4FINANCE HOLDING S.A. REPORTS RESULTS FOR THE NINE MONTHS ENDING 30 SEPTEMBER 2021

Solid 9M 2021 performance with net profit of €28.1 million and Adjusted EBITDA of €81.1 million
Growth in net receivables in Q3 in both online and banking businesses, driven by strong loan issuance
Medium-term capital structure in place following successful 5-year EUR bond issue

16 November 2021. 4finance Holding S.A. (the 'Group' or '4finance'), one of Europe's largest digital consumer lending groups, today announces unaudited consolidated results for the nine months ending 30 September 2021 (the 'Period').

Operational Highlights

- Customer repayment dynamics continue to be good, with fundamental asset quality metrics stable across the business.
- Online loan issuance volume of €225.3 million in Q3 2021, up 13% QoQ and up 22% year-on-year. Continued strong performance in Poland and improvements in Spain and Sweden following product and underwriting changes. Market-wide demand for credit improved during Q3 with most Covid-related restrictions lifted, particularly in Latvia and Spain.
- Near-prime portfolio development aligned with ability to fund those loans via TBI Bank. Since March, over EUR 15 million of Lithuanian near-prime loans have been sold to TBI Bank (as of mid-November).
- TBI Bank loan issuance volume during the Period grew by 54% year-on-year to €376.7 million from €245.1 million in the prior year period, with increased issuance in all products.

Financial Highlights

- Interest income of €215.9 million in the Period, down 9% from €237.3 million in the prior year period. Interest income of €77.2 million for the third quarter is 11% up QoQ after a period of stable quarterly income of c.€70 million since Q1 2020. Interest income from continuing products has grown every quarter since Covid impact in Q2 2020.
- The cost to income ratio for the Period improved to 56.6%, vs 57.5% in the prior year period, with a significant improvement in the third quarter (52% vs 59% in Q2) from growth in online interest income delivered alongside a small reduction in cost base. Costs were reduced year-on-year reflecting continued cost discipline and focus on operational efficiency.
- Good fundamental asset quality indicators, disciplined lending and an active NPL debt sales market resulted in a significant reduction in net impairment charges (down 48% YoY) and cost of risk (8.0% for the Period vs 15.2% in the prior year period).
- Adjusted EBITDA was €81.1 million for the Period, up 56% year-on-year, with a post-Covid record quarterly contribution in Q3 of €29.8 million. The full interest coverage ratio as of the date of this report is 2.5x.
- Post-provision operating profit for the Period was €45.6 million, benefiting from the 48% year-on-year reduction in net impairment charges, with a profit before tax of €41.7 million.
- Net receivables totaled €627.5 million as of 30 September 2021, up 19.2% year-to-date. During the quarter, TBI Bank grew net receivables another 12% and the online business portfolio increased 7% QoQ.
- Improved overall gross NPL ratio at 13.9% as of 30 September 2021 (12.3% for online), compared with 17.0% as of 31 December 2020 (19.2% for online).

Liquidity and funding

- Strong liquidity position, with €85.3 million of cash in the online business at the end of the Period.
- Strong capital position at TBI Bank (17.3% capital adequacy ratio) despite continued growth in risk weighted assets.
- Completion of bond refinancing process in October, with new issue of 5-year EUR bonds raising €175.0 million to redeem the remaining USD 200.0 million bonds. Balanced medium-term capital structure in place, with two bond issues of similar sizes, in euros, maturing in February 2025 and October 2026.

Kieran Donnelly, CEO of 4finance, commented:

"Our growth in loan issuance, measured both quarter-on-quarter and year-on-year tell a story of sustained growth and offer a reminder of how far we have come over the past 12-months. We have kept our discipline in both costs and risk management and this has helped our adjusted EBITDA to rebound year-on-year by 56%. The strong results in the third quarter, with the least restrictions on consumers since the pandemic began, shows the post-Covid potential of our current business.

"Last month saw us secure the funding we need to maintain and develop the business through the middle of the decade. We'd like to thank our many long term bondholders for their continued engagement and support for 4finance. We have emerged from the worst of the pandemic with a leaner, stronger and more resilient business that continues to offer creditworthy customers a useful and safe regulated credit option when they need it."

Contacts

Contact:	James Etherington, Group Chief Financial Officer
Email:	james.etherington@4finance.com / investorrelations@4finance.com
Website:	www.4finance.com

Conference call

A conference call with management to discuss these results is scheduled for **Wednesday, 17 November at 15:00 UK time**. To register, please visit www.4finance.com/investors.

The conference call will be recorded for transcription and reference purposes. For those participating in the Q&A session, please note that name and institution details provided in the call registration process may appear in the transcript of the conference call that will be made available at www.4finance.com/investors.

About 4finance

Established in 2008, 4finance is one of Europe's largest digital consumer lending groups with operations in 9 countries.

Leveraging a high degree of automation and data-driven insights across all aspects of the business, 4finance has grown rapidly, issuing over €9 billion since inception in single payment loans, instalment loans and lines of credit.

4finance operates a portfolio of market leading brands, through which, as a responsible lender, the firm offers simple, convenient and transparent products to millions of customers who are typically underserved by conventional providers.

4finance has group offices in Riga (Latvia), London and Luxembourg, and currently operates in 9 countries in Europe. The Group also offers deposits, in addition to consumer and SME loans through its TBI Bank subsidiary, an EU licensed institution with operations primarily 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.

