4finance Holding SA

Investor presentation for six month 2020 results

3 September 2020

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Agenda

- Business update
- Review of six month 2020 results
- Loan portfolio and asset quality
- Summary

H1 2020 business and financial highlights

- Maintained strong, proactive operational response to Covid-19
  - Rapid initial move of over 2,000 staff in 16 countries to home working, with many now returning to offices
  - Ongoing focus on employee safety and providing continuous service to customers
  - Successfully implemented multiple product changes across scorecards, payment deferral features, regulatory pricing updates
- Customer demand increased throughout Q2, in line with gradual re-opening of economies in Europe
  - Most markets back to more normal application levels
  - Strong repayment dynamics in May - July have enabled increases in acceptance rates
  - Loan issuance volumes steadily increased in online, and remained healthy in TBI Bank
  - Reached milestone of €8bn in total online loan issuance in August
- Prudent balance sheet and liquidity management
  - Strong cash generation from portfolio in Q2 supported significant repurchases of bonds below par
  - No debt maturities until 2022 following successful EUR bond amendment process
  - Approx. €85m of 'online' cash at end August
  - Strong capital ratios and liquidity at TBI Bank

Interest income

€167.0m

(22)% YoY

Overall cost of risk

16.6%

0.8ppts YoY improvement

TBI consumer loan issuance

+10%

YoY increase

Online near-prime loan issuance

+31%

YoY increase

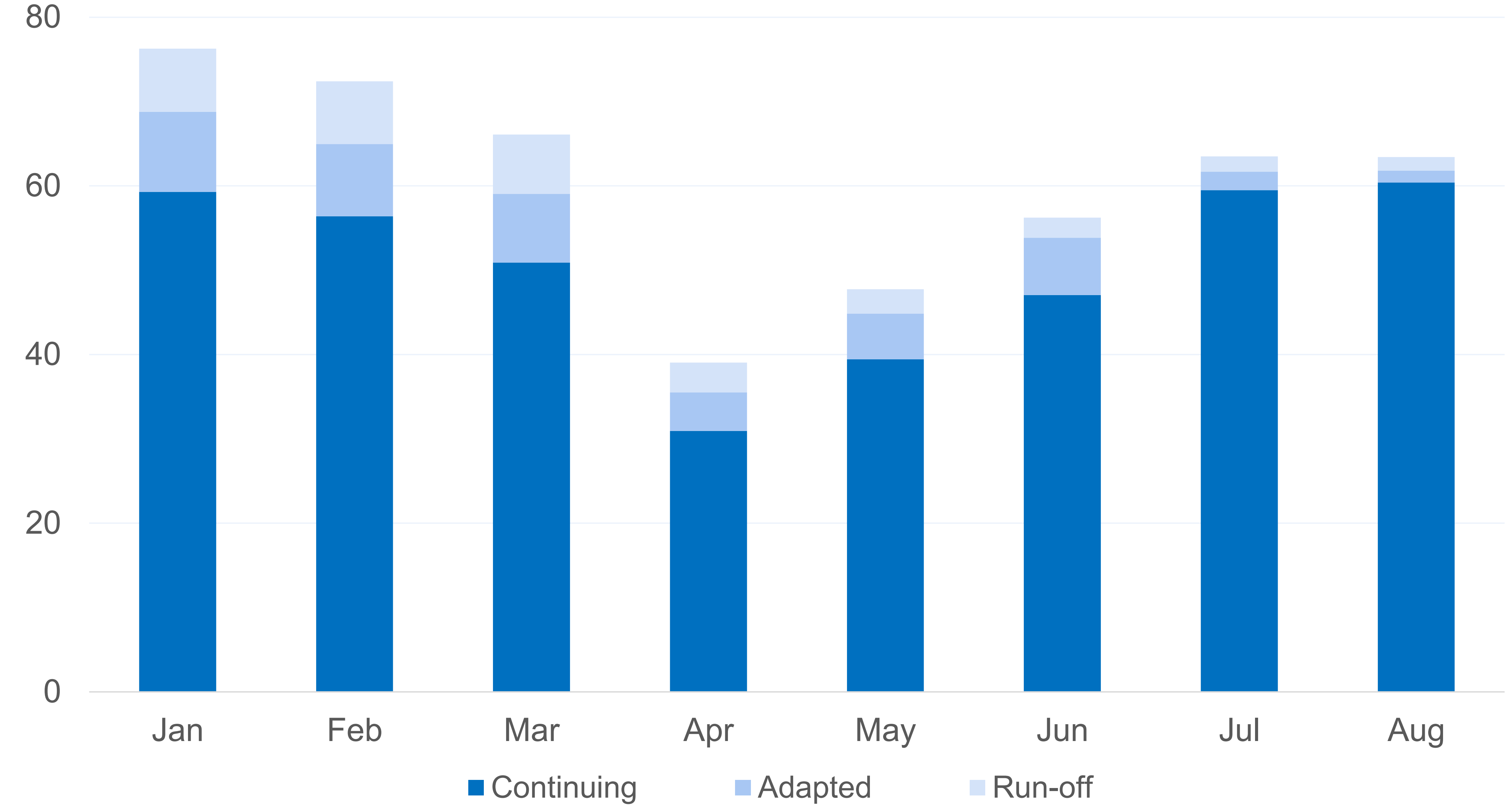
Operational update for key markets

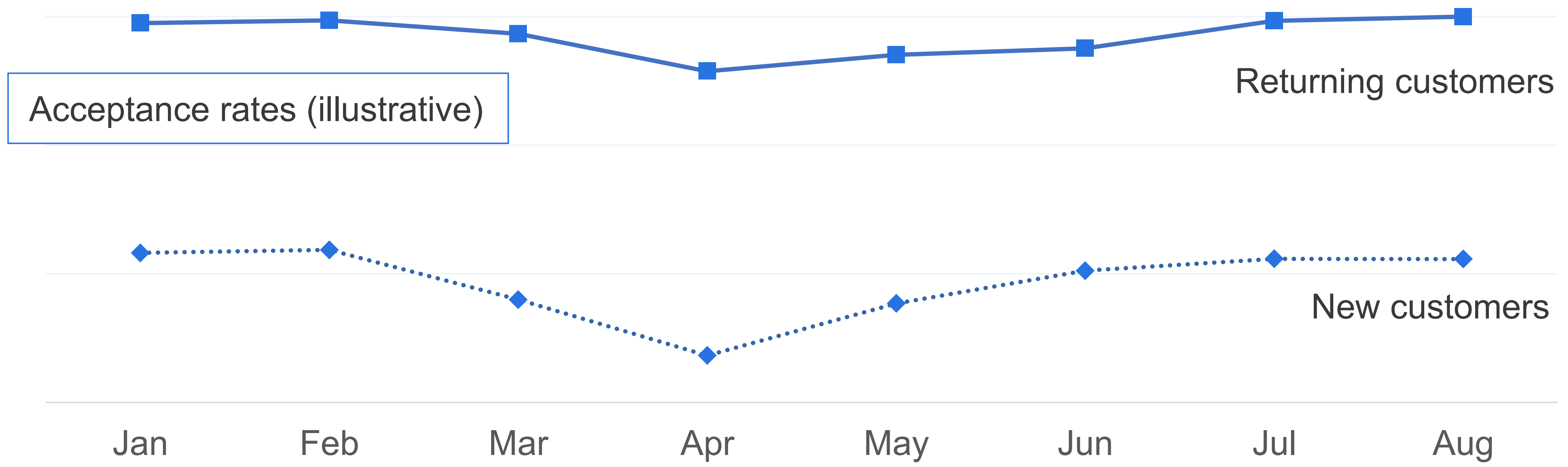
Country	% interest income, H1	Regulatory measures	Operational update
Poland	22%	• Temporary reduction in non-interest cost caps to 15% fixed, 6% annual (from 25% & 30%) • Nominal interest rate cap to 7.2% (from 10%) • "Anti crisis shield" regulations for payment deferrals for instalment loans introduced	• Adapted single payment product to new pricing, with strong demand & return to normal issuance levels in July • Credit bureau data (BIK) indicates 50-60% drop in consumer loan applications market-wide • Relaunched instalment loan product as a 3-month loan
Spain	19%	• Payment deferral regulations introduced (3 months, 'with proof') • Additional social security measures introduced	• Most heavily impacted economy, with market-wide reduction in demand for credit • Issuance levels increased steadily, but to c.50-60% of normal, with customers being disciplined on use of limits • Cautious re-launch of instalment loans in Q3
Denmark	11%	• New regulatory regime (developed pre Covid-19) in force from July • No specific payment deferral regulations	• Successful new product launch in July of 6-month instalment loan with optional service fees • Near-prime pilot in August under best known Vivus brand
Czech Republic	5%	• Payment deferral regulations introduced (up to 6 months, 'without proof', interest rate 8.25% p.a.)	• Moderate take-up (c.12% of eligible portfolio) on payment deferrals, unchanged from Q1 • Credit bureau data indicates new loan applications market-wide nearly back to normal
Baltics	8%	• LV: regulator encourages lenders to be understanding • LT: payment deferrals up to 3 months 'with proof'	• Year-on-year issuance increase driven by new product range with focus on near-prime instalment loans
TBI Bank	28%	• BG: National Bank introduced various measures • RO: Payment deferrals for up to 6-9m 'with proof'	• Moderate take-up (c.16% of eligible portfolio) in consumer • More significant requests for payment deferrals in SME portfolio. Additional sector-based underwriting introduced

Current trading and outlook

- Steady recovery in loan issuance levels from May to July
  - Issuance levels of continuing products already back to Jan/Feb levels
  - Spain remains at a lower issuance level, but seeing gradual improvement
  - Selective return to marketing activities from May
- Continued near-prime progress, with product enhancements in Latvia, Lithuania and Sweden in H1 and new pilot in Denmark
  - Carefully moderated underwriting and marketing spend post Covid-19
  - Development of funding via TBI Bank continues
  - 56% of net loan portfolio is near-prime consumer lending
- Implementation of strategic market/footprint decisions underway
  - Sale of Mexico business in June to accelerate cashflows
  - No lending to new customers in Argentina; ceased lending in Finland
  - Significant headcount reductions implemented across the network, with savings already visible in Q2
- Significant medium-term opportunities
  - Potentially larger 'non-prime' market size
  - Difficult environment for smaller competitors in many markets

Monthly online loan issuance and acceptance rates (1)





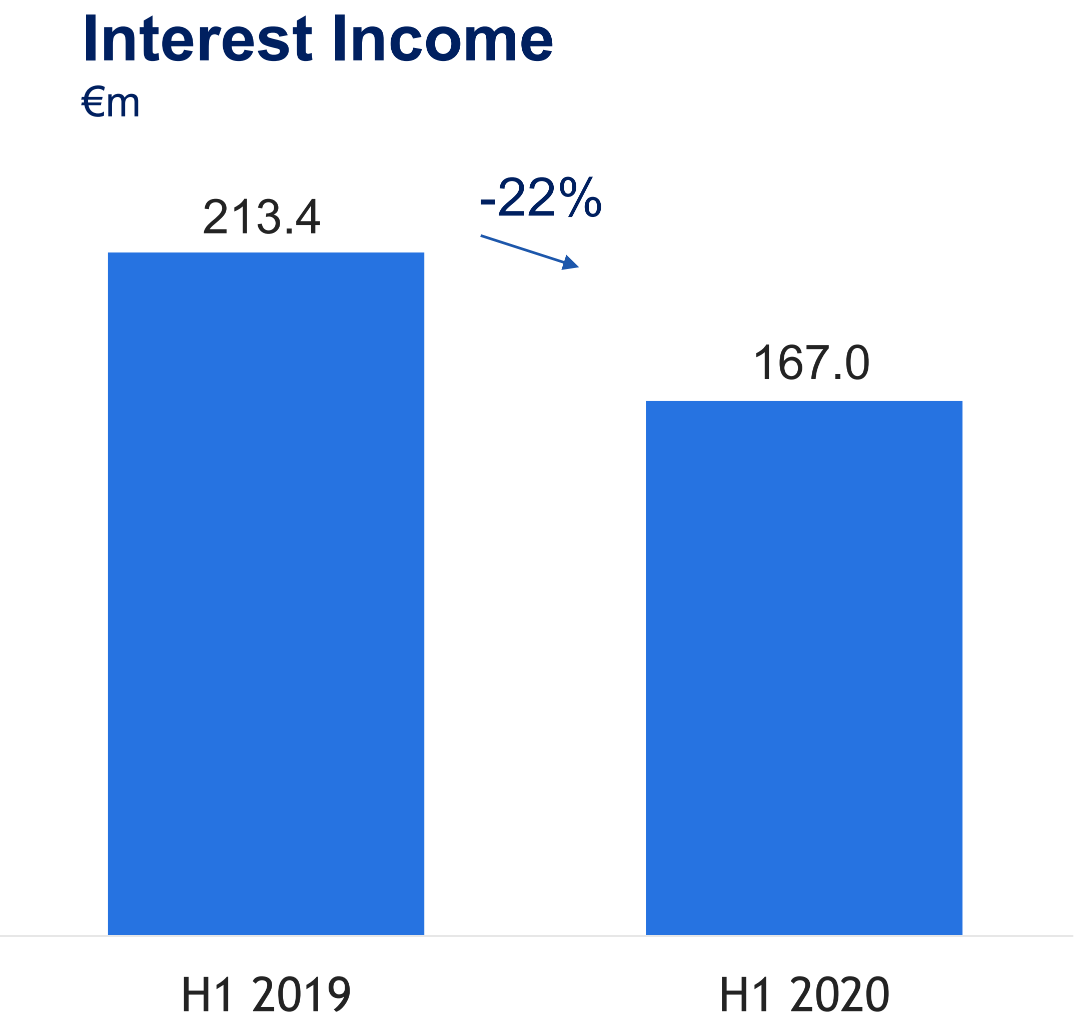
Note (1): Adapted products represent those where a different product has been developed targeting the same market & segment. Run-off products represent those where issuance has stopped or will stop, and no replacement will be offered. Acceptance rates shown for short-term products to illustrate relative trends for new and returning customers.

