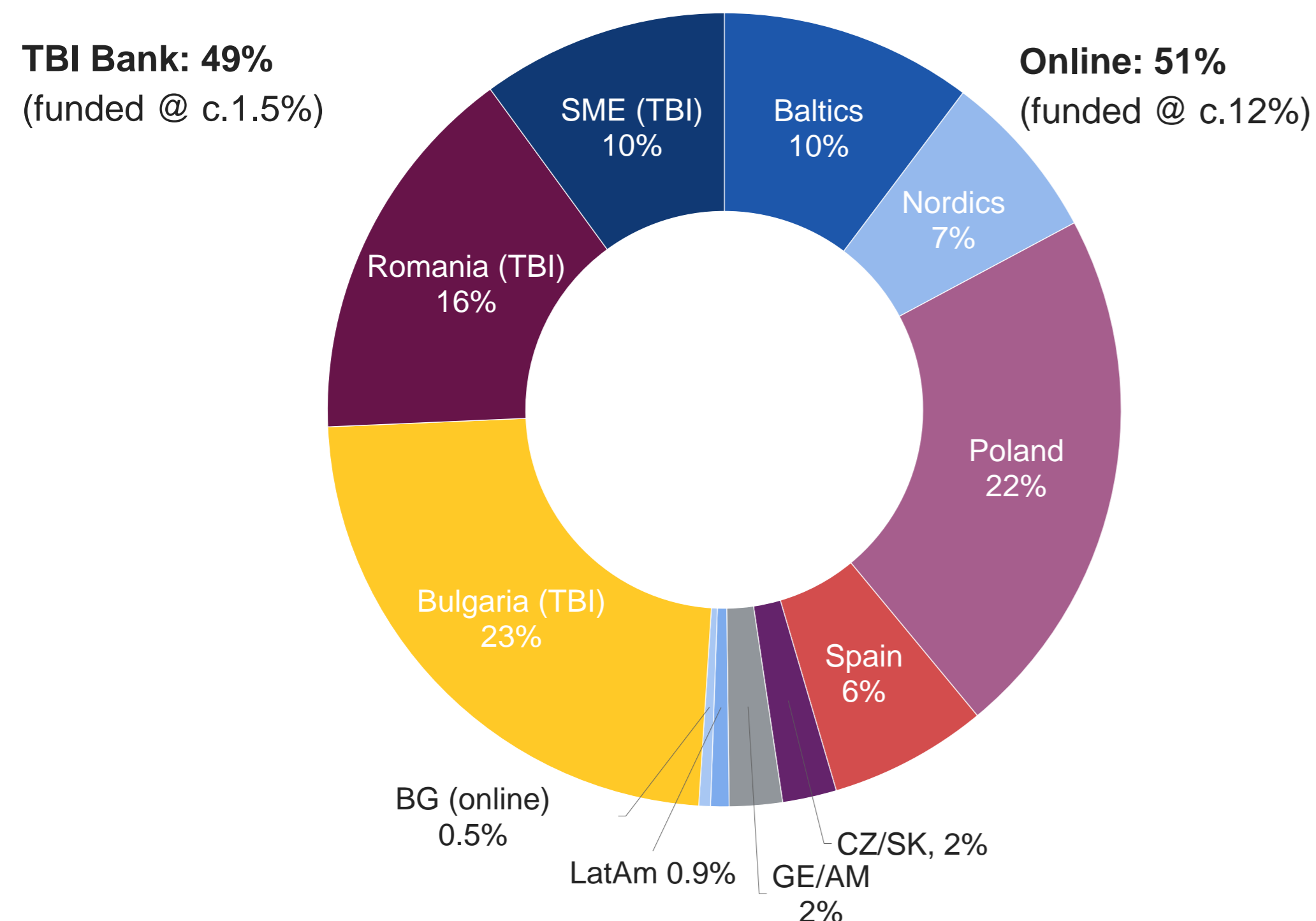
(1) Represents the principal value of public bonds outstanding that comes due in each respective period, net of buybacks

(2) The chart reflects the principal and accrued interest amounts of each of the instruments, net of buybacks