Rounding

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

Inside information

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

Key Financial Ratios

	Nine months ending 30 September 2021	Nine months ending 30 September 2020	Year Ended 31 December 2020	Year Ended 31 December 2019
Capitalisation				
Net receivables (€m) [(1)]	627.5	515.1	526.4	578.9
Total assets (€m)	1,061.5	956.0	949.7	973.1
Total equity (€m)	174.9	155.6	150.0	165.8
Equity / assets	16.5%	16.3%	15.8%	17.0%
Tangible common equity / tangible assets [(2)]	13.2%	10.9%	11.6%	10.9%
Equity / net receivables [(3)]	27.9%	30.2%	28.5%	28.6%
Adjusted interest coverage [(4)]	2.5x	1.9x	1.8x	2.4x
TBI Bank consolidated capital adequacy [(5)]	17.3%	20.5%	19.4%	18.9%
Profitability				
Net interest margin: [(6)]				
- Online	63.4 %	63.1 %	60.3 %	81.3 %
- TBI Bank	22.9 %	22.9 %	24.0 %	24.8 %
- Overall group	36.5 %	41.1 %	39.7 %	54.5 %
Cost / income ratio [(7)]	56.6 %	57.5 %	56.9 %	51.3 %
Post-provision operating profit margin [(8)]	21.1 %	5.1 %	7.0 %	15.2 %
Normalised Profit before tax margin [(9)]	18.7 %	0.6 %	2.2 %	11.4 %
Normalised Return on average equity [(10)]	21.9 %	(8.7)%	(10.1)%	16.1 %
Normalised Return on average assets [(11)]	3.5 %	(1.5)%	(1.7)%	2.6 %
Asset quality				
Cost of risk: [(12)]				
- Online	13.5 %	26.6 %	24.2 %	27.5 %
- TBI Bank	5.1 %	5.2 %	6.1 %	4.6 %
- Overall group	8.0 %	15.2 %	14.2 %	17.1 %
Net impairment / interest income [(13)]	19.1 %	33.2 %	31.7 %	29.0 %
Gross NPL ratio: [(14)]				
- Online	12.3 %	24.4 %	19.2 %	24.9 %
- TBI Bank	14.6 %	16.6 %	15.7 %	16.2 %
- Overall group	13.9 %	19.9 %	17.0 %	20.7 %
Overall group NPL coverage ratio[(15)]	97.9 %	100.5 %	106.0 %	102.0 %
Loan loss reserve / gross receivables, %	13.6 %	20.0 %	18.1 %	21.1 %

Definitions and Notes below. For further definitions please see the appendix. For quarterly asset quality ratios please see page 18.
Normalised ratios are adjusted to remove the effect of non-recurring items, net FX and one-off adjustments to intangible assets.
(1) Gross receivables (including accrued interest) less impairment provisions
(2) Tangible equity is Total Equity less Intangible Assets. Tangible Assets are Total Assets less Intangible Assets
(3) Total equity / net customer receivables (including accrued interest)
(4) Adjusted EBITDA / interest expense for the relevant period (n.b. not equal to the full covenant coverage ratio calculation)
(5) TBI Bank (Tier One Capital + Tier Two Capital) / Risk weighted assets (calculated according to the prevailing regulations of the BNB)
(6) Annualised net interest income / average gross loan principal
(7) Operating costs / operating income (revenue)
(8) Post-provision operating profit (which does not include non-recurring items, net FX and D&A) / interest income
(9) Profit before tax / interest income
(10) Annualised profit from continuing operations / average equity (total equity as of the start and end of each period divided by two)
(11) Annualised profit from continuing operations / average assets (total assets as of the start and end of each period divided by two)
(12) Annualised net impairment charges / average gross receivables (total gross receivables as of the start and end of each period divided by two)
(13) Net impairment charges on loans and receivables / interest income
(14) Non-performing receivables (including accrued interest) with a delay of over 90 days / gross receivables (including accrued interest)
(15) Overall receivables allowance account / non-performing receivables

FINANCIAL REVIEW

Income Statement

The table below sets out the condensed consolidated statement of profit or loss for the nine months ending 30 September 2021 and 30 September 2020. Additional reference information on the historic quarterly development of our income statement is shown in the appendix. Please note that non-recurring, net FX and D&A items are shown lower down the income statement to better reflect operating results.

	9 months to 30 September		
	2021 (unaudited)	**2020 (unaudited)**	**% change**
	(in millions of €)		
Interest Income	215.9	237.3	(9) %
Interest Expense	(36.0)	(37.9)	(5) %
Net Interest Income	**180.0**	**199.5**	**(10)%**
Net F&C Income	12.8	6.6	+94 %
Other operating income	7.2	7.8	(8) %
Non-Interest Income	**20.0**	**14.5**	**+38 %**
Operating Income (Revenue)	**200.0**	**213.9**	**(7)%**
Total operating costs	**(113.2)**	**(123.0)**	**(8)%**
Pre-provision operating profit	**86.8**	**90.9**	**(5)%**
Net impairment charges	(41.2)	(78.7)	(48) %
Post-provision operating profit	**45.6**	**12.2**	**+273 %**
Depreciation and amortisation	(5.3)	(10.8)	(51) %
Non-recurring income/(expense)	3.8	4.4	(14) %
Net FX gain/(loss)	(2.4)	(6.8)	(65) %
One-off adjustments to intangible assets	—	(0.6)	(100) %
Profit/(loss) before tax	**41.7**	**(1.7)**	**nm**
Income tax expense	(13.7)	(13.8)	(1) %
Net profit/(loss) after tax	**28.1**	**(15.5)**	**nm**