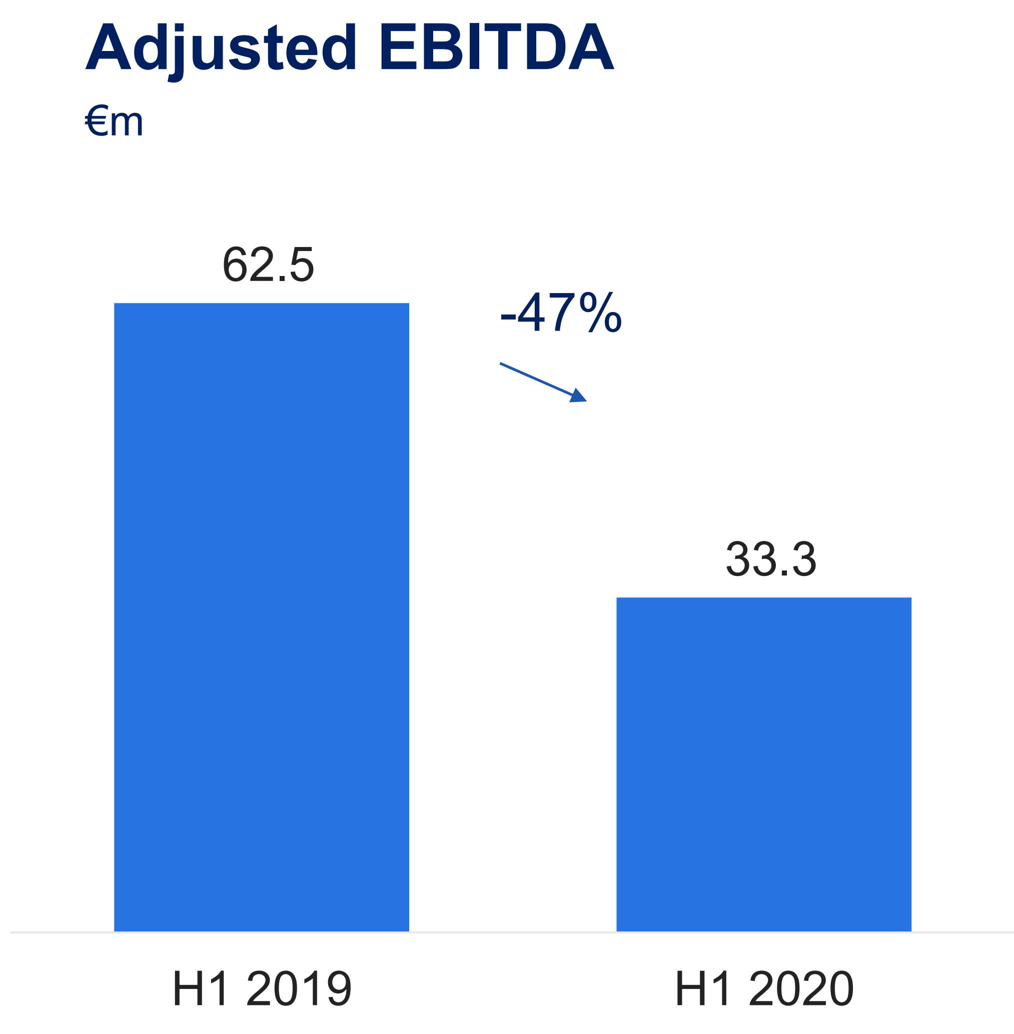
Review of six month 2020 results

Summary of six month 2020 results

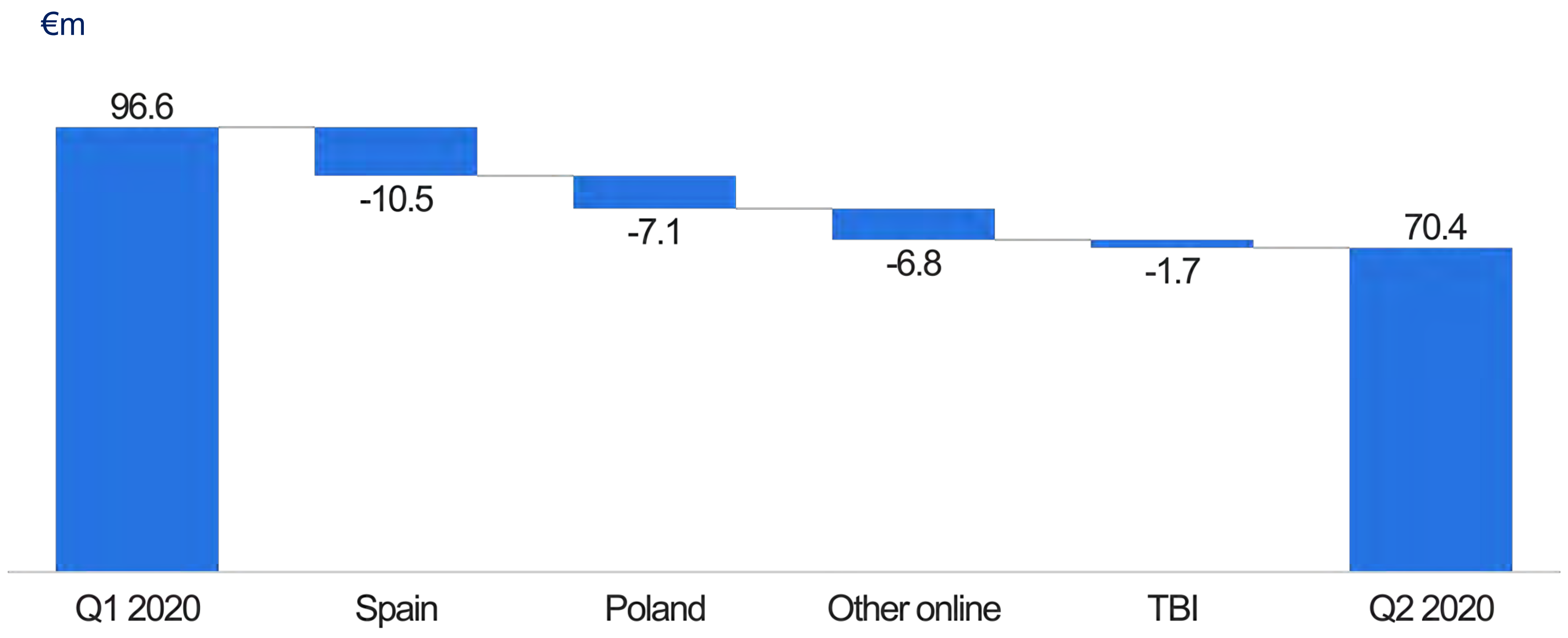
- Interest income for Q2 of €70m reflects reduced loan issuance levels
  - Largest impact, as expected, from shorter-term loans in Spain and Poland
  - Regulatory pricing changes in Poland also reduced income yield
  - Businesses focused on longer term loans (Baltics, TBI Bank) were relatively flat
  - Some ongoing impact of earlier product wind-downs
- Impact on Adjusted EBITDA partly mitigated by strong risk management and cost discipline
  - Lowest quarterly net impairment charge post IFRS9 and stable cost of risk
  - Significant cost reduction, with marketing spend down €5m QoQ
  - Q2 Adjusted EBITDA of €10m, down by €13m QoQ compared to €26m reduction in interest income
- Strong operating cashflow and robust cash position
  - Operating cashflow before movements in portfolio & deposits of €82m
  - Significant bond repurchases made during Q2 and then in July ($44.6m of USD bonds purchased year-to-date)
  - Current "online" cash levels remain strong at c.€85m
- Overall stable risk performance, although NPL ratio and impairments impacted by delayed debt sales
  - Overall gross NPL ratio of 24.0% (vs 22.2% as of Mar 2020)
  - Net impairment/interest income at 37.6% for Q2 2020 (vs 32.3% in Q1 2020)
  - Lower loan portfolio, particularly in online shorter-term products

Year-on-year comparison





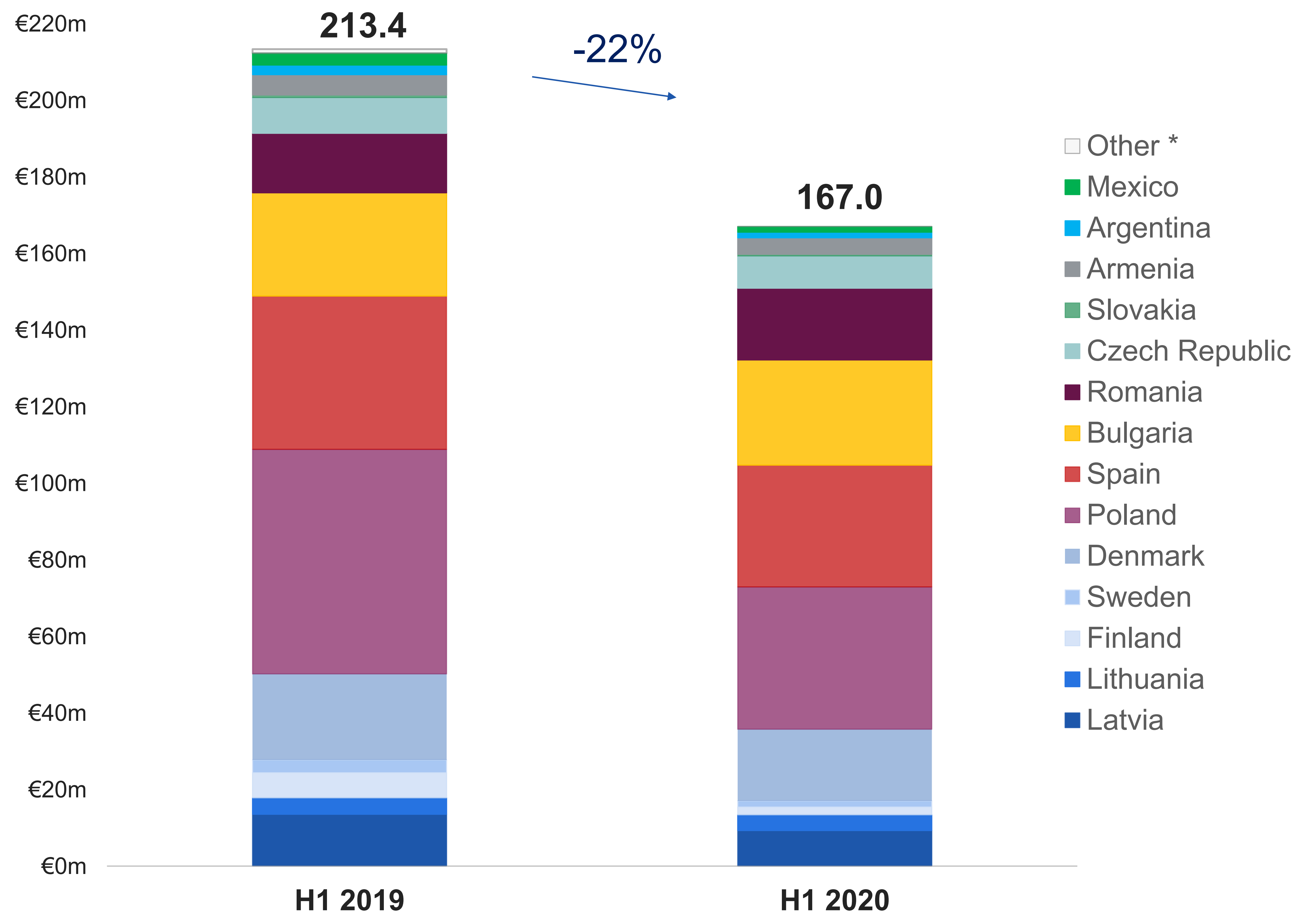
Quarter-on-quarter bridge for interest income



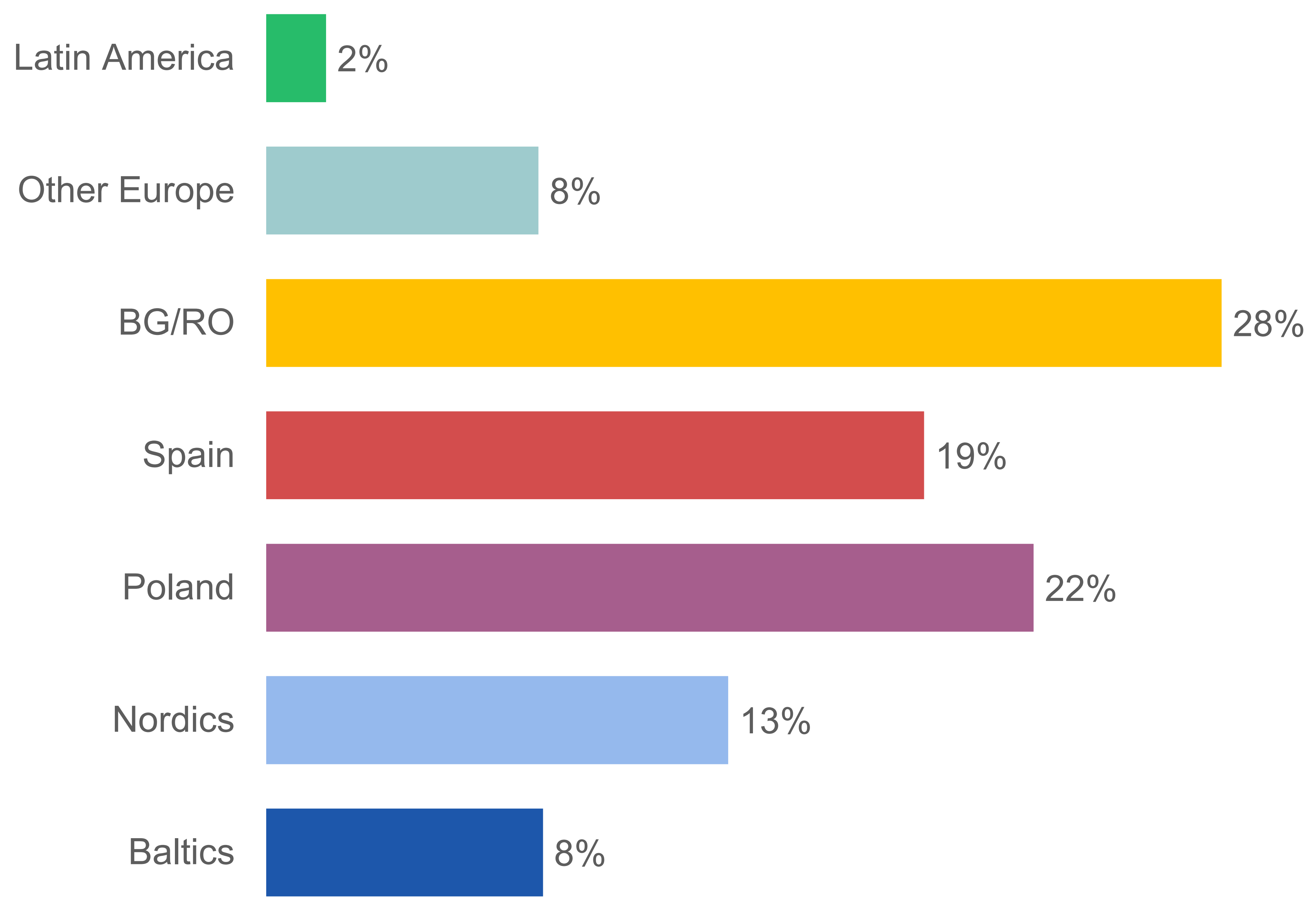
See appendix for definitions of key metrics and ratios