Diversified loan portfolio

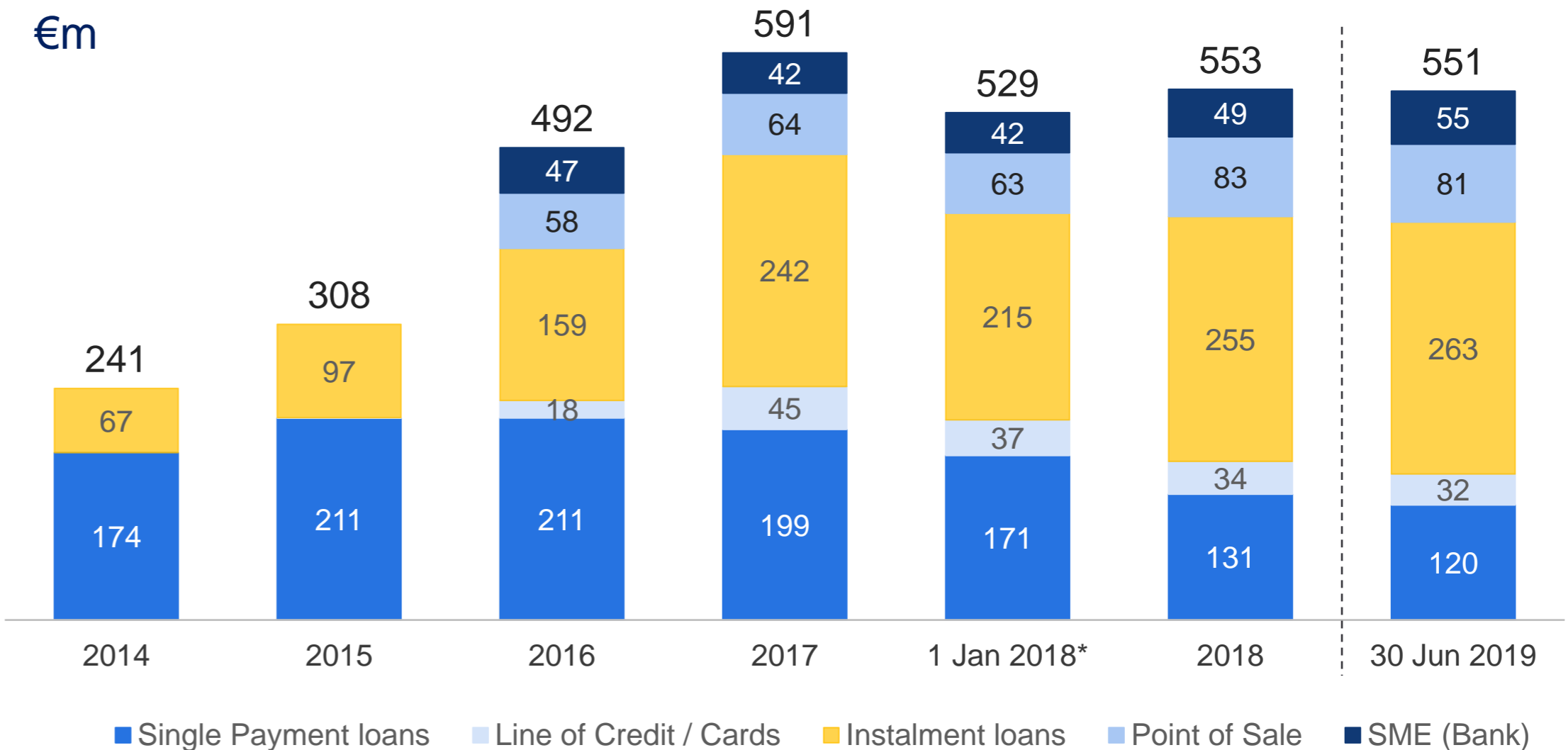
- Online loan issuance volume down 19% YoY to €523m in H1'19
- Overall net receivables totals €551m
 - Relatively stable during H1 2019, 1% increase during Q2
 - 90% consumer loans
 - 51% online loans / 49% banking

Net receivables, 30 June 2019



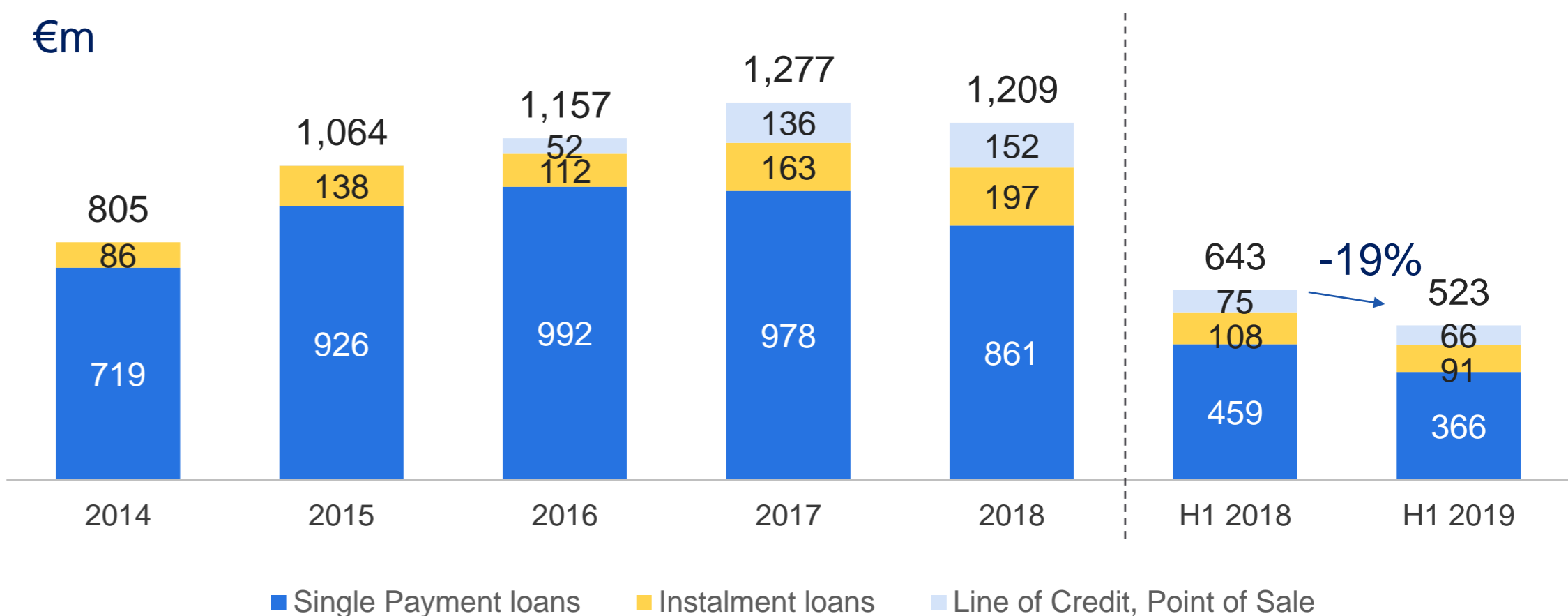
See appendix for definitions of key metrics and ratios

Net receivables ⁽¹⁾



* Introduction of IFRS 9 as of 1-Jan-2018 reduced net receivables by €62 million to €529 million