Interest income

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

	9 months to 30 September		
	2021	**2020**	**% change**
Online lending	*(in millions of €, except percentages)*		
Total value of loan principal issued	614.8	538.4	+14 %
Average net receivables, of which:	183.5	227.1	(19)%
- Principal	175.1	209.4	
- Accrued interest	8.4	17.7	
Annualised interest income yield on net portfolio (1)	104 %	109 %	
Interest income from online lending	136.4	171.6	(21)%
Banking operations			
Average net receivables, of which:	393.5	319.9	+23 %
- Principal	384.1	311.2	
- Accrued interest	9.4	8.7	
Annualised interest income yield on net portfolio (1)	28 %	28 %	
Interest income from banking operations (2)	79.6	65.8	+21 %

Notes: (1) Yields are based on interest income divided by average net loan principal only

(2) See appendix for full TBI Bank income statement

Interest income for the Period was €215.9 million, a 9% decrease compared with €237.3 million for the nine months ending 30 September 2020. The reduction in interest income from online lending was 21%, reflecting the 19% decrease in the average balance of net receivables and a lower average interest yield. Quarterly interest income from current online markets has increased by 13% QoQ.

TBI Bank's loan book has continued to grow, particularly in Romania, with an increase of 23% in average net receivables year-on-year. Its consumer lending (cash lending, point-of-sale lending and credit cards) has average product APRs between 25% and 50% and SME loans with average interest rates of approximately 8-16% p.a.. TBI Bank also generates separate income, which is reported in either the 'net fee and commission' and 'other operating income' lines.

Interest expense

Interest expense for the Period was €36.0 million, a decrease of 5% compared with €37.9 million for the nine months ending 30 September 2020. The lower interest expense year-on-year reflects the bond buybacks since the start of last year, partly offset by the growth in deposits at TBI Bank. The one-off gains from bond buybacks at a discount are reflected in the 'non-recurring income/expense' line to show a more consistent 'interest expense' result.

Non-interest income

Non-interest income for the period was €20.0 million, a 38% increase compared with €14.5 million reported for the nine months ending 30 September 2020. The net fee and commission income generated by TBI Bank, primarily fees from insurance sales to its customers, was up 94% year-on-year. Other operating income is mainly derived from related party loans.

Total operating costs

Total operating costs reported for the Period were €113.2 million, a 8% decrease compared with €123.0 million reported for the nine months ending 30 September 2020. The year-on-year decrease reflects an ongoing focus on cost discipline, the wind-downs of certain products/markets and the Group's response to Covid. Savings in the online business were achieved year-on-year in all cost categories, with the only slight increase in legal and consulting. Overall personnel spend was 7% below that in 9M 2020, with growth in TBI and reductions of over 28% in online. IT expenses in the period were 28% lower year-on-year, reflecting optimisation of costs and structure. Marketing spend was flat year-on-year, with continued selective investment in Q3 (up 2% QoQ) to support increasing issuance as economies begin to reopen. Costs in TBI Bank were 17% up year-on-year, in line with its business growth and investment in strategic initiatives.

The table below sets out a breakdown of the Group's total operating costs. Depreciation and amortisation amounts, which include some rental lease amounts per IFRS 16, are shown as a separate line on the income statement.

	9 months to 30 September	
	2021	**2020**
	(in millions of €)	
Personnel costs	59.5	63.8
Marketing and sponsorship	20.3	20.3
IT expenses (including R&D)	8.3	11.6
Legal and consulting	6.0	5.3
Application processing costs	3.2	4.0
Communication expenses	2.8	3.1
Taxes	2.6	2.5
Bank services	2.3	2.5
Debt collection costs	1.7	2.7
Rent and utilities	1.3	1.5
Travel	0.6	0.8
Other	4.7	4.9
Total	**113.2**	**123.0**
- TBI Bank	42.1	36.1
- 4finance 'online' business	71.1	87.0
Total Employees		
- Online	724	946
- TBI Bank	1,538	1,422
- Overall group	**2,262**	**2,368**

For the nine months of 2021 and 2020, marketing and sponsorship costs accounted for 18% and 17% respectively, and personnel costs accounted for 53% and 52%, respectively, of total operating costs. The cost to income ratio for the Period was 56.6%, a decrease from 57.5% for the prior year period, driven by the reduced operating costs year-on-year and a pick-up in interest income in Q3 2021. In absolute terms, operating costs in the period have been reduced year-on-year by €9.8 million.

Net impairment charges on loans and receivables

Net impairment charges for the Period were €41.2 million, compared with €78.7 million for the nine months ending 30 September 2020. Gross impairment charges reduced significantly vs 9M 2020 reflecting better asset quality indicators across the business, the lower average balance of receivables in the online segment and an increased proportion of near-prime loans in the online portfolio. The external debt sale market has continued its strong recovery, allowing a return to the Group's standard strategy of 'forward flow' and ad hoc debt sales for its non-performing loans. This contributed to strong net gains on portfolio sales in the Period (mainly in Q1) and also lower regular impairments on portfolios where forward flow agreements have been established.

	9 months to 30 September	
	2021	**2020**
	(in millions of €)	
Impairment charges on loans	63.1	92.7
Over provision on debt portfolio (portfolio sale net gains)	(13.4)	(4.9)
Recovery from written-off loans	(8.5)	(9.1)
Net impairment charges	**41.2**	**78.7**

Overall net impairment charges represented 19% of interest income for the Period, a substantial decrease from 33% last year, helping the Group's overall margin profile. The net impairment charges for the online business compared to average online gross receivables, *i.e.* cost of risk, decreased to 14% in the Period from 24% last year. The increased cost of risk ratio in Q3 this year reflected a normalisation compared to the relatively low ratios reported in Q1 and Q2 and an increase in loan issuance to new-to-business customers in the third quarter.