Interest income remains well diversified

Interest income by country



2020 interest income: €167.0m

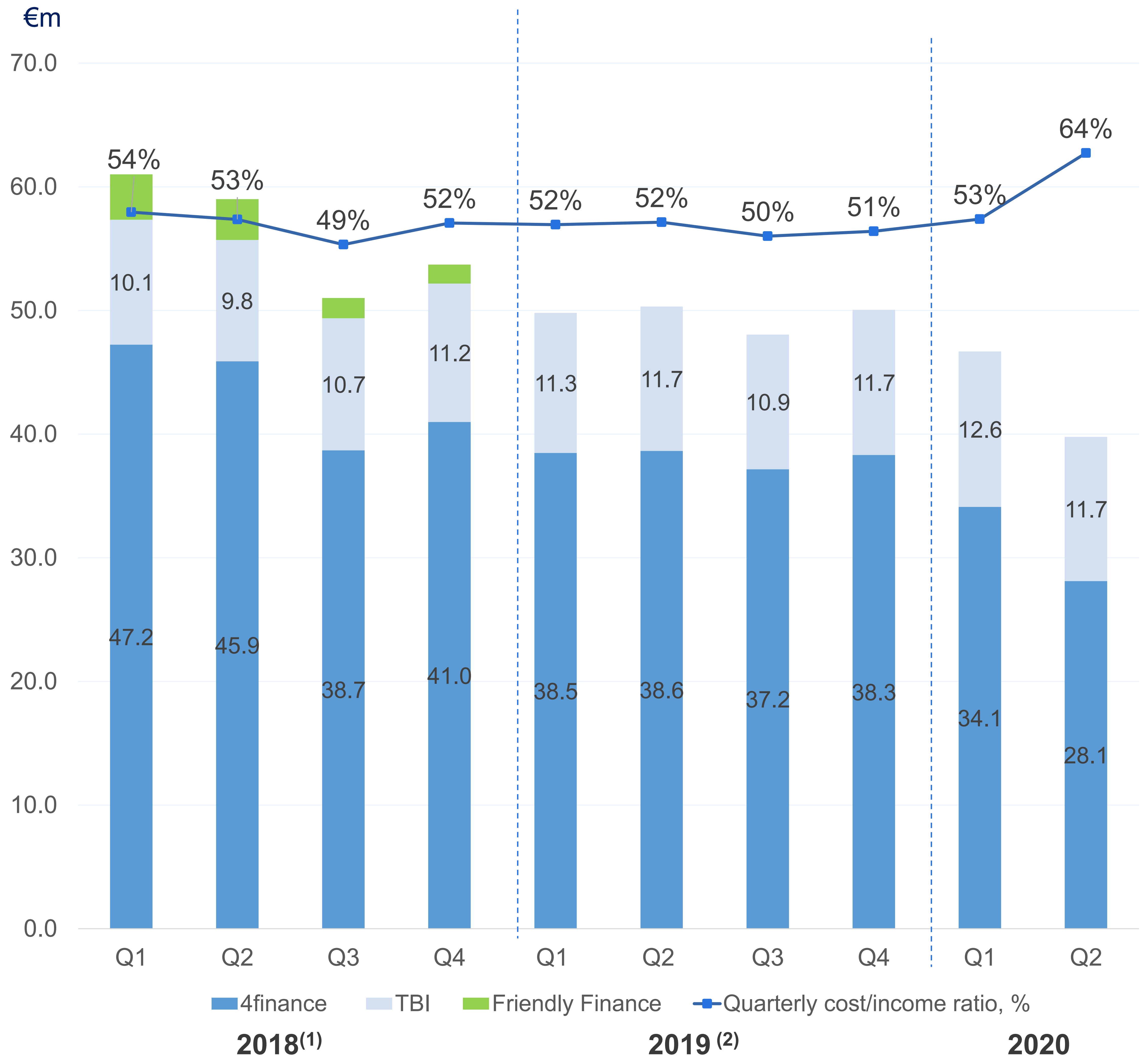


* Other represents countries exited during 2018 (Dominican Republic and Georgia)

Operating cost drivers

- Operating costs down 14% year-on-year vs revenue down 22%
  - Cost reductions broadly kept pace with top line changes in Q1, but Q2 cost/income ratio increased given step change in income
  - Sharp reduction in marketing spend in Q2, down by nearly €5m QoQ, although investments will be made to rebuild volumes in H2
  - Staff costs already reduced in Q2, despite nearly €1m in severance costs groupwide, with further reductions Q3 onwards
  - Lower volume related costs (eg application processing) and travel spend
- Ongoing effort to align cost base to evolving market and product footprint
  - Moving to structurally lower HQ costs (staff numbers, overheads, management structure)
  - Implementing most efficient process for markets to be exited (eg Mexico sale vs Argentina gradual wind-down)
  - IT efficiencies (eg move to cloud-based servers)
  - Keep operational focus and discipline

Total operating costs (1)

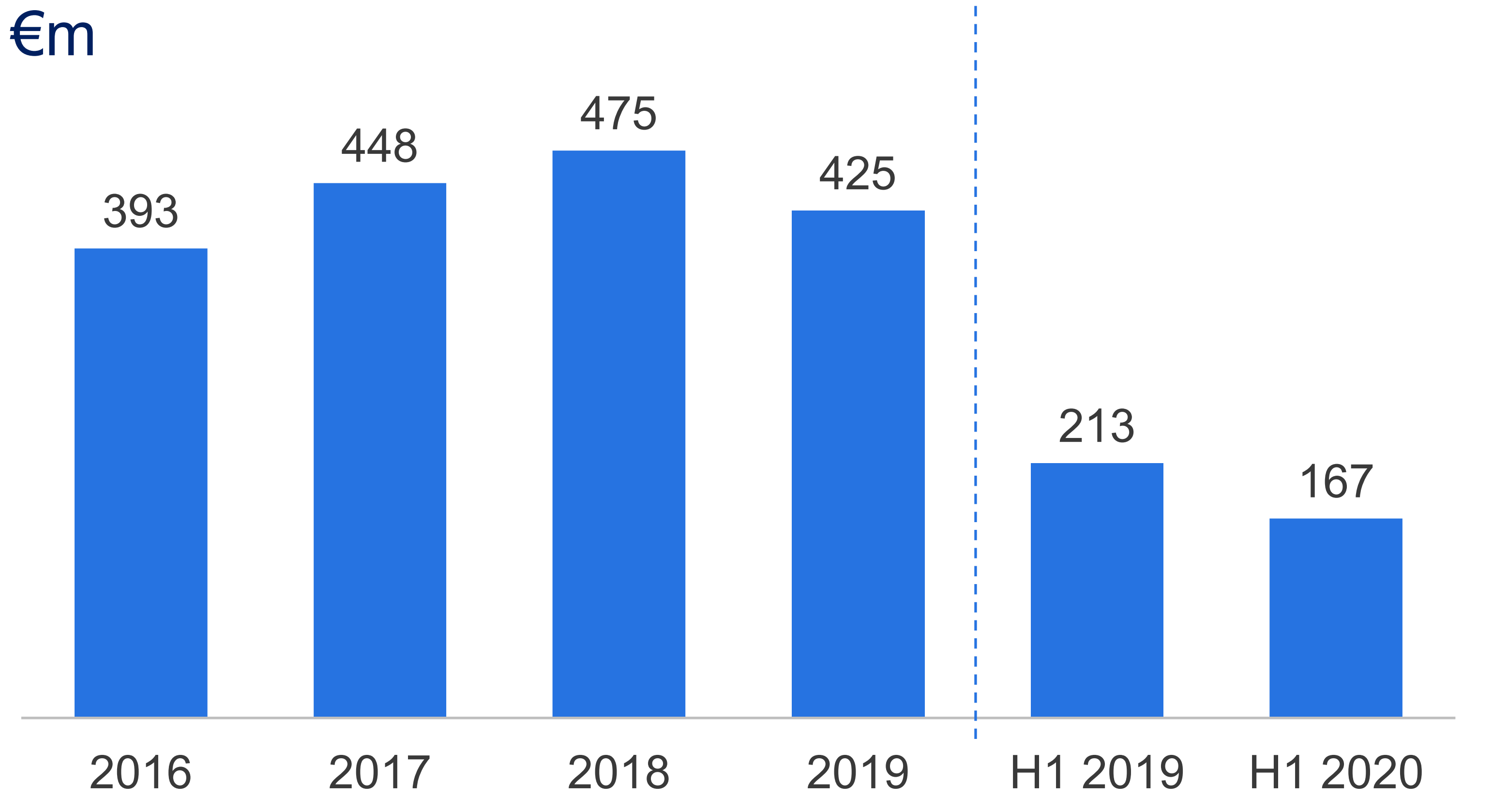


Notes:
(1) Q4 2018 costs have been adjusted to reflect audited figures
(2) Q4 2019 costs have been adjusted to reflect audited figures

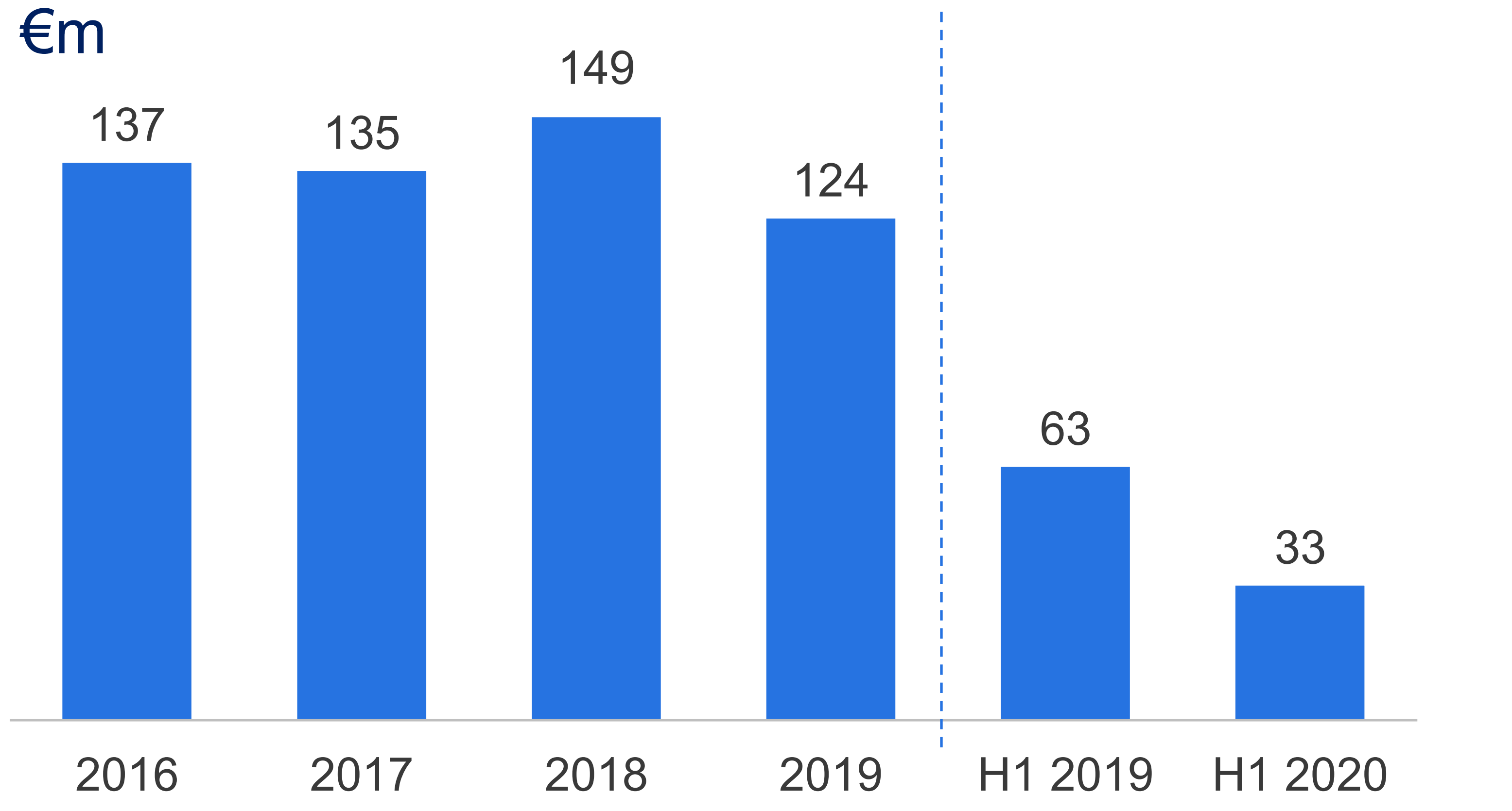
See appendix for definitions of key metrics and ratios