Online loans issued ⁽¹⁾

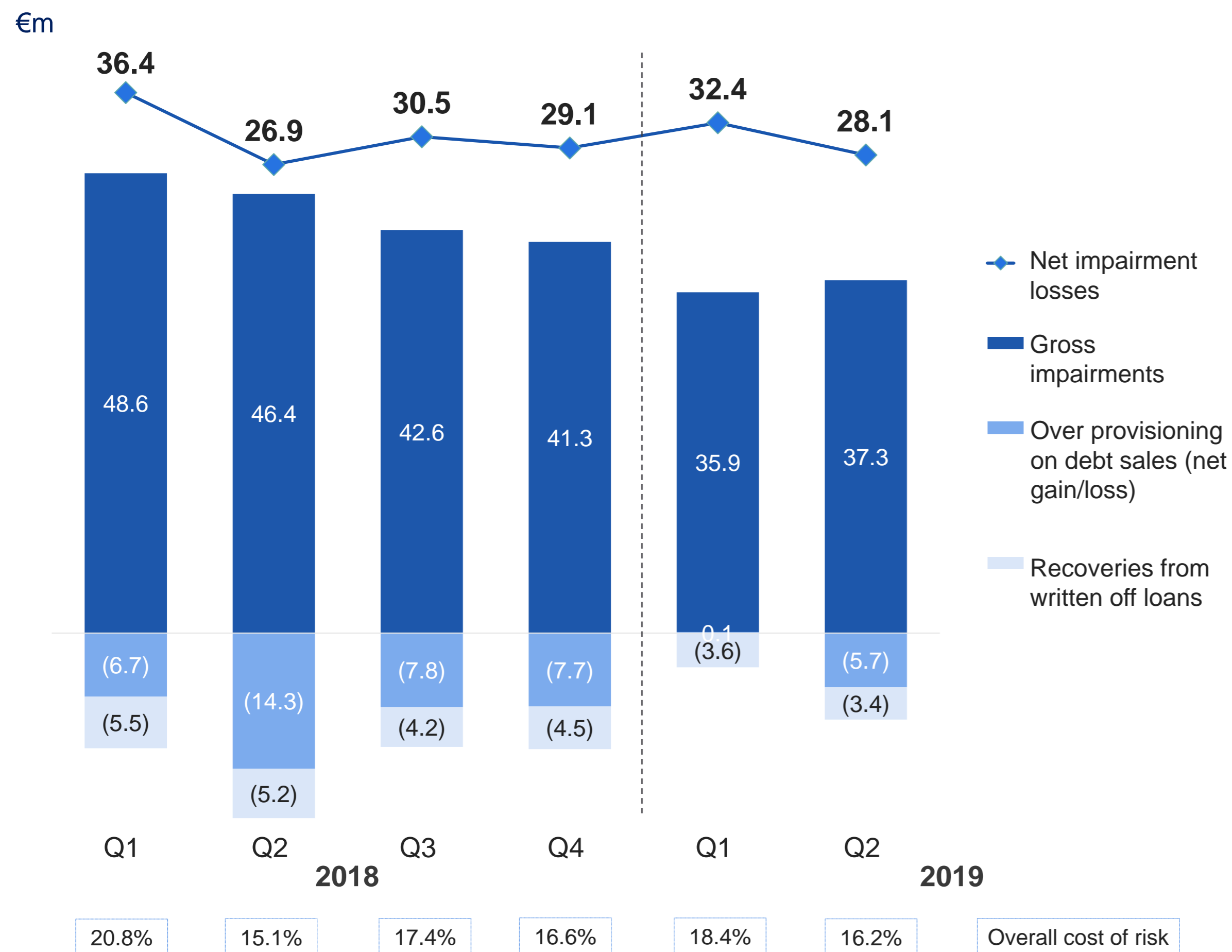


Note:

(1) Reflects reclassification of "Vivus" brand products in Sweden (from January 2016), Denmark (from January 2017) and Armenia (from launch in July 2017) to Lines of Credit

Analysis of net impairments and cost of risk

Net impairment charges by quarter ⁽¹⁾



- H1 2019 net impairment charges down 4% year-on-year
 - Gross impairment charges significantly reduced from H1'18
 - Continued focus on earlier collections and forward flow agreements (also reducing debt collection costs)
 - Stronger debt sales activity in Q2, particularly ILs (Poland, Sweden), LOC (Denmark) and TBI Bank (Romania)
- Overall cost of risk relatively stable
 - Overall cost of risk 17.4% (H1'19, including TBI Bank) vs 18.2% (H1'18)
 - Online cost of risk 27.2% (H1'19) vs 22.7% (H1'18)
 - Net impairment / interest income 28.4% (H1'19) vs 25.8% (H1'18)
- Focus on continuous improvement in credit underwriting and collection
 - Integration of additional data sources
 - Faster iterations of scorecards with regular recalibration

Note (1) Q4 2018 figures have been adjusted to reflect audited figures

See appendix for definitions of key metrics and ratios

Asset quality and provisioning

- **Gross NPL ratios at record lows, with coverage ratios well over 100%**
 - Online gross NPL ratio 19.3% as of June 2019, an improvement from 22.0% as of December 2018
 - Overall gross NPL ratio 17.9% as of June 2019 from 19.4% as of December 2018
- Additional portfolio disclosure provided by loan principal and accrued interest in results report and appendix
- Increased debt sales activity in Q2'19, with over €35m of 91+ dpd receivables sold, including Poland, Denmark and Sweden

	30 June 2019				31 December 2018			
	Gross amount	Impairment allowance	Net amount	% of Gross Amount	Gross amount	Impairment allowance	Net amount	% of Gross Amount
<i>€m, except percentages</i>								
Online receivables								
Performing ⁽¹⁾	310.4	(48.9)	261.5	80.7%	316.2	(49.8)	266.4	78.0%
Non-performing ⁽²⁾	74.1	(54.3)	19.8	19.3%	89.3	(64.1)	25.2	22.0%
Online total	384.5	(103.2)	281.3	100.0%	405.4	(113.9)	291.6	100.0%
TBI Bank receivables								
Performing ⁽¹⁾	258.7	(11.6)	247.1	83.8%	252.3	(13.0)	239.3	84.1%
Non-performing ⁽²⁾	49.8	(26.9)	22.9	16.2%	47.6	(25.3)	22.3	15.9%
TBI Bank total	308.5	(38.5)	270.0	100.0%	299.9	(38.3)	261.6	100.0%
Overall group receivables								
Performing ⁽¹⁾	569.1	(60.4)	508.7	82.1%	568.5	(62.7)	505.7	80.6%
Non-performing ⁽²⁾	124.0	(81.3)	42.7	17.9%	136.9	(89.4)	47.4	19.4%
Overall total	693.0	(141.7)	551.3	100.0%	705.3	(152.2)	553.2	100.0%