Non-recurring income/(expense)

For the third quarter, the Group had net non-recurring income of €3.2 million. This includes €3.1 million technical income from the EUR bond extension (€3.8 million modification income and €0.8 million derecognition loss), and a €0.5 million technical gain from the sale or liquidation of legal entities as part of simplifying the Group's corporate structure (a transfer of FX reserve result from OCI with no net effect on equity).

Net FX gain/(loss)

Foreign exchange movements resulted in a net loss of €2.4 million for the Period, mainly from PLN and RON depreciation as well as USD appreciation against EUR. In the prior year period there was a net FX loss of €6.8 million.

Profit/(loss) before tax

For the reasons stated above, the Group made a profit before tax for the Period of €41.7 million, compared with a loss of €1.7 million for the nine months ending 30 September 2020.

Corporate income tax

The Group's corporate income tax expense was €13.7 million for the Period, compared with €13.8 million for the nine months ending 30 September 2020. The following table sets out a breakdown of the Group's corporate income tax.

	9 months to 30 September	
	2021	**2020**
	(in millions of €)	
Current tax	7.5	9.5
Deferred tax	6.1	4.3
Total	**13.7**	**13.8**

Profit/(loss) for the period

For the reasons stated above, the profit for the Period was €28.1 million, compared with a loss of €15.5 million for the nine months ending 30 September 2020.

Other financial data – EBITDA and Adjusted EBITDA

	Nine months ending 30 September 2021	Nine months ending 30 September 2020	Year Ended 31 December 2020	Year Ended 31 December 2019
	(in millions of €)			
Profit/(loss) for the period	28.1	(15.5)	(25.0)	28.4
Income tax expense	13.7	13.8	24.6	22.3
Interest expense	36.0	37.9	50.1	56.8
Depreciation and amortisation	5.3	10.8	14.9	16.5
EBITDA	**83.0**	**47.0**	**64.5**	**124.0**
Adjustments	(1.9)	5.0	10.5	(0.3)
Adjusted EBITDA [(1)]	**81.1**	**52.0**	**75.0**	**123.7**

	Nine months ending 30 September 2021	Nine months ending 30 September 2020	Year Ended 31 December 2020	Year Ended 31 December 2019
	(in millions of €)			
Summary breakdown of Adjustments to EBITDA				
Net FX impact	2.4	6.8	5.7	(4.8)
One-off costs and other prescribed adjustments	(4.3)	(2.5)	0.9	3.0
One-off write-down of intangible assets	—	0.6	3.9	1.5
Total	**(1.9)**	**5.0**	**10.5**	**(0.3)**

Other financial data – Interest Coverage Ratio

The calculation of the interest coverage ratio for the Group's EUR and USD bonds is shown below. For further details on methodology, please refer to the Q2 2020 results report. The covenants are on an 'incurrence' rather than 'maintenance' basis, so the ratio having been below the 2.0x incurrence threshold in some prior periods only restricted certain specified actions (such as dividend payments or allowed parameters of incurrence of indebtedness).

	As of the date of this report (in millions of €)
Pro-forma last 4 quarters Adjusted EBITDA	104.0
Pro-forma last 4 quarters Fixed Charges	42.3
Bond covenant interest coverage ratio	**2.5x**

Note: (1) Adjusted EBITDA is a non-IFRS measure that represents EBITDA (profit for the period plus tax, plus interest expense, plus depreciation and amortisation) 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. Additional limitations prescribed in USD 2022 and EUR 2026 bonds limiting TBI Bank contribution to Adjusted EBITDA not reflected here.

Balance Sheet

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

	30 September 2021	31 December 2020
	(in millions of €)	
Cash and cash equivalents, of which:	**168.5**	**154.2**
- Online	85.3	80.5
- TBI bank	83.2	73.6
Placements with other banks	19.7	10.3
Gross receivables due from customers	726.1	642.5
Allowance for impairment	(98.6)	(116.1)
Net receivables due from customers, of which:	**627.5**	**526.4**
- Principal	609.1	509.1
- Accrued Interest	18.3	17.3
Net investments in finance leases	3.6	4.2
Net loans to related parties	59.2	59.3
Property and equipment	16.3	17.1
Financial investments	84.7	81.3
Prepaid expenses	4.1	4.1
Tax assets	6.2	18.7
Deferred tax assets	12.7	18.6
Intangible IT assets	11.3	10.1
Goodwill	15.9	15.9
Other assets	31.8	29.4
Total assets	**1,061.5**	**949.7**
Loans and borrowings	329.2	325.9
Deposits from customers	451.7	383.2
Deposits from banks	26.1	16.0
Corporate income tax payable	6.2	3.1
Other liabilities	73.3	71.5
Total liabilities	**886.6**	**799.7**
Share capital	35.8	35.8
Retained earnings	168.7	140.6
Reserves	(29.5)	(26.4)
Total equity	**174.9**	**150.0**
Total shareholders' equity and liabilities	**1,061.5**	**949.7**

Assets

The Group had total assets of €1,061.5 million as of 30 September 2021, compared with €949.7 million as of 31 December 2020. The main changes during the Period were increase in net receivables due from customers, cash and cash equivalents, and placements with other banks at TBI Bank.

Loan portfolio

As of 30 September 2021, the Group's net receivables equaled €627.5 million, compared with €526.4 million as of 31 December 2020, representing an increase of €101.0 million, or 19%, with the majority of growth coming from the bank. TBI Bank contributed €435.2 million of net receivables, including fair value adjustments. Further information on the TBI Bank portfolio is available in the appendix, including its finance leases which are shown as a separate balance sheet line item.