Strong financial track record

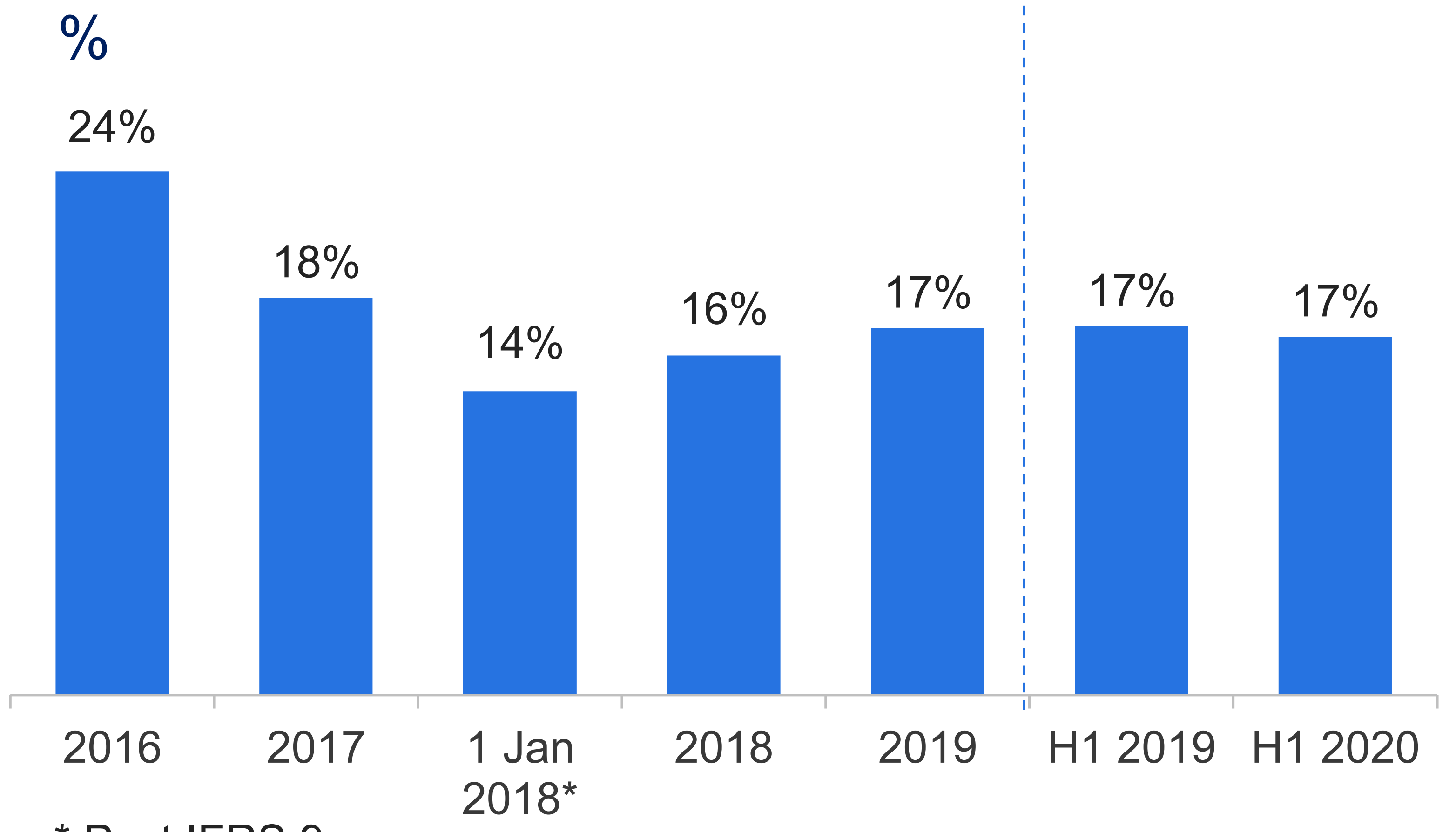
Interest income



Adjusted EBITDA

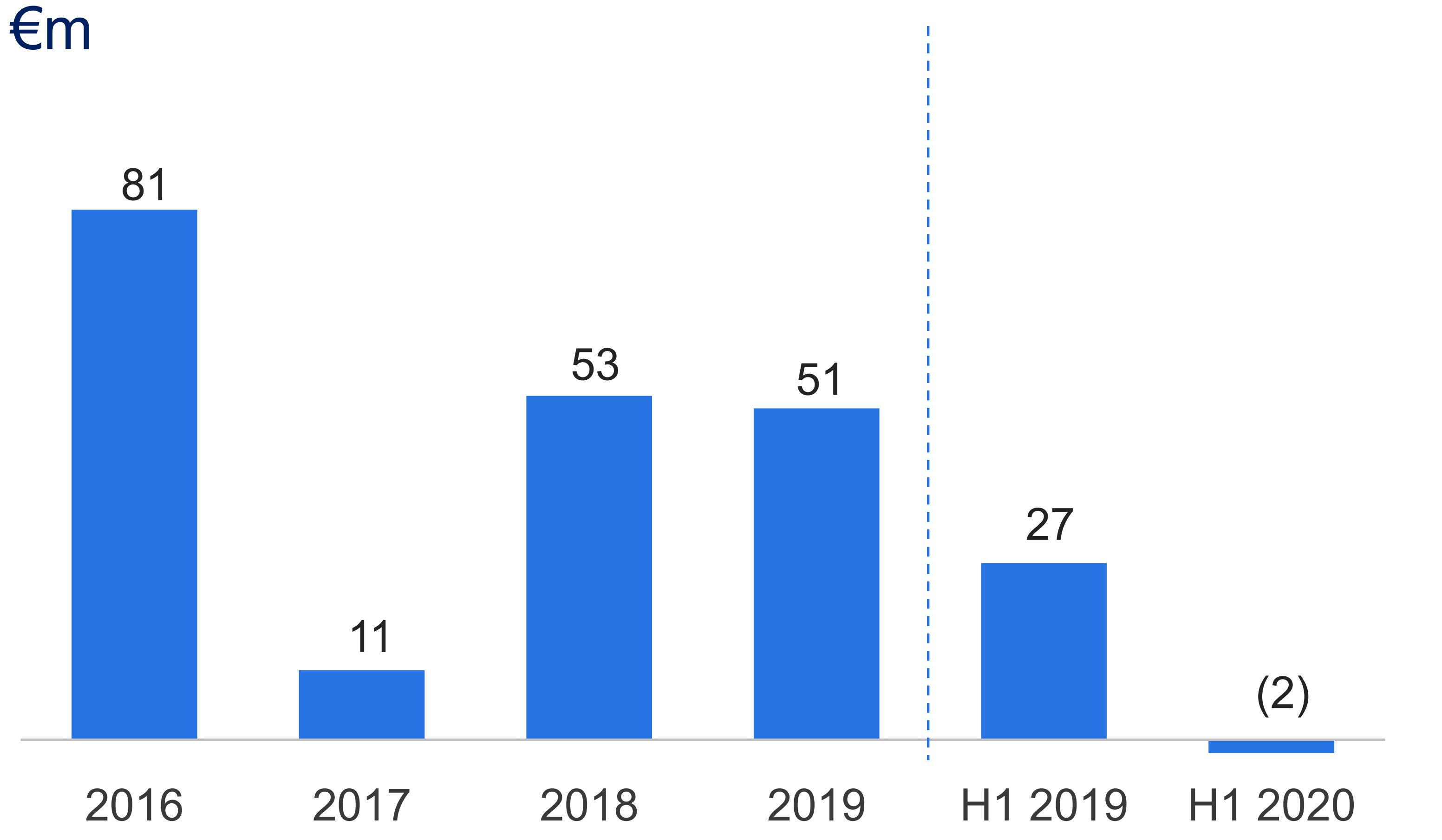


Equity / assets ratio

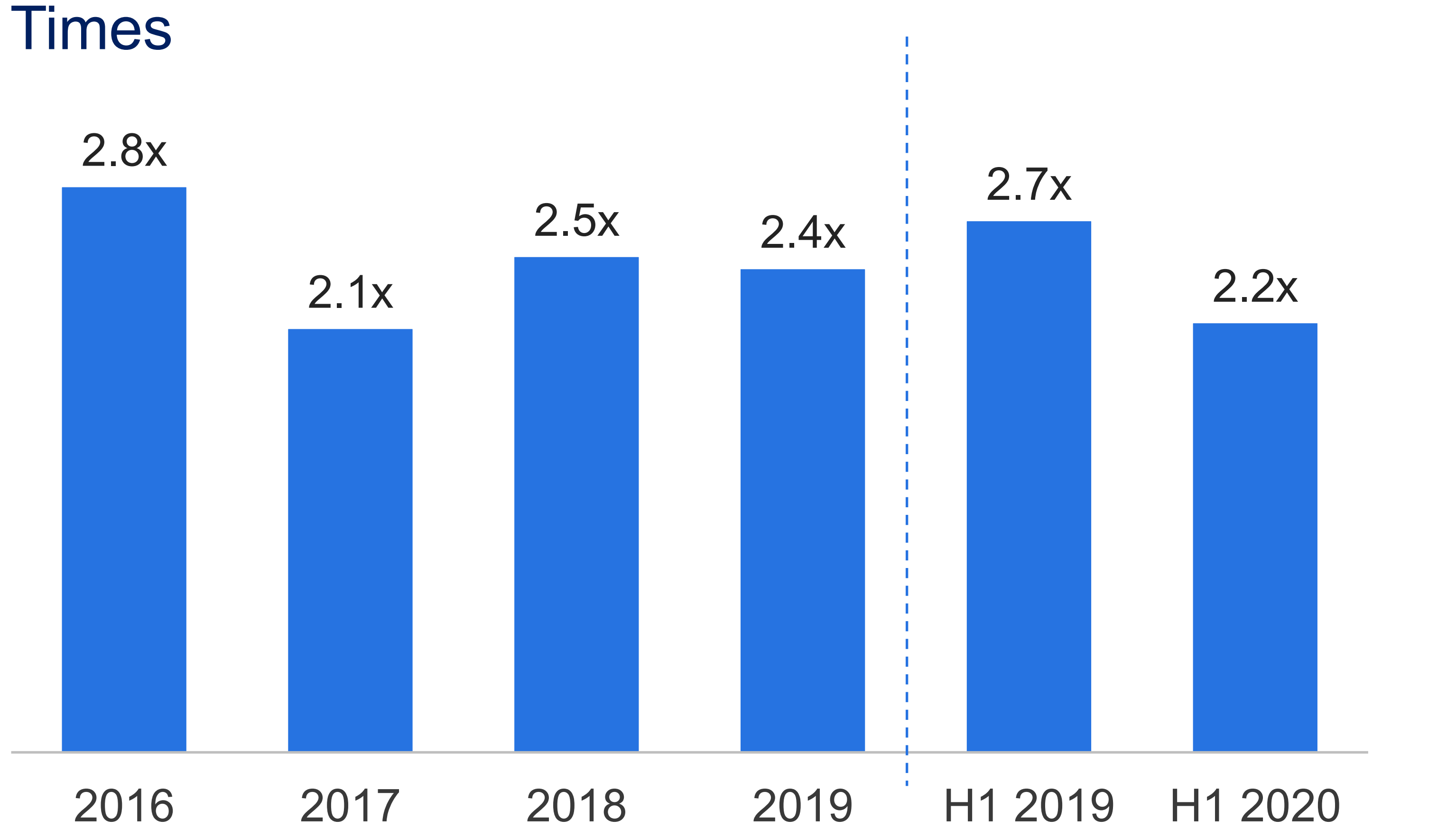


* Post IFRS 9

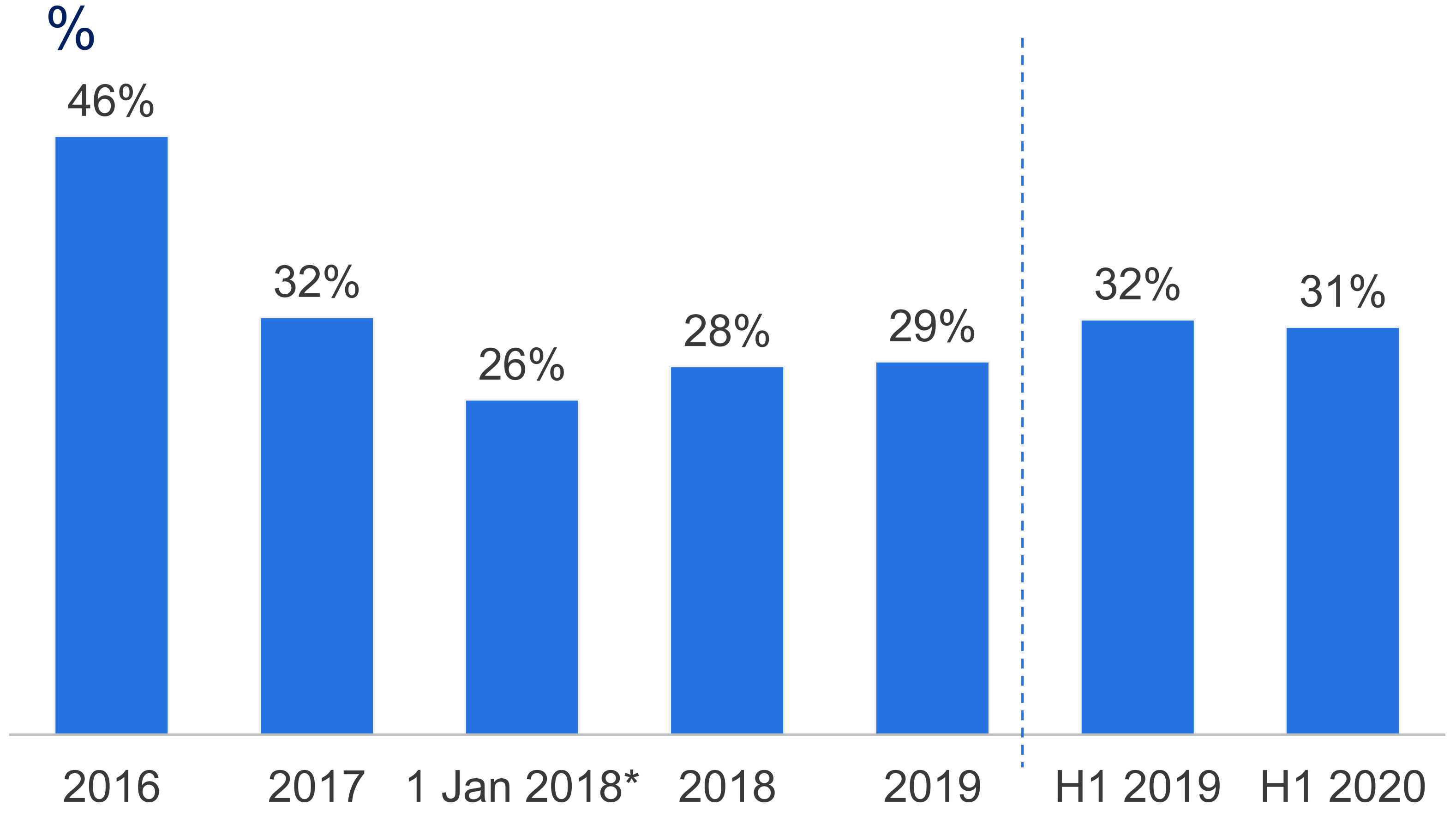
Profit before tax



Covenant interest coverage ratio(1)



Equity / net receivables (2)