Notes:

(1) Performing receivables 0-90 DPD

(2) Non-performing receivables 91+ DPD (and, for TBI Bank, shown on a customer level basis)

Summary

- Solid results demonstrating continued resilience of larger online markets and TBI Bank
 - €7bn online loan issuance milestone surpassed in June
 - Stable quarterly revenue, Adjusted EBITDA up 13% QoQ, with highest quarterly PBT for two years
- Continued progress on cost reduction, with operating costs down 17% year-on-year
 - Asset quality stable overall and cost of risk in line with expectations
- Strategic initiatives in place to take advantage of medium term opportunities
 - Increased focus on near-prime and partnership opportunities in selected markets
 - Supported by clear funding strategy to diversify sources of funds and lower funding costs
- Evolving and broadening the business model, with clear focus areas for 2019 and beyond
 - 'Optimise' and 'Diversify & Grow'
 - Maintain appropriate balance to ensure continued strong financial performance
- Refreshed and focused management team in place
 - Strong new hires into key positions at executive committee level

A wide-angle, high-angle photograph of a city at night. In the foreground, there are several large, multi-story brick buildings with blue-tiled roofs, illuminated from within. A wide river flows through the middle of the city, with a large, illuminated steel arch bridge spanning it. In the background, more city buildings are visible, including a tall, thin tower and a large, modern building with a unique, angular roof. The sky is a deep orange and blue, suggesting twilight. The overall scene is vibrant and detailed, capturing the essence of a major city at night.

Thank you and Questions

Appendix – responsible lending and regulatory overview

Sustainability through good governance and responsible lending

Operating as a mainstream consumer finance business

- “Bank-like” policies and procedures with strong compliance function
- Continued investment in AML, GDPR and other strategic compliance priorities
- Robust corporate governance with strong Supervisory Board
- Increasingly regulated by main financial supervisory authorities
- Diversification of portfolio and consequent reduction of reliance on single payment loans
- Clear corporate values and code of conduct
- Listed bond issues with quarterly financial reporting

Developing meaningful and constructive regulatory relationships

- Ensuring we understand the regulatory arc
- Helping regulators and legislators gain a solid understanding of our business
- Ensuring we have a seat at the table
- Contributing to EU Consumer Credit Directive consultation process

Responsible lending: putting customers first

- Offering simple, transparent and convenient products
- Continuous improvements in credit underwriting
- Ensuring products are used appropriately
- Working to ensure customers have safe landings when they signal difficulties

Regulatory overview

Country	% of interest income (H1 2019)	Products ⁽¹⁾	Regulator	CB ⁽²⁾	License required ⁽³⁾	Interest rate cap ⁽¹⁾	Status
Argentina	1%	SPL	Consumer Protection Directorate	-	-	-	
Armenia	3%	LOC, IL	Central Bank of the Republic of Armenia	Yes	Yes	Nominal	
Bulgaria – Online	1%	SPL	Bulgarian National Bank	Yes	Yes	APR (inc. fees)	
Bulgaria - Bank	11%	IL, LOC, POS, SME					
Czech Republic	4%	SPL, IL	Czech National Bank	Yes	Yes	-	
Denmark	11%	LOC, IL	Consumer Ombudsman	Yes	Yes	-	New licensing regime from July 2019 led by Danish FSA
Finland	3%	IL ⁽⁴⁾	Finnish Competition and Consumer Authority	-	-	Nominal & fees	New rate caps in force from September 2019
Latvia	6%	MTP, IL	Consumer Rights Protection Centre	-	Yes	Nominal, fees & TCOC	New regulation on interest rate cap came into force in July 2019

Notes:

(1) Abbreviations:

APR – Annual Percentage Rate; IL – Instalment loans; LOC – Line of Credit / Credit Cards; MTP – Minimum to pay; POS – Point of Sale; SPL – Single Payment Loans; SME – Business Banking (Small-Medium Sized Enterprise); TCOC – Total Cost of Credit

(2) Indicates whether the regulator is also the main banking supervisory authority in the relevant market

(3) Indicates license or specific registration requirement

(4) 'Mini-IL' (4 monthly instalments) from September 2019

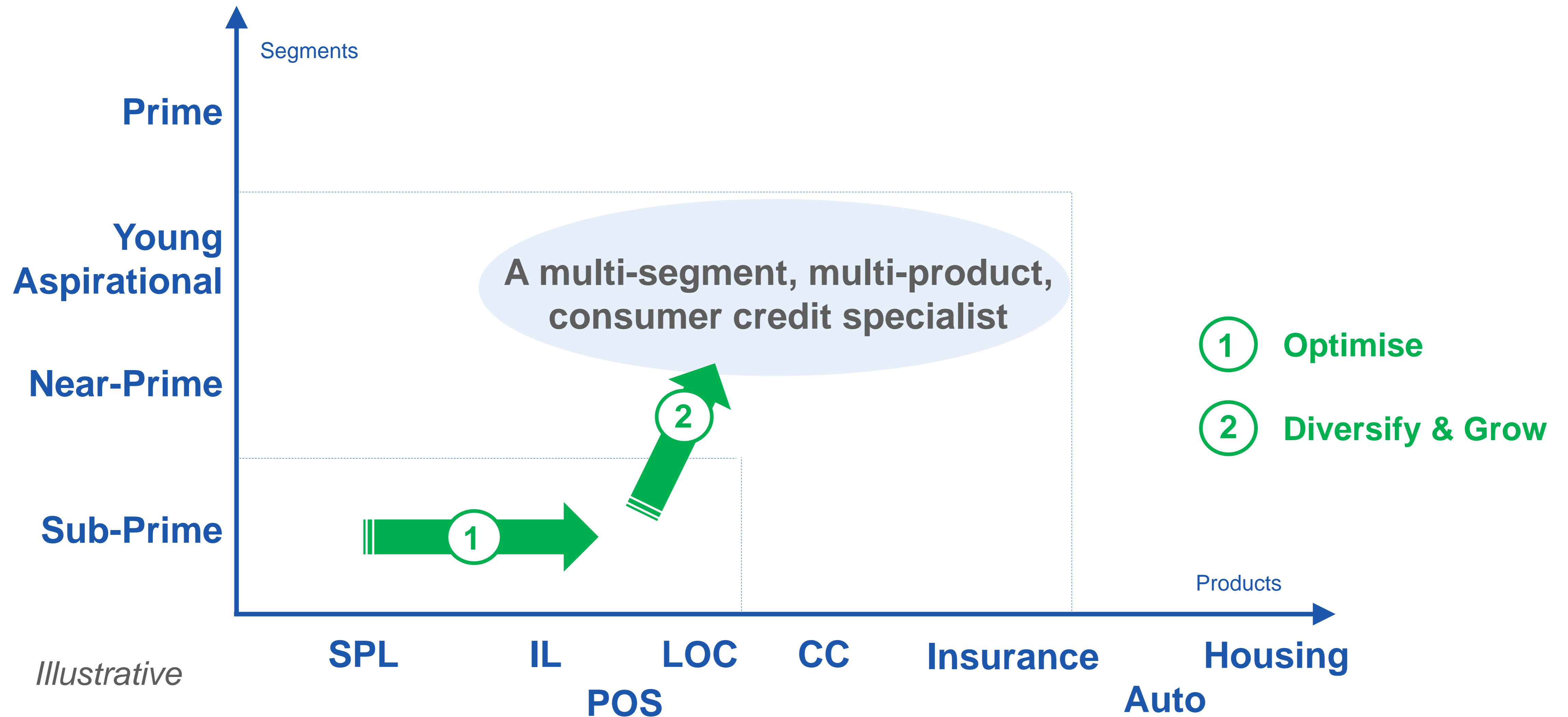
Regulatory overview (continued)