The following section includes a summary of the Group's overall loan portfolio, both online (mainly funded outside of TBI Bank) and banking (funded by TBI Bank). Additional reference information on the historic quarterly development of our online portfolio, split by product, is also shown in the appendix.

Overview of the Group's loan portfolio

The following table sets out the classification of the Group's loan portfolio in terms of performing and non-performing loans (*i.e.* those more than 90 days past due). The 'online' figures in this section as of 30 September 2021 include €9.1 million of net receivables owned by TBI Bank (€2.7 million as of 31 December 2020), *i.e.* the Group's Bulgarian online lending business and Polish & Lithuanian receivables sold to the bank.

	30 September 2021				31 December 2020			
	Gross Amount	Impairment allowance	Net Amount	% of Gross Amount	Gross Amount	Impairment allowance	Net Amount	% of Gross Amount
	(in millions of €, except percentages)				*(in millions of €, except percentages)*			
Online receivables								
Performing	205.7	(18.5)	187.2	87.7 %	193.1	(21.6)	171.5	80.8 %
Non-performing [(1)]	28.9	(23.9)	5.1	12.3 %	46.0	(42.8)	3.3	19.2 %
Online total	**234.6**	**(42.4)**	**192.2**	**100.0 %**	**239.1**	**(64.4)**	**174.8**	**100.0 %**
TBI Bank receivables								
Performing	419.7	(17.6)	402.1	85.4 %	339.9	(14.8)	325.1	84.3 %
Non-performing [(1)]	71.8	(38.6)	33.2	14.6 %	63.5	(36.9)	26.6	15.7 %
TBI Bank total	**491.5**	**(56.2)**	**435.2**	**100.0 %**	**403.4**	**(51.7)**	**351.7**	**100.0 %**
Overall receivables								
Performing	625.4	(36.1)	589.2	86.1 %	533.0	(36.4)	496.6	83.0 %
Non-performing [(1)]	100.7	(62.5)	38.2	13.9 %	109.5	(79.7)	29.8	17.0 %
Overall total	**726.1**	**(98.6)**	**627.5**	**100.0 %**	**642.5**	**(116.1)**	**526.4**	**100.0 %**

Note: (1) Non-performing amounts are over 90 days past due (and, for TBI Bank, shown on a customer level basis)

Online loan portfolio by product

This section presents further detail on the online portfolio and classification by product. The following table shows the Group's performing online gross loan portfolio by product. The Near Prime classification includes the Group's lower APR instalment loan products, mainly in Latvia, Lithuania and Denmark.

	30 September 2021		31 December 2020	
	Amount	% of Portfolio	Amount	% of Portfolio
Online performing gross portfolio by product:	*(in millions of €, except percentages)*			
Single Payment Loans	91.5	44.5 %	76.6	39.7 %
Minimum to pay	29.7	14.5 %	24.8	12.9 %
Instalment Loans	38.6	18.8 %	44.4	23.0 %
Near Prime [(1)]	45.9	22.3 %	47.2	24.5 %
Total online gross performing portfolio	**205.7**	**100.0 %**	**193.1**	**100.0 %**

Notes: (1) Includes the Group's lower APR instalment loan products in Latvia (Vivus), Lithuania (Vivus), Spain (Fintonic), Sweden (Friia) and Denmark (Vivus)

Online non-performing loan portfolio

As of 30 September 2021, the Group's non-performing online portfolio was €28.9 million, a decrease of €17.1 million since 31 December 2020. The gross NPL ratio was 12.3% for online receivables as of 30 September 2021, compared to 19.2% as of 31 December 2020. The NPL ratio has reduced quarter-on-quarter throughout the Period as a result of increased new loan issuance, debt sales and improvement in the asset quality of the portfolio.

The Group accrues interest whilst it is probable it will be received (typically up to 90 DPD for instalment loans). Non-performing accrued interest was €3.0 million, or 10%, of non-performing receivables. Penalties and delay fees are not accrued as receivables and are only recognised as income when payment is received.

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

	30 September 2021	31 December 2020
	(in millions of €, except percentages)	
Non-performing online portfolio by product:		
Single Payment Loans	17.4	19.9
Minimum to pay	2.6	9.8
Instalment Loans	6.3	13.0
Near Prime	2.7	3.3
Total non-performing online portfolio	**28.9**	**46.0**
Allowance for NPL receivables / non-performing receivables	83 %	93 %
Overall receivables allowance / NPL receivables	147 %	140 %
Average Loss Given Default rate	62 %	74 %

Other assets

A breakdown of the Group's other assets is presented in the table below. The 'derivative' and 'FX hedging - funds on margin' lines relate mainly to the Group's EUR/USD, EUR/CZK and EUR/PLN currency hedges.

	30 September 2021	31 December 2020
	(in millions of €)	
FX hedging - funds on margin	12.1	12.3
Derivatives	5.7	2.1
Non-current assets held for sale	2.5	3.9
Receivables from suppliers	3.2	3.3
Investments in associates	2.1	2.1
Security deposits	0.8	0.9
Other non-customer receivables	5.3	4.8
Total	**31.8**	**29.4**

Liabilities

The Group had total liabilities of €886.6 million as of 30 September 2021, compared with €799.7 million as of 31 December 2020, representing an increase of €86.9 million.

Loans and borrowings

As of 30 September 2021, the Group had loans and borrowings of €329.2 million, compared with €325.9 million as of 31 December 2020. The Group's loans and borrowings accounted for 37% of total liabilities as of 30 September 2021 and 41% of total liabilities as of 31 December 2020. The following table sets out the loans and borrowings by type.