* Post IFRS 9

Note (1): The graph is shown based on full covenant calculation of interest coverage ratio, based on proforma last twelve month figures, as at the date of publication of the respective period results. The calculation was updated this quarter to exclude certain non-cash accruals within interest expense (see page 8 of the results report for further details)

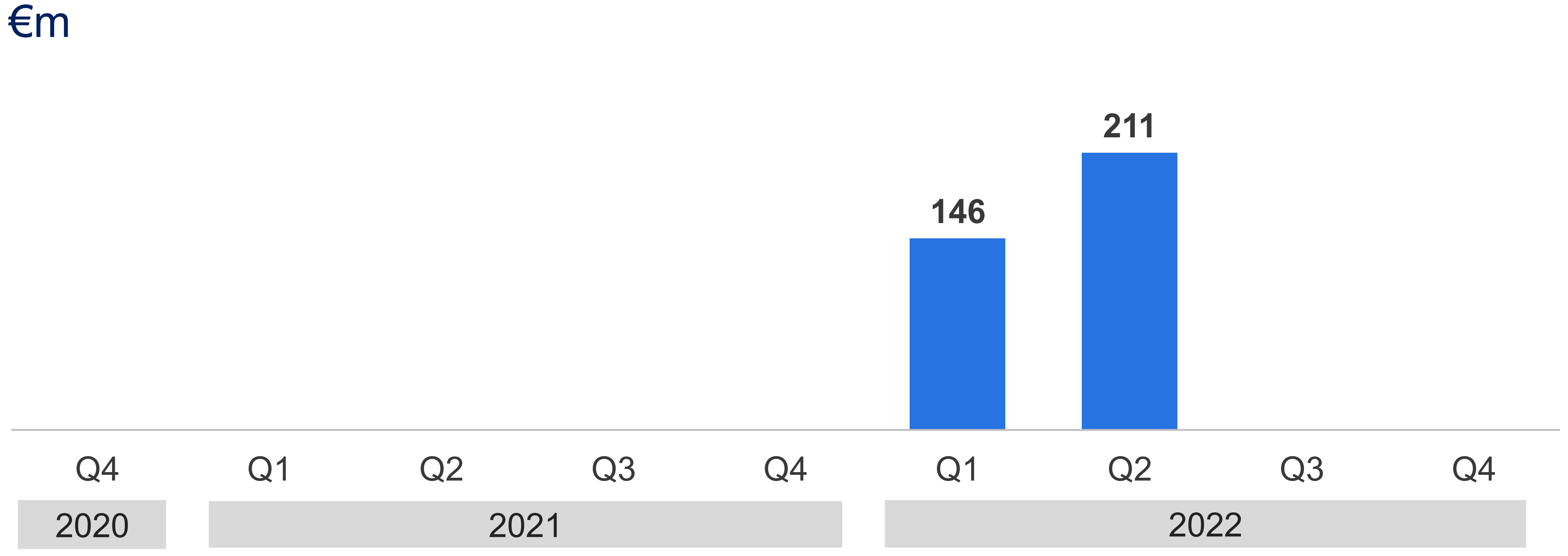
(2): The full covenant calculation of equity/net loans includes related party loans and finance leases, and is currently 28%

Funding strategy

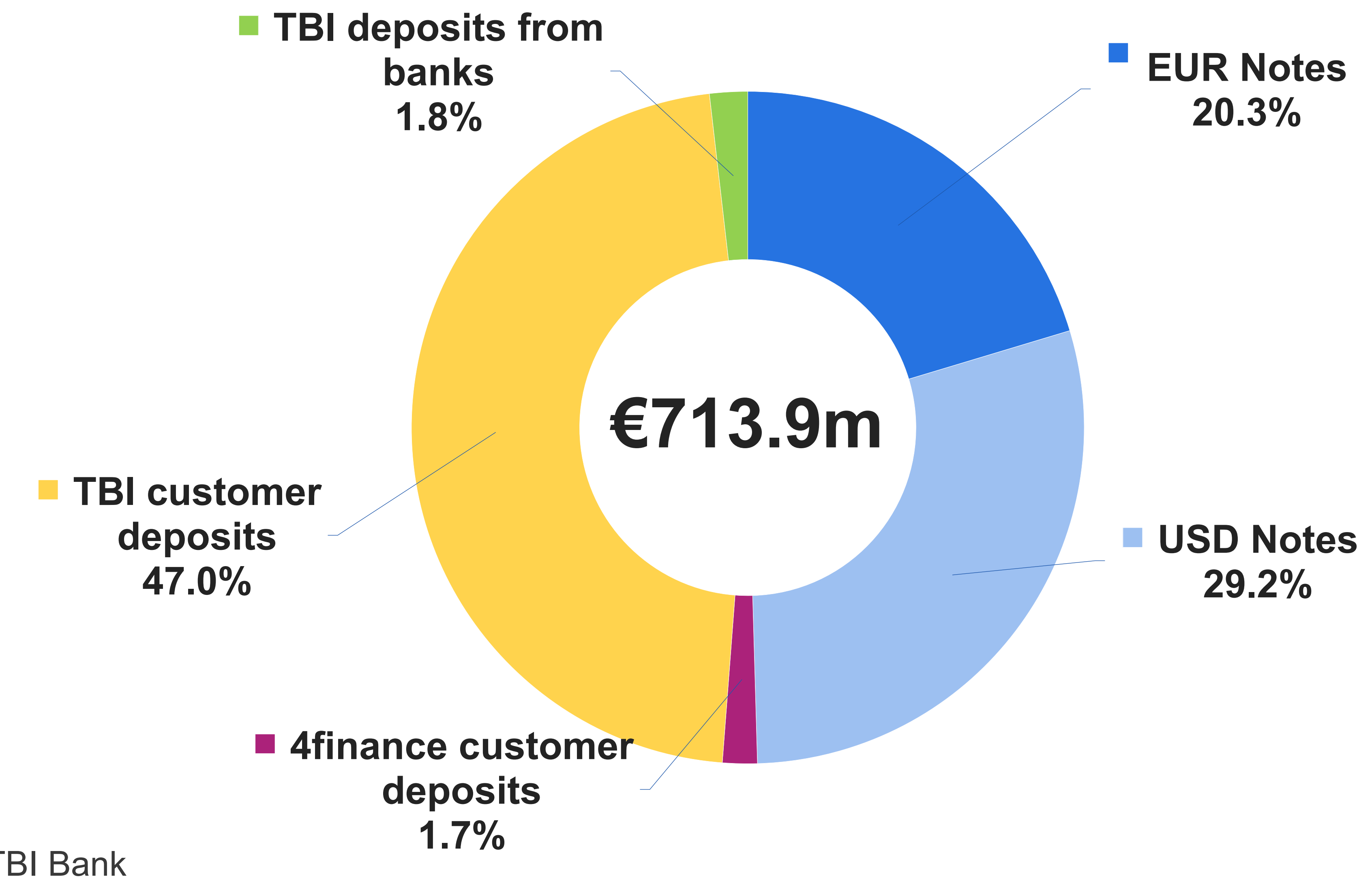
Strategy to diversify sources of funding and reduce overall funding cost over time

- Strong cash generation and cash position
  - Cash generated from portfolio, particularly in Q2
  - Online cash c.€85m at end August (after July buybacks)
  - TBI Bank increased deposit levels in Q2 and has strong liquidity ratios
- Accessing TBI Bank balance sheet to fund online loans
  - Successful series of portfolio sales of Polish instalment loans completed
  - Passport application for Lithuania under more detailed review due to Covid-19. Initial portfolio sales intended to start in September
- Further de-leveraging already achieved in 2020
  - $44.6m of USD Bonds and €1.1m of EUR Bonds purchased in 2020 year-to-date
  - Retain ongoing flexibility to buy back bonds with spare liquidity
- Strong capital position
  - 31% equity / net receivables ratio
  - No dividend intended to be paid by 4finance Holding SA in 2020
  - TBI Bank capital adequacy c.20% after adoption of 2019 profit
- Successful extension of EUR bond maturity to Feb 2022
  - Allows financial results and markets to normalise prior to refinancing

Debt maturity schedule, 30 June 2020 (1)



Overview of funding structure, 30 June 2020 (2)



Notes:
(1) Represents the principal value of public bonds outstanding that comes due in each respective period, net of buybacks and bonds owned by TBI Bank
(2) The chart reflects the principal and accrued interest amounts of each of the instruments, net of buybacks and bonds owned by TBI Bank

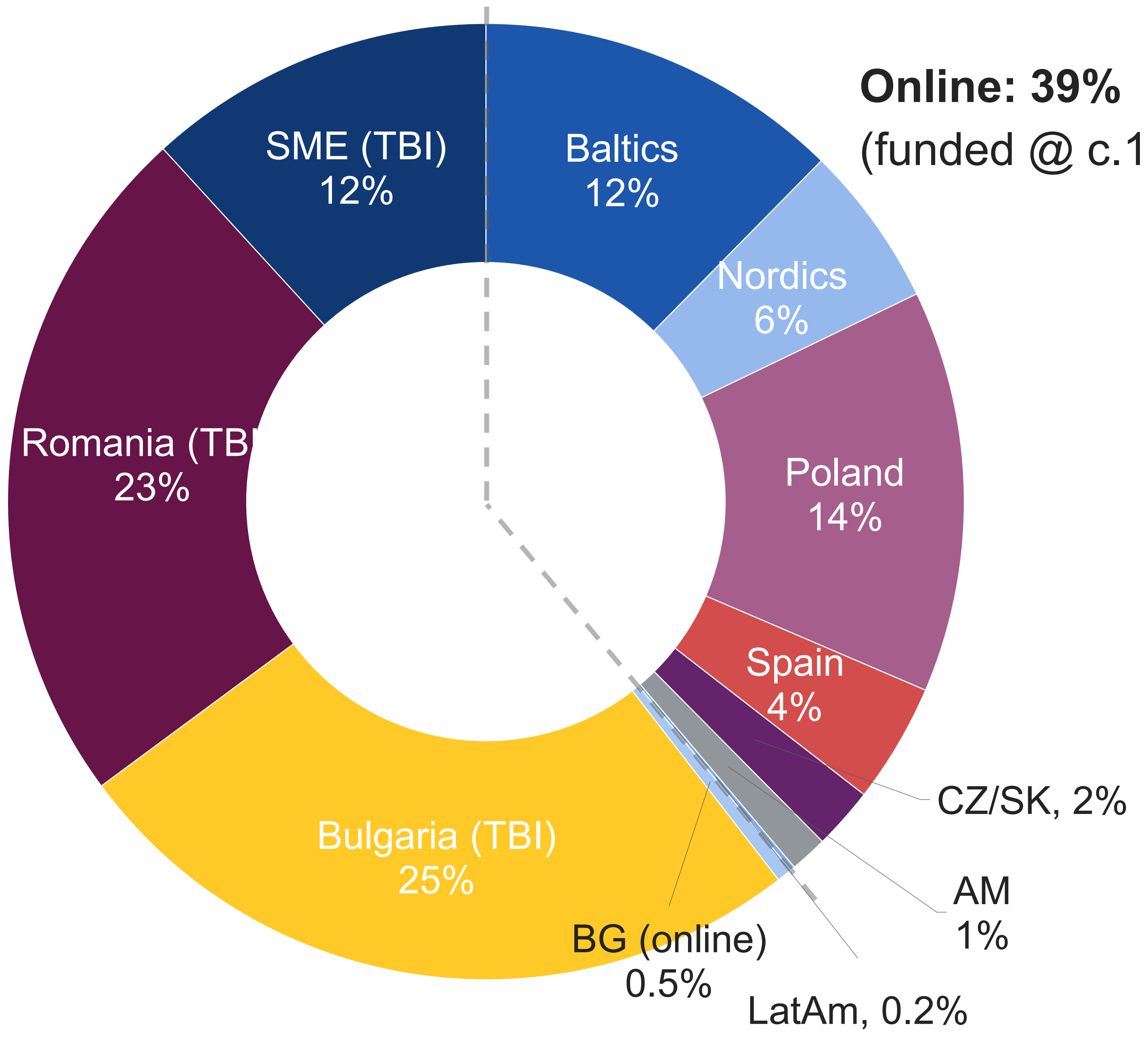
Diversified loan portfolio

- Reduction in issuance in Q2 has lowered the balance of shorter-term loan portfolios in particular
- Overall net receivables totals €502m
  - 7% reduction during Q2
  - 88% consumer loans
  - 43% online loans / 57% banking

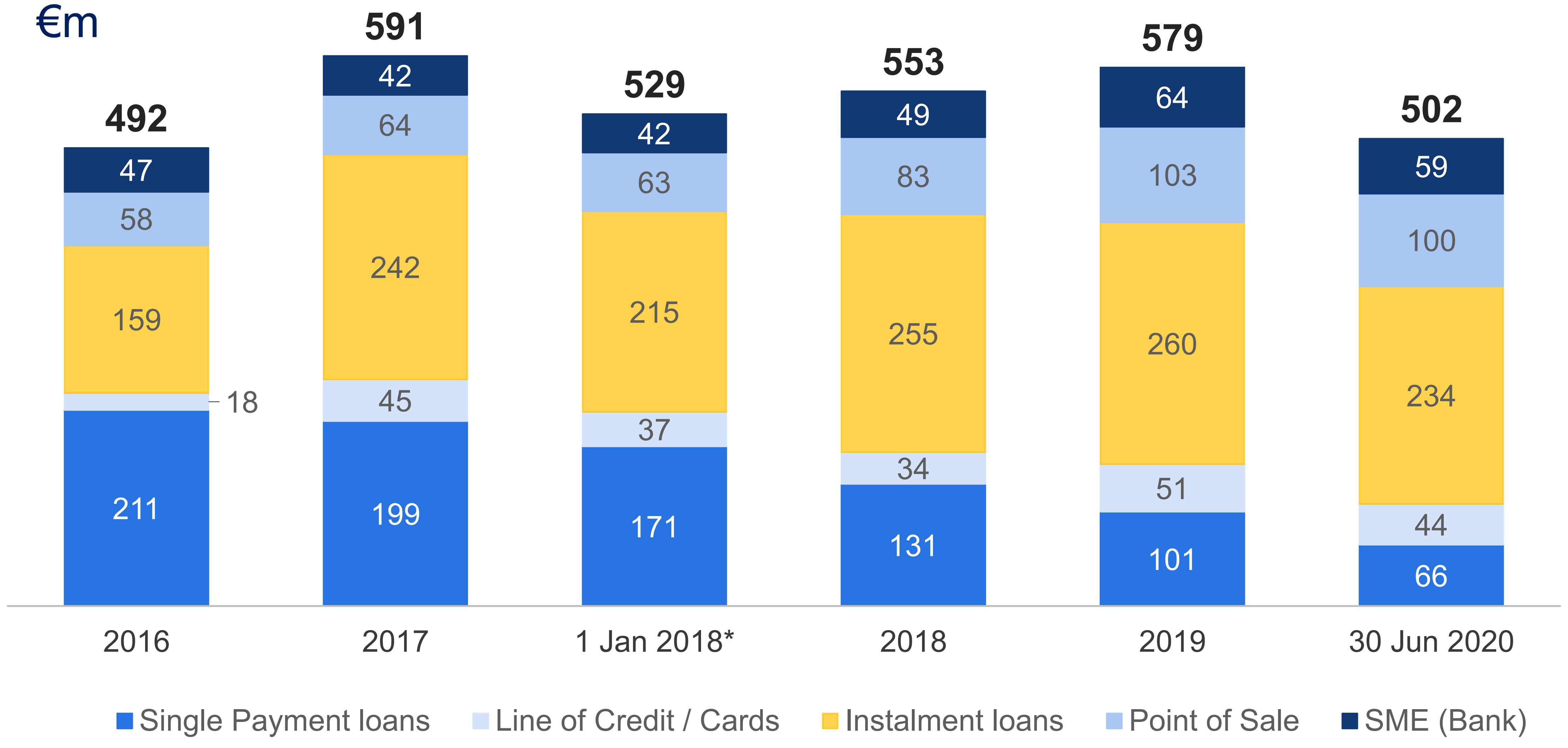
Net receivables, 30 June 2020

TBI Bank: 61%*
(funded @ c.<2%)