Country	% of interest income (H1 2019)	Products ⁽¹⁾	Regulator	CB ⁽²⁾	License required ⁽³⁾	Interest rate cap ⁽¹⁾	Status
Lithuania	2%	SPL, IL	Central Bank of Lithuania	Yes	Yes	Nominal, fees & TCOC	
Mexico	1%	SPL	National Financial Services Consumer Protection Commission	-	Yes	-	
Poland	27%	SPL, IL	Office of Competition and Consumer Protection	-	-	Nominal, fees & TCOC	New consultation launched in February 2019
Romania	7%	IL, LOC, POS, SME	National Bank of Romania	Yes	Yes	-	Affordability DTI limits introduced in Jan 2019
Slovakia	<1%	SPL	National Bank of Slovakia	Yes	Yes	APR (inc. fees)	
Spain	19%	SPL, IL	N/A	-	-	-	
Sweden	2%	LOC, IL	Swedish Financial Supervisory Authority	Yes	Yes	Nominal & TCOC	

Notes:
 (1) Abbreviations:
 APR – Annual Percentage Rate; IL – Instalment loans; LOC – Line of Credit / Credit Cards; POS – Point of Sale; SPL – Single Payment Loans; SME – Business Banking (Small-Medium Sized Enterprise); TCOC – Total Cost of Credit
 (2) Indicates whether the regulator is also the main banking supervisory authority in the relevant market
 (3) Indicates license or specific registration requirement