Per the Recent Developments section on the last page of this report, in October 2021 the USD bonds were refinanced with a new issue of 5-year EUR bonds. The Group also closed out its USD/EUR hedges alongside the refinancing.

	30 September 2021	31 December 2020
	(in millions of €)	
EUR bonds	146.0	143.9
USD bonds	173.0	181.9
Other	10.2	0.1
Total loans and borrowings (1)	**329.2**	**325.9**

Note: (1) Includes accrued but unpaid interest, net of capitalised issuance costs and Notes owned by the Group

In May 2016, 4finance S.A. issued €100.0 million of 11.25% 5 year notes (the *'EUR bonds'*). The EUR bonds are listed on the Prime Standard regulated market segment of the Frankfurt Stock Exchange. In November 2016, a further €50.0 million of EUR bonds were issued at par. Following a bondholder vote, in August 2021 the maturity of the EUR bonds was extended to February 2025, with other changes including a call structure that declines to par over time (currently 104%) and interest to become payable quarterly from November 2021 onwards.

In April 2017, 4finance S.A. issued US$325.0 million of 10.75% 5 year notes (the *'USD bonds')* which are listed on the Irish Stock Exchange and will mature in May 2022. An IFRS 9 adjustment as of 1 January 2018 resulted in a €5.2 million decrease to the carrying value from the revaluation at the original effective interest rate of a proportion of US$ 2022 bond carried over from original US$ 2019 bond (to be amortised over remaining life of bond in 'interest expense'). The USD bonds were called for early redemption as part of the Group's bond refinancing process, and the outstanding USD bonds were all redeemed at par on 28 October 2021. The Group expects to record a technical accounting expense (from unamortised issuance costs and IFRS 9 adjustment) of c.€1.5m in October 2021 as a result of this early redemption.

Customer deposits

As of 30 September 2021, the Group had total customer deposits of €451.7 million. Banking operations contributed €441.4 million in net deposits at an average all-in cost of approximately 1.6% with the balance from 4spar in Sweden at an average cost of 6.1%. The 4spar deposits are all expected to be repaid in Q4 2021. Further details of TBI Bank's deposits are presented in the appendix.

Other liabilities

A breakdown of the Group's other liabilities is presented in the table below.

	30 September 2021	31 December 2020
	(in millions of €, except percentages)	
Accrued expenses	16.4	13.4
FX hedging liability	12.9	10.6
Lease liabilities (IFRS 16)	8.7	9.6
Taxes payable	3.7	7.0
Accounts payable to suppliers	5.2	6.9
Provisions for unused vacations	1.8	2.0
Other liabilities	24.6	22.0
Total	**73.3**	**71.5**

Equity

As of 30 September 2021, the Group's total equity amounted to €174.9 million, compared with €150.0 million as of 31 December 2020, representing an increase of €25.0 million, or 17%. The Group's equity to assets ratio as of 30 September 2021 was 17%.

The equity to net receivables ratio as of 30 September 2021 was 28%, reflecting the Group's strong capitalisation, with good headroom to bond covenants.

Off-balance sheet arrangements

The Group's total off-balance sheet commitments as of 30 September 2021 were €46.9 million. This represents TBI Bank's undrawn lending commitments of €46.6 million and financial guarantees €0.2 million. The Group no longer has any material Line of Credit products with undrawn limits in its online business. The Group also enters into currency hedging transactions which may result in additional off-balance sheet assets or liabilities, but are designed to limit overall exposure to currency movements.

Condensed Consolidated Statement of Cash Flows for the Period

	9 months to 30 September	
	2021	**2020**
Cash flows from operating activities	*(in millions of €)*	
Profit /(loss) before taxes	**41.7**	**(1.7)**
Adjustments for:		
Depreciation and amortisation	5.0	10.7
Impairment of goodwill and intangible assets	—	0.6
Net loss on foreign exchange from borrowings and other monetary items	11.4	3.9
Impairment losses on loans	63.1	92.6
Reversal of provision on debt portfolio sales	(13.4)	(4.9)
Write-off and disposal of intangible and property and equipment assets	0.4	0.4
Interest income from non-customers loans	(5.2)	(6.1)
Interest expense on loans and borrowings and deposits from customers	36.0	37.8
Non-recurring finance (income)	(5.5)	(10.6)
Other non-cash items, including gain/loss on disposals	(1.8)	5.7
Profit before adjustments for the effect of changes to current assets and short-term liabilities	131.8	128.4
Adjustments for:		
Change in financial instruments measured at fair value through profit or loss	(9.1)	1.9
(Increase) in other assets (including TBI statutory reserve, placements & leases)	(16.8)	(3.8)
Increase / (Decrease) in accounts payable to suppliers, contractors and other creditors	2.5	(7.4)
Operating cash flow before movements in portfolio and deposits	**108.4**	**119.2**
Increase in loans due from customers	(178.5)	(49.6)
Proceeds from sale of portfolio	27.4	18.1
Increase in deposits (customer and bank deposits)	79.1	42.8
Deposit interest payments	(5.7)	(4.1)
Gross cash flows from operating activities	**30.7**	**126.4**
Corporate income tax (paid) / received	5.9	(9.4)
Net cash flows from operating activities	**36.5**	**117.0**
Cash flows used in investing activities		
Purchase of property and equipment and intangible assets	(4.1)	(4.8)
Net cash from Purchase / Sale of financial instruments	(2.2)	(17.7)
Interest received from related parties	5.2	7.4
Disposal of subsidiaries, net of cash disposed	(0.4)	(1.0)
Acquisition of equity investments	—	(1.4)
Acquisition of non-controlling interests	—	(0.4)
Net cash flows used in investing activities	**(1.4)**	**(17.8)**
Cash flows from financing activities		
Loans received and notes issued	10.0	0.1
Repayment and repurchase of loans and notes	(25.4)	(33.1)
Interest payments	(18.1)	(21.3)
Costs of notes issuance/amendment	(1.3)	(1.0)
FX hedging margin	7.7	(3.1)
Payment of lease liabilities	(2.6)	(3.1)
Net cash flows used in financing activities	**(29.8)**	**(61.5)**
Net increase/(decrease) in cash and cash equivalents	**5.3**	**37.7**
Cash and cash equivalents at the beginning of the period	**120.6**	**98.5**
Effect of exchange rate fluctuations on cash	(0.3)	0.4
Cash and cash equivalents at the end of the period	**125.7**	**136.6**
TBI Bank minimum statutory reserve	**42.8**	**27.2**
Total cash on hand and cash at central banks	**168.5**	**163.9**