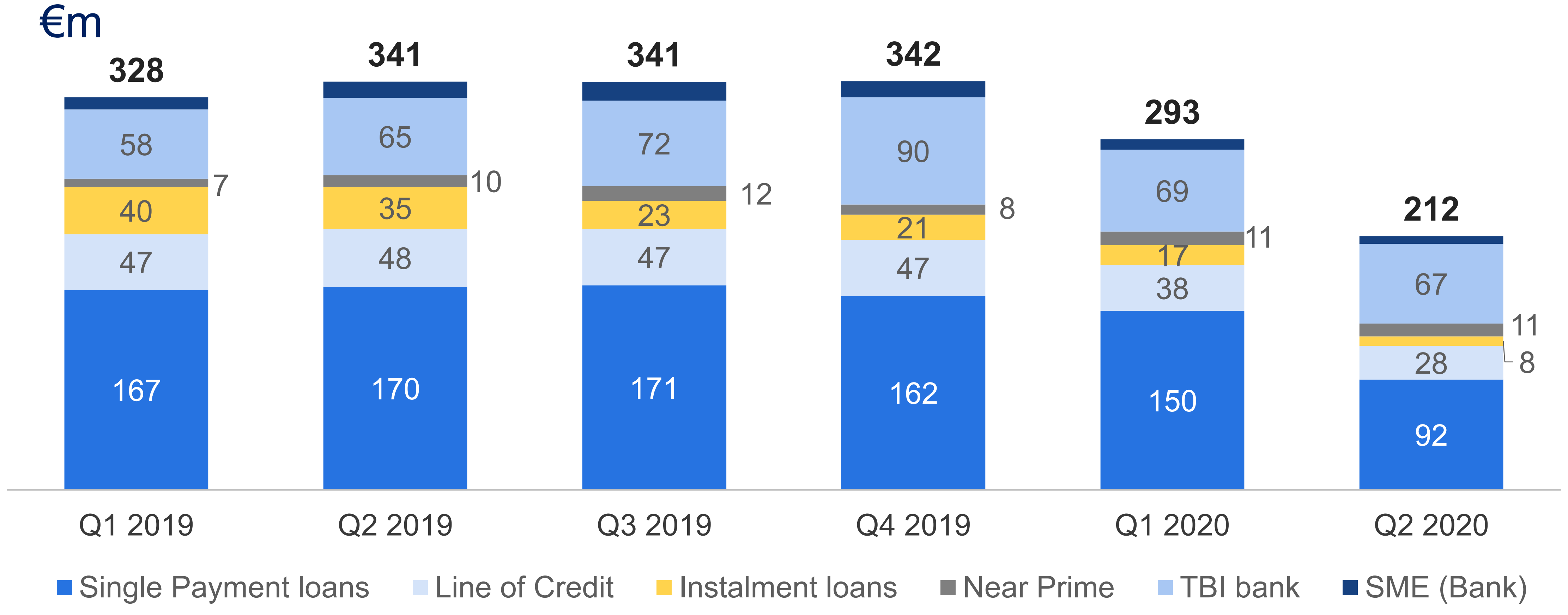
Online: 39%
(funded @ c.12%)



Net receivables [(1)]



Loans issued [(1)]



Notes:

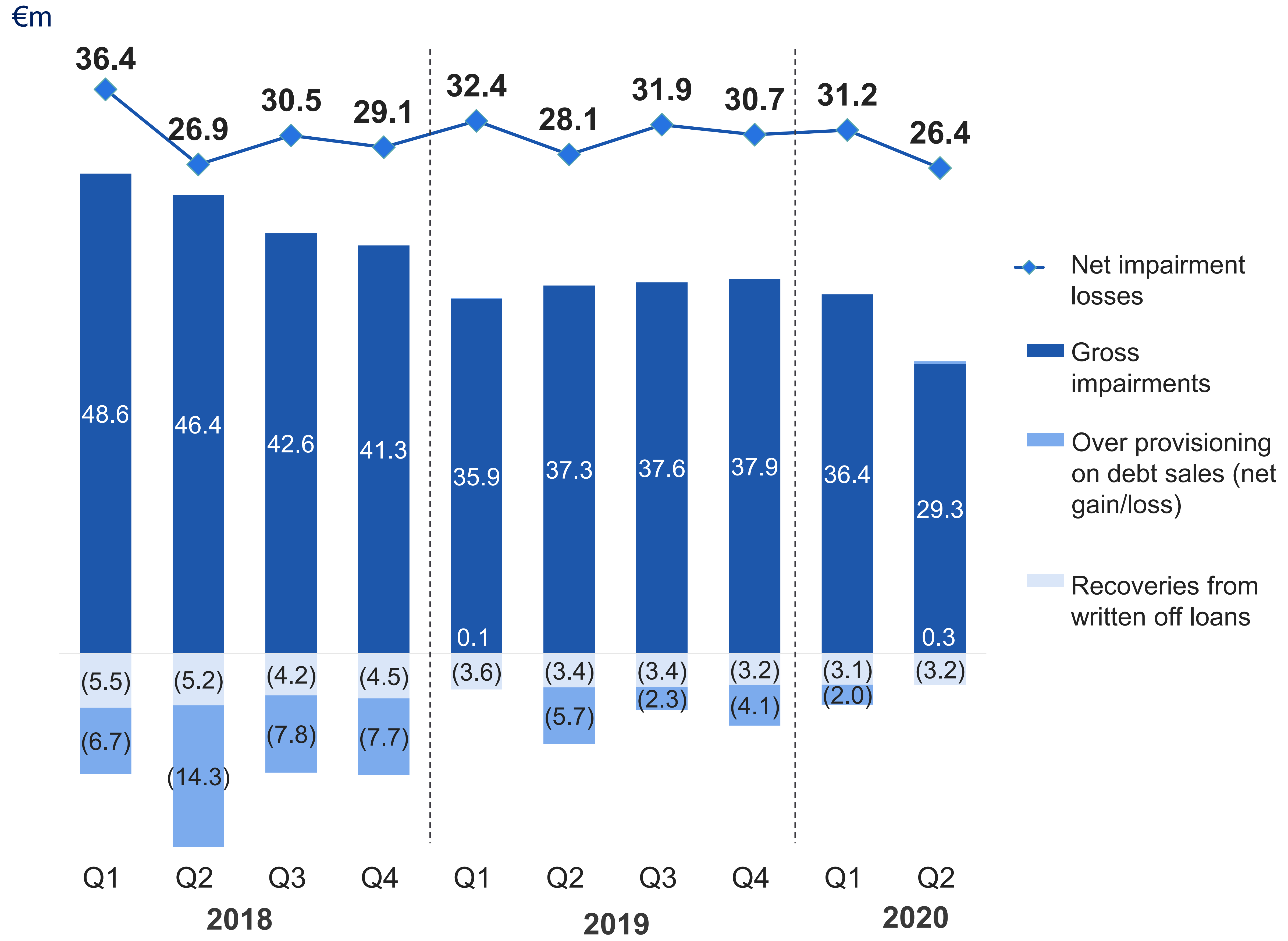
(1) Reflects reclassification of former SPL products in Sweden (from January 2016), Denmark (from January 2017), Armenia (from launch in July 2017) and Latvia (from January 2019) to Lines of Credit

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

See appendix for definitions of key metrics and ratios
* Includes TBI bank, BG online and €1.8m of purchased Poland portfolio

Analysis of net impairments and cost of risk

Net impairment charges by quarter (1)



20.8%	15.1%	17.4%	16.6%	18.4%	16.0%	18.3%	17.1%	17.4%	15.6%	Overall quarterly cost of risk

- Reduction in Q2 quarterly net impairment charge, largely due to lower origination and portfolio levels in online lending
  - Most products in line with expectations. Some additional provisions in Armenia and Spain IL portfolios
  - Overall impact of Covid-19 increased net impairments by approximately €3 million in Q1 and €4m in Q2 (higher macro provisions, delayed debt sales, some impact on delay indicators)
- Relatively low quarterly cost of risk overall, partly driven by increased share of TBI Bank in the portfolio
  - Overall cost of risk 16.6% (H1 2020, including TBI Bank) vs 17.3% (H1 2019)
  - Online cost of risk 27.7% vs 27.2% (H1 2019)
  - Net impairment / interest income 34.5% vs 28.4% (H1 2019)
- Continue to monitor and adjust risk parameters across markets as economies have gradually re-opened
  - 65 changes to underwriting scorecards/policies
  - 104 changes to debt collection scorecards/policies
  - Ongoing regular reviews by market (eg Spain, Poland)

Note (1) Q4 2018 and 2019 figures have been adjusted to reflect audited figures

See appendix for definitions of key metrics and ratios

Asset quality and provisioning

- Gross NPL ratios increased in 'online' due to delayed debt sales, but asset quality relatively stable. Coverage ratios remain c.100%
  - Online gross NPL ratio 31.6% as of June 2020, compared with 24.9% as of December 2019
  - Overall gross NPL ratio 24.0% as of June 2020 from 20.7% as of December 2019
- Some debt sales delayed from March/April, but already rescheduled in May/June (Poland, Nordics) and July/August (Spain, Poland, Czech)

	30 June 2020				31 December 2019			
€m, except percentages	Gross amount	Impairment allowance	Net amount	% of Gross Amount	Gross amount	Impairment allowance	Net amount	% of Gross Amount
Online receivables								
Performing (1)	207.4	(29.7)	177.8	68.4%	285.5	(45.6)	239.9	75.1%
Non-performing (2)	96.0	(75.3)	20.7	31.6%	94.6	(69.1)	25.5	24.9%
Online total	**303.5**	**(105.0)**	**198.5**	**100.0%**	**380.1**	**(114.7)**	**265.4**	**100.0%**
TBI Bank receivables								
Performing (1)	290.0	(13.7)	276.3	82.5%	296.4	(12.0)	284.4	83.8%
Non-performing (2)	61.3	(33.9)	27.4	17.5%	57.1	(28.0)	29.1	16.2%
TBI Bank total	**351.3**	**(47.6)**	**303.7**	**100.0%**	**353.5**	**(40.1)**	**313.5**	**100.0%**
Overall group receivables								
Performing (1)	497.4	(43.4)	454.1	76.0%	581.9	(57.7)	524.2	79.3%
Non-performing (2)	157.3	(109.2)	48.1	24.0%	151.7	(97.1)	54.6	20.7%
Overall total	**654.8**	**(152.6)**	**502.2**	**100.0%**	**733.7**	**(154.8)**	**578.9**	**100.0%**

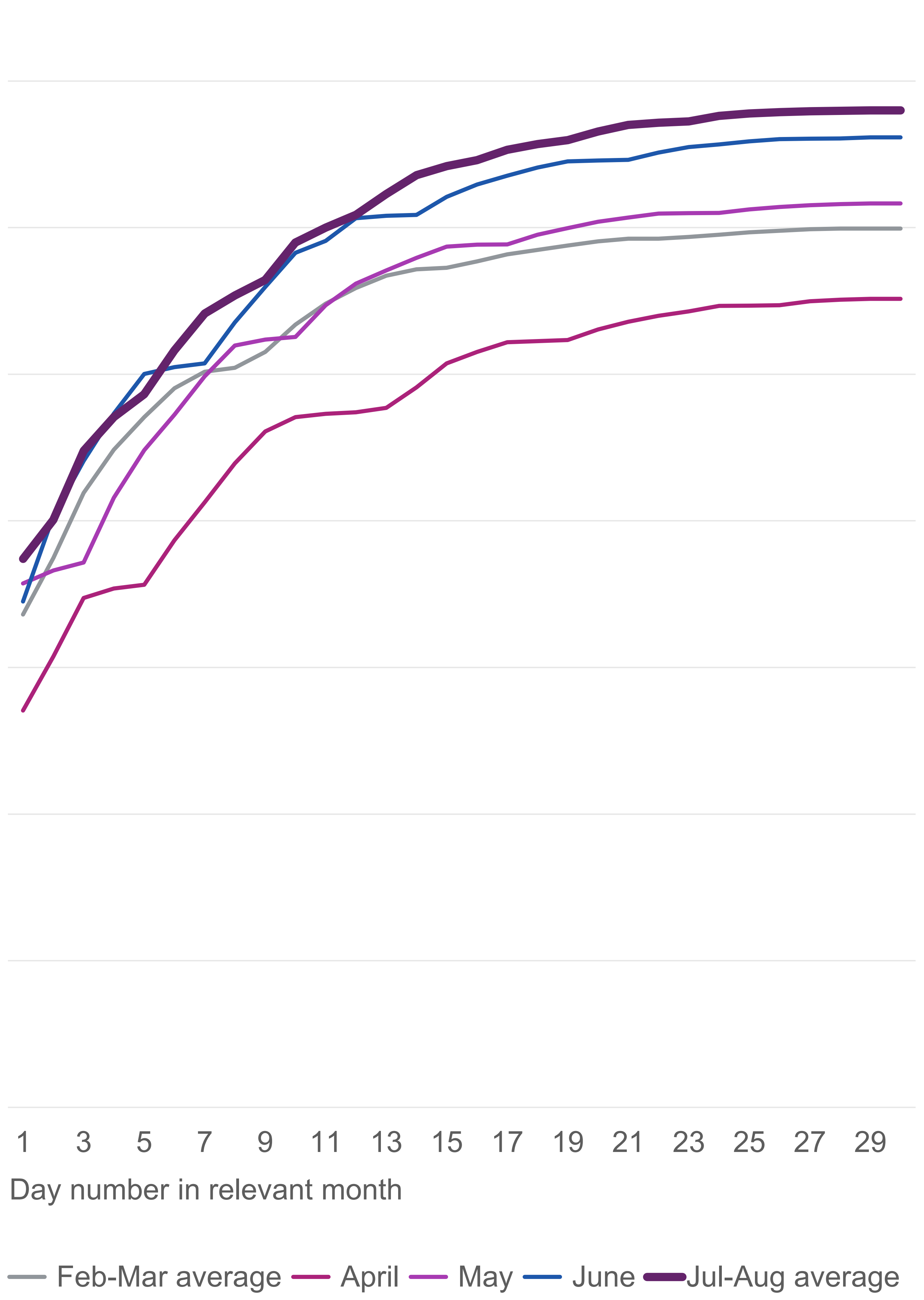
Notes:
(1) Performing receivables 0-90 DPD
(2) Non-performing receivables 91+ DPD (and, for TBI Bank, shown on a customer level basis)