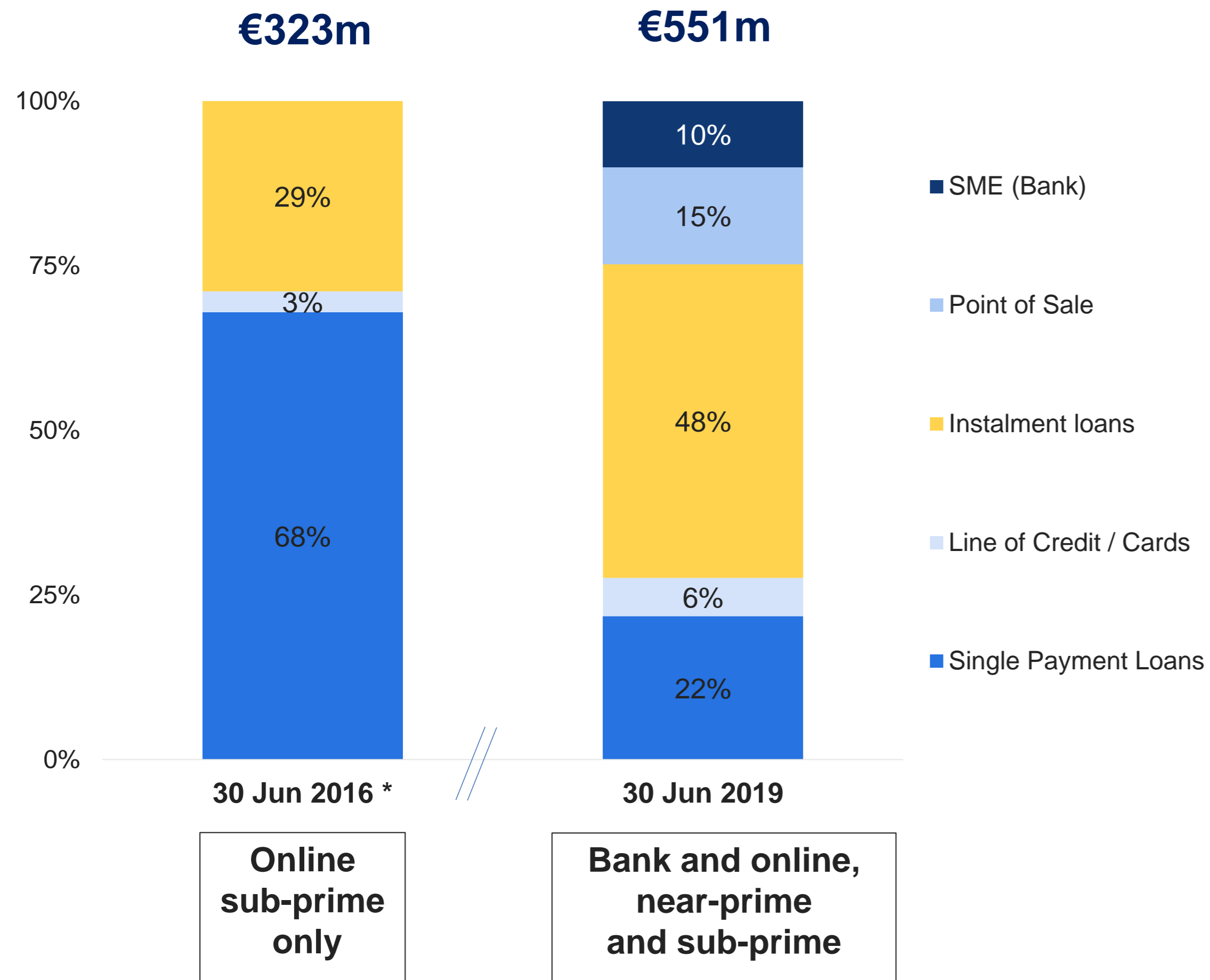
Appendix – evolution of portfolio

Evolving and broadening our business model

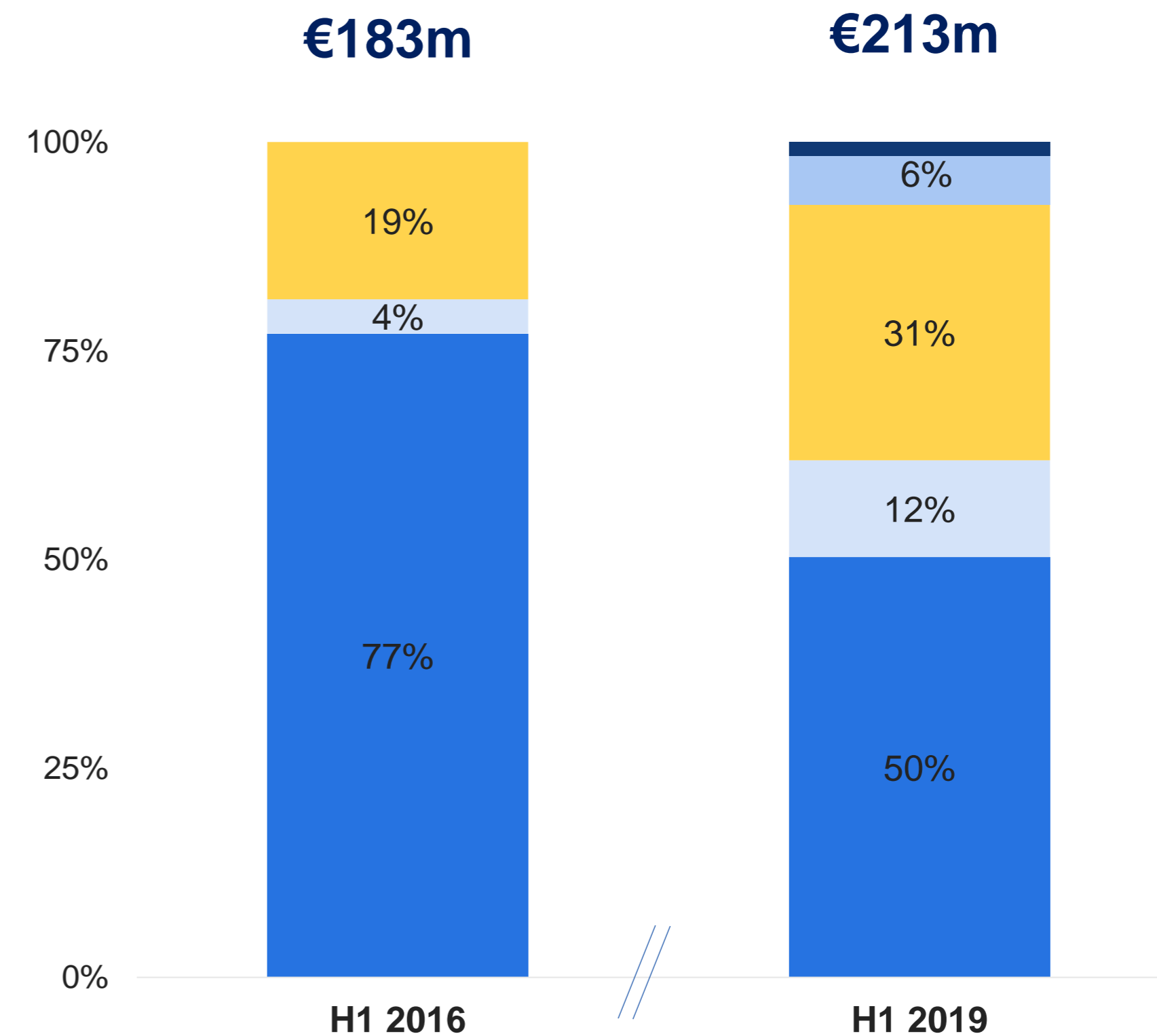


Evolution of product mix

Net receivables by product ⁽¹⁾



Interest income by product ⁽¹⁾



Note:

(1) Reflects reclassification of "Vivus" brand products in Sweden (from January 2016), Denmark (from January 2017) and Armenia (from launch in July 2017) to Lines of Credit

* Date chosen to reflect the composition of loan portfolio immediately prior to purchase of TBI Bank

Near prime market tests: Lithuania, Spain & Sweden

Lithuania (2016)

“Evolve existing product and brand”

30%-60% APR



- Strong brand profile of existing Instalment loan product, with ‘trust’ levels close to bank brands
- Evolved product in mid-2016 post regulation
- €500 → €1,000 avg. ticket size
- 2 year → 4 year tenor
- ~80% → ~45% avg. pricing
- €16m net portfolio at 30 Jun 2019

Spain (2017)

“Partner-led distribution”

24%-40% APR



- Partnered with Fintonic, personal finance manager App with 450k active customers
- 30% of Fintonic users in near-prime/sub-prime segments, allowing highly targeted campaigns
- Response rate and acceptance rate both >75%
- €3,000 avg. ticket size
- 22 months avg. tenor
- Now issuing c.€2m per month