Net cash flows from operating activities in the Period were €36.5 million, less than €117.0 million in the same period last year, mainly due to higher levels of net loan issuance. Net cash flows used in investing activities were €1.4 million in the Period. The Group's cash flows used in financing activities include the repurchases of its bonds, issue of subordinated debt by TBI Bank and net cash from FX hedging.

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 nine months ending 30 September 2021 and nine months ending 30 September 2020.

Income statement

The table below sets out the consolidated income statement for TBI Bank, presented on the same basis as the Group's income statement for ease of comparison.

	9 months to 30 September	
	2021	**2020**
	(in millions of €)	
Interest Income	79.2	68.7
Interest Expense	(4.9)	(3.6)
Net Interest Income	**74.3**	**65.1**
Net F&C Income	12.9	6.8
Other operating income	1.9	1.1
Non-Interest Income	**14.8**	**7.9**
Operating Income	**89.1**	**73.0**
Total operating costs	**(41.5)**	**(36.7)**
Pre-provision operating profit	**47.7**	**36.3**
Net impairment charges	(17.2)	(15.0)
Post-provision operating profit	**30.5**	**21.3**
Depreciation and amortisation	(2.7)	(2.3)
Non-recurring income/(expense)	—	0.2
Net FX gain/(loss)	(1.5)	(1.9)
Pre-tax profit	**26.3**	**17.2**
Income tax expense	(3.7)	(2.3)
Net profit after tax	**22.7**	**14.9**

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, 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 September 2021	31 December 2020
	(in millions of €)	
Cash and cash equivalents	87.2	75.3
Placements with other banks	19.7	10.3
Gross receivables due from customers	503.7	405.9
Allowance for impairment	(57.4)	(52.6)
Net receivables due from customers	**446.3**	**353.3**
Net investments in finance leases	4.1	4.9
Property and equipment	11.0	10.6
Financial assets	83.7	80.8
Tax assets	1.8	2.0
Prepaid expenses	1.9	1.4
Intangible assets	7.7	6.6
Other assets	9.3	10.5
Total assets	**672.6**	**555.6**
Loans and borrowings	10.1	0.0
Deposits from customers	445.6	374.9
Deposits from banks	26.1	16.0
Corporate income tax payable	1.2	—
Other liabilities	31.7	29.2
Total liabilities	**514.6**	**420.1**
Share capital	41.7	41.7
Retained earnings	115.6	92.5
Reserves	0.7	1.2
Total equity	**158.0**	**135.4**
Total shareholders' equity and liabilities	**672.6**	**555.6**

Financial assets include mainly government and other bonds held by TBI Bank for liquidity purposes.

Loan portfolio

Below are TBI Bank's receivables, including accrued interest, split by consumer and SME customers.

	30 September 2021	31 December 2020	% Change
Gross receivables by type	*(in millions of €)*		
Consumer	407.5	333.8	22 %
SME (including financial leases)	100.5	77.3	30 %
Total gross receivables	**508.0**	**411.1**	**24 %**
Provisions	(57.6)	(53.0)	9 %
Total net receivables	**450.4**	**358.1**	**26 %**

As of 30 September 2021, consumer loans made up 80% of TBI Bank's gross loans (81% as of 31 December 2020). Of the overall net loan portfolio, 63% comes from Romania and 36% from Bulgaria, with the remainder from purchased online portfolios (Lithuania & Poland).

The non-performing receivables ratios for the Period by loan type are shown below.

	Consumer	SME (incl. leases)	Overall
Non-performing receivables to gross receivables ratio	13.4 %	18.7 %	14.4 %
Provision coverage (1)	97.0 %	29.8 %	79.5 %

Note: (1) In addition to provisions, the SME receivables are backed by collateral with average loan-to-value of c.50%.

Customer deposits

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

	30 September 2021	31 December 2020	% Change
	(in millions of €)		
Customer accounts of consumers	407.7	341.4	19 %
- Current accounts	45.9	33.1	39 %
- Term deposits	361.8	308.3	17 %
Customer accounts of SMEs	37.8	33.4	13 %
- Current accounts	17.9	17.9	— %
- Term deposits	19.9	15.5	28 %

TBI Bank increased deposits and liquidity again in Q3 2021 to support business growth. The average interest rate paid on term deposits varies by type and currency, ranging from 0.05% to 4.0%. Deposit costs (excluding the state deposit guarantee fund annual charge) were 1.4% for the Period.

Capital and liquidity ratios

TBI Bank continues to have a strong capital and liquidity position. The table below shows TBI Bank's statutory capital and liquidity ratios as of 30 September 2021. The bank's inaugural Tier 2 issuance in July is currently pending registration with the BNB, so it is not yet included in formal capital for these ratios. The Bulgarian National Bank's minimum capital adequacy ratio requirement applicable for TBI Bank is 14.75%.