Recent collections performance

- Further improvement of repayment dynamics in June onwards
  - April performance comparable with January
  - May about average
  - June & July/Aug above average
- Levels of payment deferrals, either proactively offered by 4finance, or offered in accordance with local regulation, remain relatively limited
  - Main ongoing take-up in Czech Republic & TBI Bank
  - Armenia programme has ended

Payment deferral take-up in selected markets (end July) (% of eligible portfolio by value)	
Poland	<1%
Spain	2%
Denmark	<1%
Baltics	<1%
Czech Republic	12%
TBI consumer	16%
TBI SME	44%

Repayment dynamics (single payment)



Repayment dynamics (instalment)

Repayment dynamics graphs represent cumulative sum of payments and extensions performed at under 30 DPD as a % of amounts due in the prior month. For example, June line shows progress by day in June of repayment/extension of amounts that were due at any time in May and performed within 30 days of the due date

Summary

Maintained pro-active response to Covid-19 across the business, with good results

- Rapidly adapted operations to home working, ensuring employee safety and continuous services for customers
- Focus on risk management, but remained "open for business" throughout, particularly for our returning customers
- Strong customer repayment behaviour in May - July enabling higher acceptance rates

Well positioned to 'weather the storm' and take advantage of subsequent opportunities

- Action taken to streamline footprint, focus on larger markets and right-size cost base
- Continued development of near-prime business, both on product side (Latvia, Lithuania, Sweden launches) and TBI Bank funding side (preparation for Lithuania sales)
- Encouraging demand and issuance trends with continuing products returning to normal levels overall, and over €8bn online loans issued since 2008

Strong balance sheet and funding position, following successful bond amendment

- Strong liquidity position in both 'online' and TBI Bank
- Strong cashflow generation, deployed in significant bond buybacks to reduce leverage
- Extension of EUR bond maturity into 2022 to allow financial results and markets to normalise prior to long term refinancing

4finance: a multi-segment, multi-product, consumer credit specialist

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 2020)	Products (1)	Regulator	CB (2)	License required (3)	Interest rate cap (1)	Status
Argentina	1%	SPL	Consumer Protection Directorate	-	-	-	
Armenia	3%	LOC	Central Bank of the Republic of Armenia	Yes	Yes	Nominal	
Bulgaria – Online	2%	SPL	Bulgarian National Bank	Yes	Yes	APR (inc. fees)	Stable framework
Bulgaria – Bank	15%	IL, LOC, POS, SME					
Czech Republic	5%	SPL, IL	Czech National Bank	Yes	Yes	-	Stable framework
Denmark	11%	LOC, IL	FSA and Consumer Ombudsman	Yes	Yes	APR & TCOC	Danish FSA licensing process ongoing. New regulations regarding interest rate caps (35% APR cap, 100% cost of credit cap) and marketing restrictions from July 2020
Finland	1%	IL(4)	Finnish Competition and Consumer Authority	-	-	Nominal & fees	New interest rate caps in force from September 2019. Further temporary reduction to 10% from July to December 2020
Latvia	6%	MTP, IL	Consumer Rights Protection Centre	-	Yes	Nominal, fees & TCOC	Stable framework since new interest rate caps 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 2020)	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	Stable framework
Mexico	1%	IL	National Financial Services Consumer Protection Commission	-	Yes	-	Stable framework
Poland	22%	SPL, IL	Office of Competition and Consumer Protection	-	-	Nominal, fees & TCOC	Non-interest cost caps adjusted in April for one year to 15% fixed and 6% annual with a 45% total limit
Romania	11%	IL, LOC, POS, SME	National Bank of Romania	Yes	Yes	-	Bill to introduce interest rate cap under discussion
Slovakia	<1%	SPL	National Bank of Slovakia	Yes	Yes	APR (inc. fees)	Stable framework
Spain	19%	SPL, IL	N/A	-	-	-	
Sweden	1%	LOC, IL	Swedish Financial Supervisory Authority	Yes	Yes	Nominal & TCOC	Stable framework since new interest rate caps in September 2018

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
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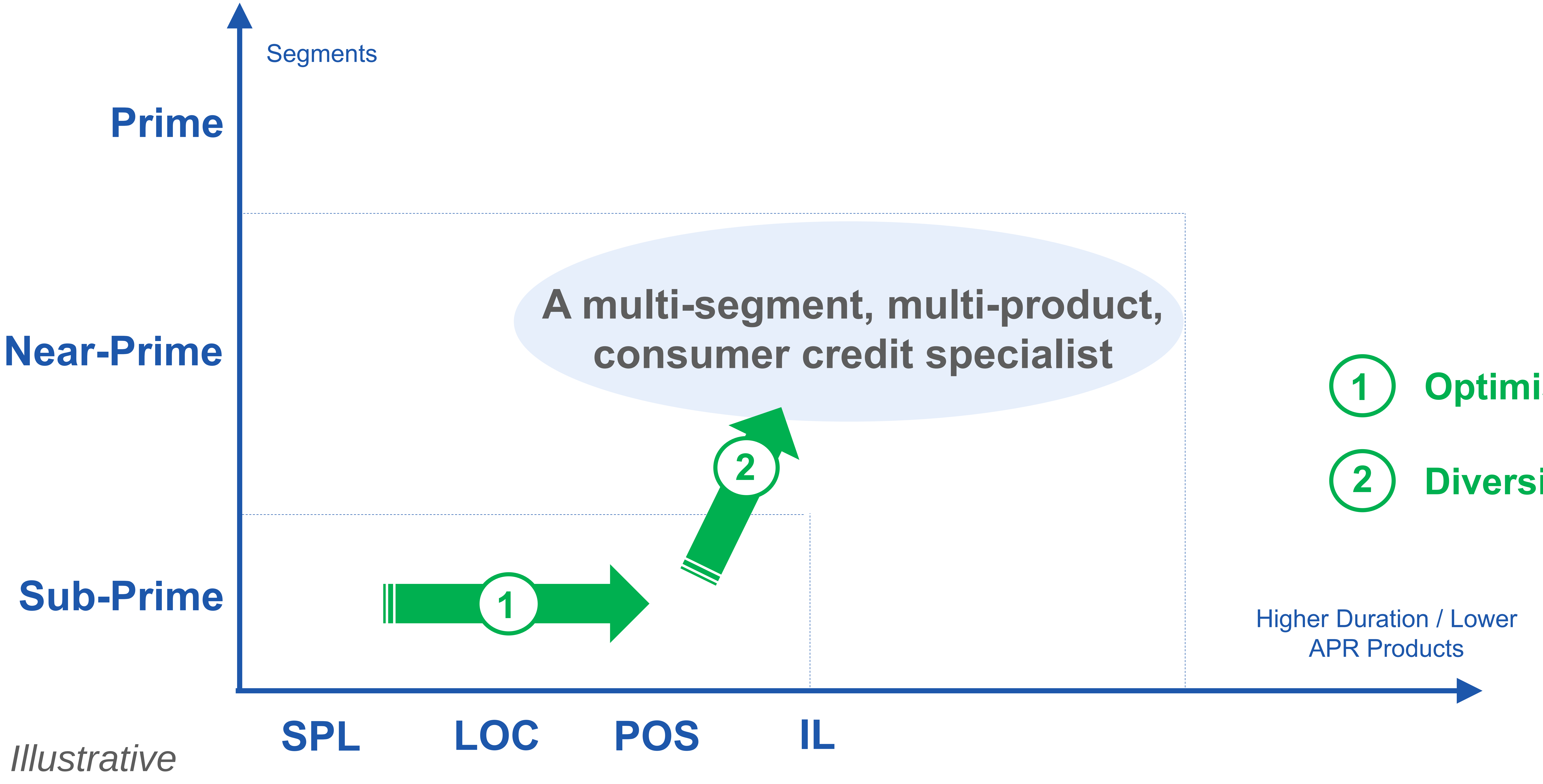
Appendix – strategic evolution of portfolio