Sweden (2018)

“New product & brand on new 4finance platform”

20%-40% APR



- First product designed on new IT platform
- Clear niche in €2,000 - €5,000 ticket size with tenor up to 4 years
- Build on existing strengths:
 - Modern, innovative brand
 - Simple application
 - Fast online decision and disbursement
- Compliant with new regulations

Asset quality and provisioning – loan principal

	30 June 2019				31 December 2018			
	Gross amount	Impairment allowance	Net amount	% of Gross Amount	Gross amount	Impairment allowance	Net amount	% of Gross Amount
<i>€m, except percentages</i>								
Online principal								
Performing ⁽¹⁾	285.4	(43.4)	242.0	82.2%	293.1	(44.9)	248.2	79.8%
Non-performing ⁽²⁾	61.6	(47.5)	14.1	17.8%	74.4	(56.0)	18.3	20.2%
Online total	347.0	(90.9)	256.1	100.0%	367.5	(101.0)	266.5	100.0%
TBI Bank principal								
Performing ⁽¹⁾	252.4	(11.3)	241.1	83.8%	246.0	(12.7)	233.3	84.1%
Non-performing ⁽²⁾	48.6	(26.3)	22.3	16.2%	46.4	(24.7)	21.7	15.9%
TBI Bank total	301.0	(37.6)	263.4	100.0%	292.4	(37.3)	255.1	100.0%
Overall group principal								
Performing ⁽¹⁾	537.7	(54.7)	483.0	83.0%	539.1	(57.6)	481.5	81.7%
Non-performing ⁽²⁾	110.3	(73.8)	36.4	17.0%	120.8	(80.7)	40.1	18.3%
Overall total	648.0	(128.5)	519.5	100.0%	659.9	(138.3)	521.6	100.0%

Notes:

(1) Performing receivables 0-90 DPD

(2) Non-performing receivables 91+ DPD (and, for TBI Bank, shown on a customer level basis)

Appendix – financials and key ratios

Income statement

<i>In millions of €</i>	H1 2019 (unaudited)	H1 2018 (unaudited)	% change YoY
Interest Income	213.4	245.4	(13)%
Interest Expense	(30.0)	(30.4)	(1)%
Net Interest Income	183.4	215.0	(15)%
Net F&C Income	4.0	4.6	(13)%
Other operating income	4.3	4.4	(2)%
Non-Interest Income	8.3	9.0	(8)%
Operating Income (Revenue)	191.7	224.0	(14)%
Total operating costs	(100.1)	(120.0)	(17)%
Pre-provision operating profit	91.5	104.0	(12)%
Net impairment charges	(60.5)	(63.3)	(4)%
Post-provision operating profit	31.0	40.8	(24)%
Depreciation and amortisation	(7.1)	(5.0)	+43%
Non-recurring income/(expense)	0.2	0.9	nm
Net FX gain/(loss)	3.2	(12.3)	(126)%
One-off adjustments to intangible assets	(0.2)	—	nm
Profit before tax	27.1	24.5	+11%
Income tax expense	(11.9)	(7.7)	+55%
Net profit/(loss) after tax	15.2	16.8	(10)%
Adjusted EBITDA	62.5	74.2	(16)%

Balance sheet



<i>In millions of €</i>	30 June 2019 (unaudited)	31 December 2018
Cash and cash equivalents, of which:	156.8	172.2
- Online	105.3	110.5
- TBI Bank	51.5	61.6
Placement with other banks	7.4	8.8
Gross receivables due from customers	693.0	705.3
Allowance for impairment	(141.7)	(152.2)
Net receivables due from customers, of which:	551.3	553.2
- Principal	519.5	521.6
- Accrued interest	31.8	31.6
Net investments in finance leases	5.0	7.3
Net loans to related parties	64.6	66.2
Property and equipment	20.2	8.8
Financial assets available for sale	65.4	38.4
Prepaid expenses	7.6	8.2
Tax assets	32.9	16.6
Deferred tax assets	35.6	37.6
Intangible IT assets	20.0	22.3
Goodwill	17.5	17.5
Other assets	41.5	37.5
Total assets	1,025.8	994.3
Loans and borrowings	446.5	459.4
Deposits from customers	283.8	285.0
Deposits from banks	24.2	2.6
Corporate income tax payable	21.0	18.1
Other liabilities	74.7	70.9
Total liabilities	850.2	836.0
Share capital	35.8	35.8
Retained earnings	169.1	153.9
Reserves	(29.2)	(31.4)
Total attributable equity	175.6	158.3
Non-controlling interests	0.0	0.1
Total equity	175.6	158.3
Total shareholders' equity and liabilities	1,025.8	994.3

Statement of Cash Flows



In millions of €	6 months to 30 June		12 months to 31 December
	2019	2018	2018
Cash flows from operating activities			
Profit before taxes	27.1	24.5	52.6
<i>Adjustments for:</i>			
Depreciation and amortisation	7.1	5.0	12.1
Impairment of goodwill and intangible assets	(0.2)	—	5.7
Net (gain) / loss on foreign exchange from borrowings and other monetary items	2.7	16.3	19.9
Impairment losses on loans	73.2	95.0	178.9
Reversal of provision on debt portfolio sales	(5.6)	(21.0)	(36.6)
Write-off and disposal of intangible and property and equipment assets	0.8	0.3	2.9
Provisions for unused vacations	0.0	0.4	—
Interest income from non-customers loans	(3.8)	(4.1)	(8.1)
Interest expense on loans and borrowings and deposits from customers	30.0	30.4	62.1
Other non-cash items	0.6	2.1	2.5
Profit before adjustments for the effect of changes to current assets and short-term liabilities	131.9	148.7	291.8
<i>Adjustments for:</i>			
Change in financial instruments measured at fair value through profit or loss	(2.6)	(4.2)	(11.3)
(Increase) / decrease in other assets (including TBI statutory reserve, placements & leases)	(12.4)	0.1	(0.3)
Increase / (decrease) in accounts payable to suppliers, contractors and other creditors	(7.2)	(2.9)	3.7
Operating cash flow before movements in portfolio and deposits	109.6	141.7	284.0
Increase in loans due from customers	(103.3)	(134.6)	(255.1)
Proceeds from sale of portfolio	38.7	44.3	81.9
Increase in deposits (customer and bank deposits)	20.3	26.1	16.5
Deposit interest payments	(2.0)	(1.7)	(4.0)
Gross cash flows from operating activities	63.4	75.9	123.3
Corporate income tax paid	(23.3)	(20.3)	(27.5)
Net cash flows from operating activities	40.1	55.6	95.9

Statement of Cash Flows (continued)

<i>In millions of €</i>	6 months to 30 June		12 months to 31 December
	2019	2018	2018
Cash flows used in investing activities			
Purchase of property and equipment and intangible assets	(3.1)	(3.2)	(8.4)
Purchase of financial instruments	(30.7)	—	(13.6)
Loans issued to related parties	—	(2.3)	(2.6)
Loans repaid from related parties	4.0	7.4	7.4
Interest received from related parties	0.3	2.2	2.8
Disposal of subsidiaries, net of cash disposed	—	(0.1)	(0.1)
(Acquisition) / Disposal of equity investments	4.8	—	(5.9)
Acquisition of non-controlling interests	(0.4)	(1.9)	(4.4)
Acquisition of subsidiaries, net of cash acquired	(0.3)	—	—
Prepayment for potential acquisition	—	20.8	20.8
Net cash flows from investing activities	(25.3)	23.1	(3.8)
Cash flows from financing activities			
Loans received and notes issued	—	0.5	0.5
Repayment and repurchase of loans and notes	(17.8)	(2.8)	(27.2)
Interest payments	(25.1)	(26.1)	(52.7)
FX hedging margin	4.5	—	4.2
Payment of lease liabilities	(2.4)	—	—
Dividend payments	—	(0.1)	(0.1)
Net cash flows used in financing activities	(40.8)	(28.5)	(75.3)
Net increase / (decrease) in cash and cash equivalents	(26.0)	50.2	16.8
Cash and cash equivalents at the beginning of the period	148.8	131.9	131.9
Effect of exchange rate fluctuations on cash	0.0	(0.2)	0.1
Cash and cash equivalents at the end of the period	122.8	181.9	148.8
TBI Bank minimum statutory reserve	34.0	17.6	23.4
Total cash on hand and cash at central banks	156.8	199.4	172.2

Key financial ratios

	6M 2019	6M 2018	12M 2018
Capitalisation			
Equity / assets	17.1%	14.9%	15.9%
Equity / net receivables	31.9%	27.9%	28.6%
Adjusted interest coverage	2.1x	2.4x	2.4x
TBI Bank consolidated capital adequacy	20.7%	25.5%	22.4%
Profitability			
Net interest margin:			
- Online	81.8%	89.4%	88.9%
- TBI Bank	25.1%	28.3%	26.8%
- Overall group	56.1%	66.2%	63.5%
Cost / income ratio	52.2%	53.6%	52.1%
Normalised Profit before tax margin	11.2%	14.6%	15.2%
Normalised Return on average equity	14.4%	39.3%	32.7%
Normalised Return on average assets	2.4%	5.7%	4.9%
Asset quality			
Cost of risk:			
- Online	27.2%	22.7%	24.0%
- TBI Bank	4.5%	10.4%	8.0%
- Overall group	17.4%	18.2%	17.7%
Net impairment / interest income	28.4%	25.8%	25.9%
Gross NPL ratio:			
- Online	19.3%	22.0%	22.0%
- TBI Bank	16.2%	16.6%	15.9%
- Overall group	17.9%	20.0%	19.4%
Overall group NPL coverage ratio	114.3%	118.6%	110.6%

Glossary/Definitions

- **Adjusted EBITDA** – 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 here, may not be comparable to similarly-titled measures that are reported by other companies due to differences in the way these measures are calculated. Further details of covenant adjustments can be found in the relevant bond prospectuses, available on our website
- **Adjusted interest coverage** – Adjusted EBITDA / interest expense
- **Cost of risk** – Annualised net impairment loss / average gross receivables (total gross receivables as of the start and end of each period divided by two)
- **Cost / income ratio** – Operating costs / operating income (revenue)
- **Equity / assets ratio** – Total equity / total assets
- **Equity / net receivables** – Total equity / net customer receivables (including accrued interest)
- **Gross NPL ratio** – Non-performing receivables (including accrued interest) with a delay of over 90 days / gross receivables (including accrued interest)
- **Gross receivables** – Total amount receivable from customers, including principal and accrued interest, after deduction of deferred income
- **Intangible assets** – consists of deferred tax assets, intangible IT assets and goodwill
- **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
- **Net effective annualised yield** – annualised interest income (excluding penalties) / average net loan principal
- **Net impairment to interest income ratio** – Net impairment losses on loans and receivables / interest income
- **Net interest margin** – Annualised net interest income / average gross loan principal (total gross loan principal as of the start and end of each period divided by two)
- **Net receivables** – Gross receivables (including accrued interest) less impairment provisions
- **Non-performing loans (NPLs)** – Loan principal or receivables (as applicable) that are over 90 days past due (and, for TBI Bank, shown on a customer level basis)
- **Normalised** – Adjusted to remove the effect of non-recurring items, net FX and one-off adjustments to intangible assets, and for 2018 ratios only, adjusted to reflect the opening balance of 2018 balance sheet after IFRS 9 effects
- **Overall group NPL coverage ratio** – Overall receivables allowance account / non-performing receivables
- **Profit before tax margin** – Profit before tax / interest income
- **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)
- **Return on Average Equity** – Annualised profit from continuing operations / average equity (total equity as of the start and end of each period divided by two)
- **Return on Average Tangible Equity** – Annualised profit from continuing operations / average tangible equity (tangible equity as of the start and end of each period divided by two)
- **Tangible Equity** – Total equity minus intangible assets
- **TBI Bank Capital adequacy ratio** – (Tier One Capital + Tier Two Capital) / Risk weighted assets (calculated according to the prevailing regulations of the Bulgarian National Bank)

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