Evolving and broadening our business model

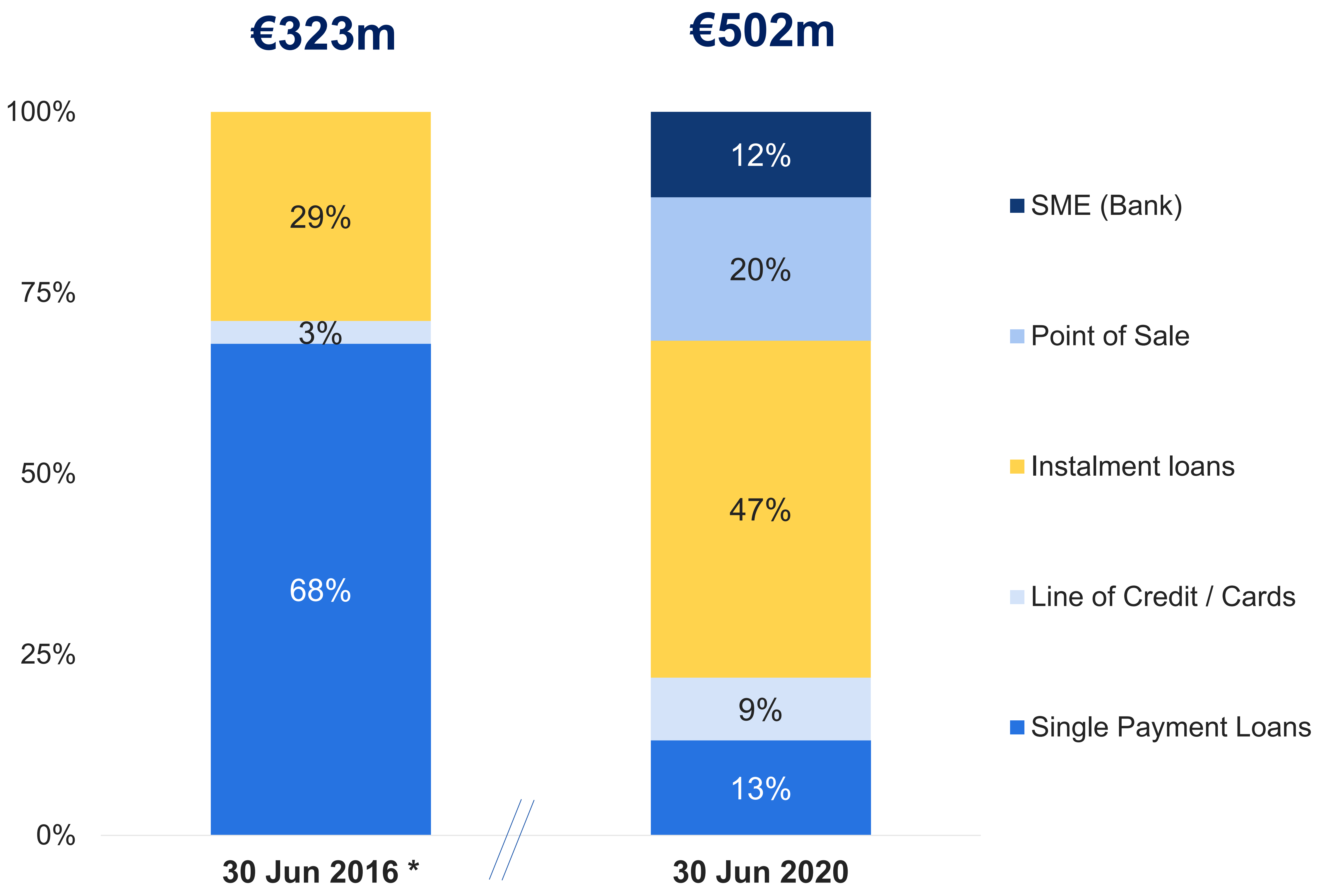


1 Optimise

2 Diversify & Grow

Evolution of product mix

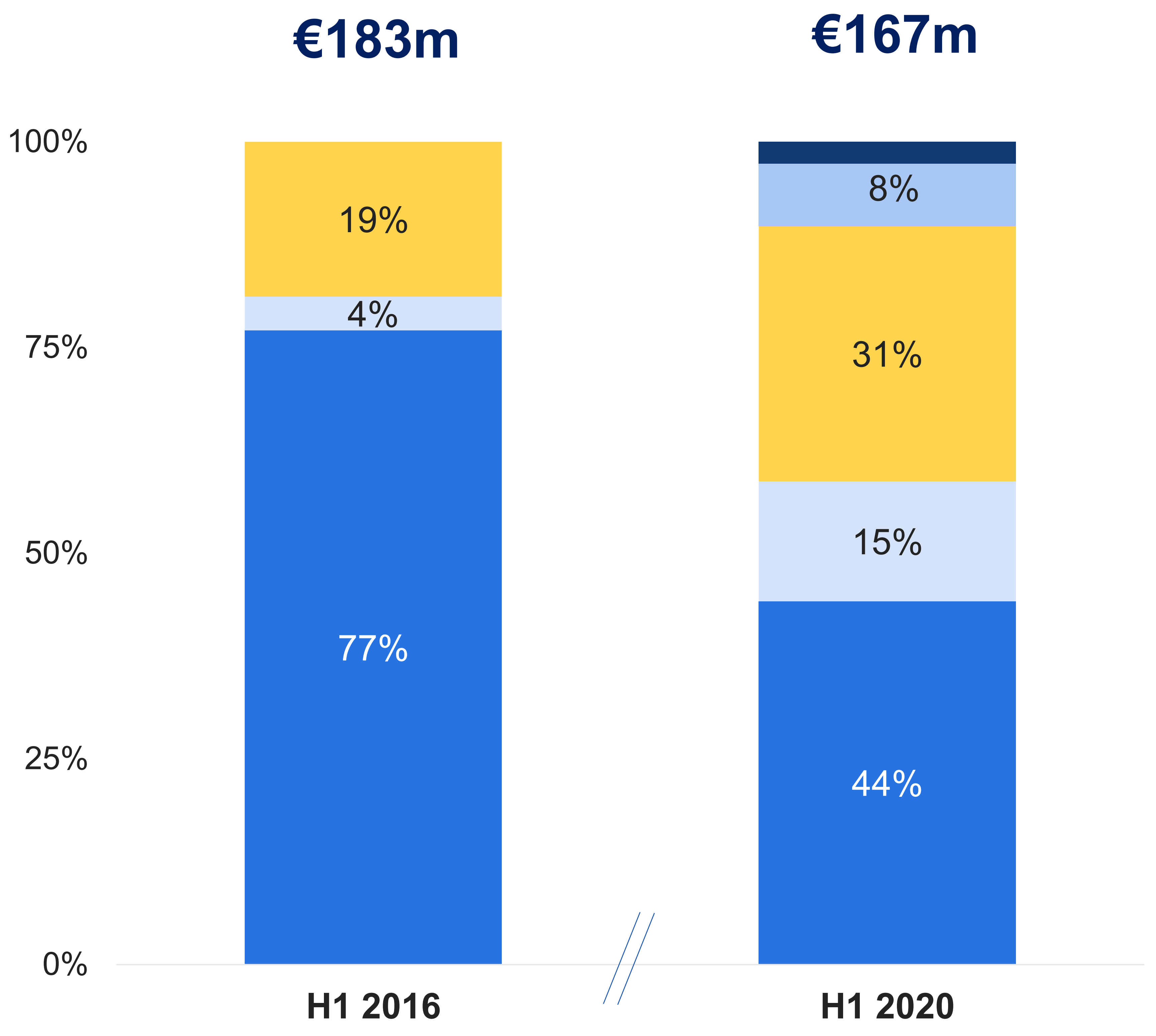
Net receivables by product (1)



Online sub-prime only

Bank and online, near-prime and sub-prime

Interest income by product (1)



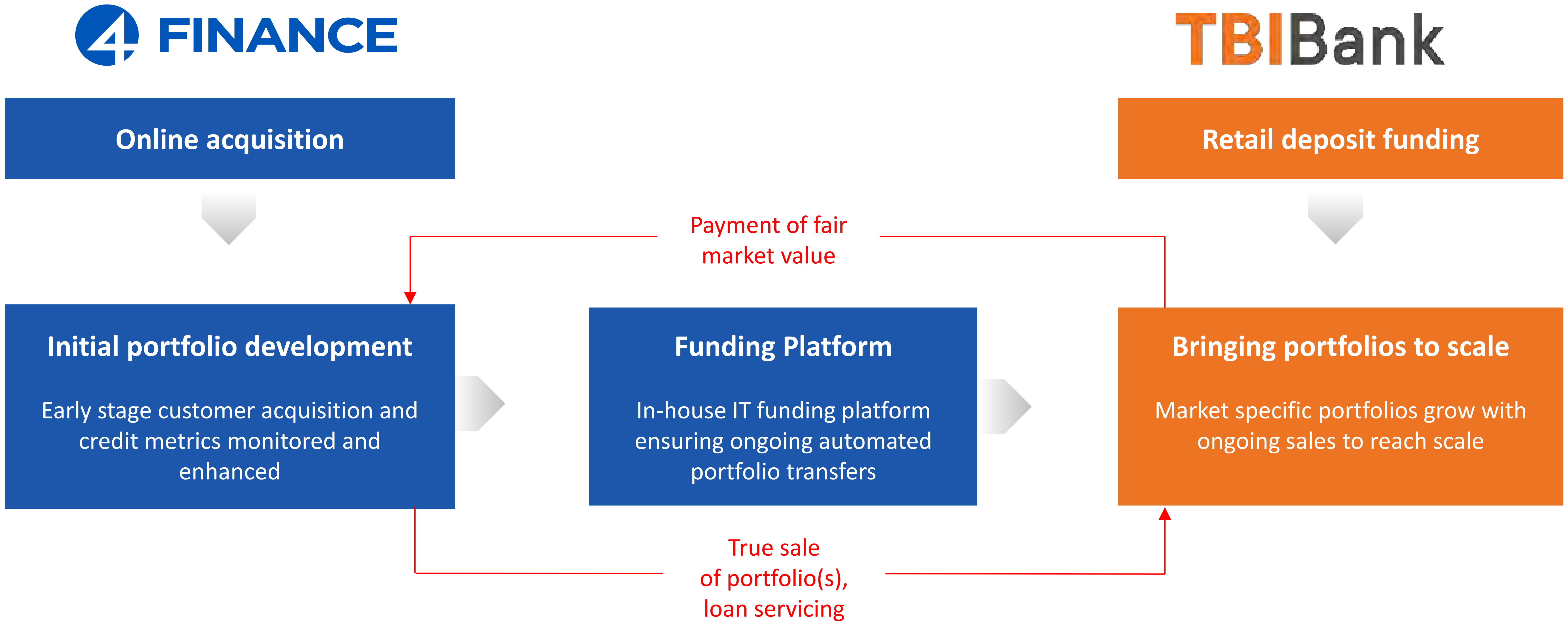
* Date chosen to reflect the composition of loan portfolio immediately prior to purchase of TBI Bank

Note:

(1) Reflects reclassification of "Vivus" brand products in Sweden (from January 2016), Denmark (from January 2017), Armenia (from launch in July 2017) and short-term products (SMS Credit & Ondo) in Latvia (from January 2019) to Lines of Credit

Funding near-prime growth via TBI Bank

Accessing TBI Bank deposit funding for ‘online’ portfolios via ongoing loan sales



- **Sales of Polish instalment loans from September 2019 to March 2020**
- **Passporting application submitted for Lithuania (largest near-prime portfolio)**

Illustrative near-prime “unit economics”(1)

Indicative APRs
20-40%

Cost/Income ratio
c.40%

Cost of Risk
6-8%

Cost of Funds
3-5%

Return on Assets
3-5%(2)

Notes:
(1) Illustrative metrics for near-prime portfolios and not indicative of a specific product or market
(2) Illustrative potential returns in medium-term at scale

Appendix – financials and key ratios

Income statement

In millions of €	H1 2020 (unaudited)	H1 2019 (unaudited)	% change YoY
Interest Income	167.0	213.4	(22)%
Interest Expense	(25.6)	(30.0)	(15)%
Net Interest Income	**141.4**	**183.4**	**(23)%**
Net F&C Income	3.9	4.0	(2)%
Other operating income	5.0	4.3	15%
Non-Interest Income	**8.9**	**8.3**	**7%**
Operating Income (Revenue)	**150.4**	**191.7**	**(22)%**
Total operating costs	**(86.5)**	**(100.1)**	**(14)%**
Pre-provision operating profit	**63.9**	**91.5**	**(30)%**
Net impairment charges	(57.7)	(60.5)	(5)%
Post-provision operating profit	**6.2**	**31.0**	**(80)%**
Depreciation and amortisation	(7.0)	(7.1)	(1)%
Non-recurring income/(expense)	2.6	0.2	nm
Net FX gain/(loss)	(4.0)	3.2	nm
One-off adjustments to intangible assets	-	(0.2)	(100)%
Profit before tax	**(2.1)**	**27.1**	**nm**
Income tax expense	(7.2)	(11.9)	(39)%
Net profit/(loss) after tax	**(9.4)**	**15.2**	**nm**
Adjusted EBITDA	**33.3**	**62.5**	**(47)%**

Balance sheet

In millions of €	30 June 2020	31 December 2019
Cash and cash equivalents, of which:	**180.5**	**125.7**
- Online	93.5	76.7
- TBI Bank	87.0	49.0
Placements with other banks	9.8	6.4
Gross receivables due from customers	654.8	733.7
Allowance for impairment	(152.6)	(154.8)
Net receivables due from customers, of which:	**502.2**	**578.9**
- Principal	478.9	548.0
- Accrued interest	23.3	30.9
Net investments in finance leases	4.3	4.7
Net loans to related parties	61.2	60.7
Property and equipment	19.5	17.8
Financial investments	57.6	56.4
Prepaid expenses	3.2	4.5
Tax assets	12.5	21.3
Deferred tax assets	32.7	33.0
Intangible IT assets	15.8	17.8
Goodwill	16.5	16.5
Other assets	29.1	29.5
Total assets	**945.1**	**973.1**
Loans and borrowings	353.8	384.6
Deposits from customers	347.2	322.2
Deposits from banks	13.0	13.0
Corporate income tax payable	6.7	9.5
Other liabilities	67.3	78.0
Total liabilities	**788.0**	**807.4**
Share capital	35.8	35.8
Retained earnings	156.0	165.7
Reserves	(34.6)	(35.7)
Total attributable equity	**157.1**	**165.8**
Non-controlling interests	0.0	(0.0)
Total equity	**157.2**	**165.8**
Total shareholders' equity and liabilities	**945.1**	**973.1**

Statement of Cash Flows

In millions of €	6 months to 30 June	
	2020	2019
Cash flows from operating activities		
Profit before taxes	**(2.1)**	**27.1**
Adjustments for:		
Depreciation and amortisation	7.0	7.1
Impairment of goodwill and intangible assets	-	(0.2)
Net (gain)/loss on foreign exchange from borrowings and other monetary items	8.2	2.7
Impairment losses on loans	65.7	73.2
Reversal of provision on debt portfolio sales	(1.7)	(5.6)
Write-off and disposal of intangible and property and equipment assets	0.2	0.8
Interest income from non-customers loans	(4.0)	(3.8)
Interest expense on loans and borrowings and deposits from customers	25.6	30.0
Non-recurring finance cost/(income)	(7.4)	-
Other non-cash items, including gain/loss on disposals	4.7	0.6
Profit before adjustments for the effect of changes to current assets and short-term liabilities	96.3	131.9
Adjustments for:		
Change in financial instruments measured at fair value through profit or loss	(3.0)	(2.6)
(Increase)/decrease in other assets (including TBI statutory reserve, placements & leases)	(3.1)	(12.4)
Increase/(decrease) in accounts payable to suppliers, contractors and other creditors	(8.6)	(7.2)
Operating cash flow before movements in portfolio and deposits	**81.7**	**109.6**
Increase in loans due from customers	(3.0)	(103.3)
Proceeds from sale of portfolio	10.0	38.7
Increase in deposits (customer and bank deposits)	25.0	20.3
Deposit interest payments	(2.7)	(2.0)
Gross cash flows from operating activities	**110.9**	**63.4**
Corporate income tax paid	(4.2)	(23.3)
Net cash flows from operating activities	**106.7**	**40.1**

In millions of € (continued)	6 months to 30 June	
	2020	2019
Cash flows used in investing activities		
Purchase of property and equipment and intangible assets	(3.4)	(3.1)
Net cash from Purchase / Sale of financial instruments	(2.5)	(30.7)
Loans issued to related parties	-	-
Loans repaid from related parties	0.1	4.0
Interest received from related parties	3.5	0.3
Disposal of subsidiaries, net of cash disposed	(1.5)	(0.3)
(Acquisition)/Disposal of equity investments	(1.4)	4.8
Acquisition of non-controlling interests	(0.4)	(0.4)
Net cash flows used in investing activities	**(5.7)**	**(25.3)**
Cash flows from financing activities		
Loans received and notes issued	0.1	-
Repayment and repurchase of loans and notes	(27.1)	(17.8)
Interest payments	(21.3)	(25.1)
FX hedging margin	1.0	4.5
Payment of lease liabilities	(2.0)	(2.4)
Dividend payments	**-**	**-**
Net cash flows used in financing activities	**(49.3)**	**(40.8)**
Net increase/(decrease) in cash and cash equivalents	**51.7**	**(26.0)**
Cash and cash equivalents at the beginning of the period	**98.5**	**148.8**
Effect of exchange rate fluctuations on cash	0.1	0.0
Cash and cash equivalents at the end of the period	**150.3**	**122.9**
TBI Bank minimum statutory reserve	**30.2**	**34.0**
Total cash on hand and cash at central banks	**180.5**	**156.8**

Key financial ratios

	6M 2020	6M 2019
Capitalisation		
Equity / assets	16.6%	17.1%
Equity / net receivables	31.3%	31.9%
Adjusted interest coverage	1.3x	2.1x
TBI Bank consolidated capital adequacy	20.8%	20.7%
Profitability		
Net interest margin:		
- Online	65.9%	81.8%
- TBI Bank	23.6%	25.1%
- Overall group	43.5%	56.1%
Cost / income ratio	57.5%	52.2%
Normalised Profit before tax margin	-0.5%	11.2%
Normalised Return on average equity	-7.6%	14.5%
Normalised Return on average assets	-1.3%	2.4%
Asset quality		
Cost of risk:		
- Online	27.7%	27.2%
- TBI Bank	5.8%	4.5%
- Overall group	16.6%	17.4%
Net impairment / interest income	34.5%	28.4%
Gross NPL ratio:		
- Online	31.6%	19.3%
- TBI Bank	17.5%	16.2%
- Overall group	24.0%	17.9%
Overall group NPL coverage ratio	97.0%	114.3%

See appendix for definitions of key metrics and ratios

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 for the relevant period (n.b. not equal to the full covenant coverage ratio calculation)
- **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)

Contacts

Investor Relations

investorrelations@4finance.com

Headquarters
17a-8 Lielirbes street, Riga, LV-1046, Latvia

James Etherington
Head of Investor Relations
Phone: +44 7766 697 950
E-mail: james.etherington@4finance.com

Paul Goldfinch
Chief Financial Officer
Phone: +371 2572 6422
E-mail: paul.goldfinch@4finance.com