	Standalone	Consolidated
Common equity Tier 1 ratio	17.5 %	17.3 %
Capital adequacy ratio	17.5 %	17.3 %
Liquidity ratio	30.4 %	
Liquidity coverage ratio	191.8 %	241.2 %

HISTORIC QUARTERLY RESULTS APPENDIX

For ease of reference, a summary income statement by quarter is presented below.

Income statement

(in millions of €)	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021
Interest Income	**105.7**	**104.8**	**96.6**	**70.4**	**70.3**	**70.6**	**69.4**	**69.3**	**77.2**
Interest Expense	(14.2)	(13.0)	(13.1)	(12.5)	(12.3)	(12.2)	(12.2)	(11.9)	(11.9)
Net Interest Income	**91.5**	**91.9**	**83.5**	**57.9**	**58.0**	**58.4**	**57.2**	**57.4**	**65.3**
Net F&C Income	2.4	2.8	2.4	1.5	2.7	2.3	3.0	3.7	6.2
Other operating income	2.1	2.3	2.3	2.7	2.9	2.5	2.4	2.5	2.3
Non-Interest Income	**4.5**	**5.2**	**4.7**	**4.2**	**5.6**	**4.8**	**5.4**	**6.1**	**8.5**
Operating Income	**96.0**	**97.0**	**88.2**	**62.2**	**63.6**	**63.2**	**62.6**	**63.5**	**73.8**
Total operating costs	**(48.1)**	**(49.4)**	**(46.7)**	**(39.8)**	**(36.5)**	**(34.7)**	**(36.9)**	**(37.7)**	**(38.6)**
Pre-provision operating profit	**48.0**	**47.6**	**41.5**	**22.4**	**27.0**	**28.5**	**25.8**	**25.8**	**35.2**
Net impairment charges	(31.9)	(30.5)	(31.2)	(26.4)	(21.1)	(19.0)	(12.2)	(12.2)	(16.9)
Post-provision operating profit	**16.1**	**17.1**	**10.3**	**(4.0)**	**6.0**	**9.5**	**13.6**	**13.7**	**18.3**
Depreciation and amortisation	(4.5)	(4.9)	(3.2)	(3.8)	(3.8)	(4.1)	(1.8)	(1.7)	(1.7)
Non-recurring income/(expense)	0.2	(0.8)	(3.5)	6.1	1.8	(2.1)	0.7	(0.1)	3.2
Net FX	(0.4)	2.0	(3.4)	(0.6)	(2.9)	1.1	(2.7)	0.9	(0.5)
One-off adj. of intangible assets	(0.1)	(1.1)	—	—	(0.6)	(3.2)	—	—	—
Pre-tax profit	**11.3**	**12.3**	**0.2**	**(2.4)**	**0.5**	**1.2**	**9.7**	**12.7**	**19.3**
Income tax expense	(5.4)	(4.9)	(2.7)	(4.6)	(6.6)	(10.8)	(4.1)	(4.0)	(5.5)
Net profit after tax	**5.8**	**7.4**	**(2.5)**	**(6.9)**	**(6.1)**	**(9.5)**	**5.6**	**8.7**	**13.8**
EBITDA	**30.0**	**30.2**	**16.5**	**14.0**	**16.5**	**17.5**	**23.7**	**26.4**	**32.9**
Adjusted EBITDA	**31.2**	**30.0**	**23.3**	**10.0**	**18.8**	**23.0**	**25.1**	**26.2**	**29.8**

Loan issuance
(in millions of €)

	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021
Total value of online loans issued	**253.9**	**238.5**	**214.4**	**139.2**	**184.7**	**190.4**	**189.6**	**200.0**	**225.3**
Single Payment Loans [1]	170.9	162.3	148.3	92.2	138.3	150.3	152.9	162.7	180.5
Instalment Loans	23.4	21.2	16.7	8.2	16.7	13.7	12.2	13.5	18.3
Near-prime Loans	12.3	8.4	11.2	10.7	13.2	11.7	10.4	9.1	9.1
Minimum to pay	47.4	46.6	38.2	28.1	16.6	14.8	14.1	14.7	17.3
Total value of TBI Bank loans issued	**87.2**	**103.3**	**77.1**	**73.1**	**94.8**	**104.7**	**109.6**	**120.6**	**146.5**
SME	15.6	13.4	8.7	6.3	14.4	15.3	19.2	18.9	23.2
Consumer	71.5	89.8	68.4	66.8	80.4	89.4	90.4	101.7	123.3

Notes: (1) Includes vivus.bg online business in Bulgaria.

Loan portfolio (receivables, including accrued interest)

(in millions of €)	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021
Single payment loans (1)								
- Performing	113.3	100.8	71.4	76.4	76.6	79.1	86.0	91.5
- NPL (2)	37.8	44.1	40.5	19.4	19.9	15.7	16.2	17.4
- Total gross receivables	**151.1**	**145.0**	**111.9**	**95.8**	**96.6**	**94.8**	**102.2**	**108.9**
- Provisions	(49.8)	(55.6)	(46.1)	(26.8)	(28.7)	(25.0)	(25.5)	(27.7)
- Net receivables	**101.3**	**89.3**	**65.9**	**69.0**	**67.8**	**69.8**	**76.6**	**81.1**
- Gross NPL ratio	25.0 %	30.4 %	36.2 %	20.3 %	20.6 %	16.6 %	15.8 %	15.9 %
Instalment loans								
- Performing	95.5	77.2	59.8	53.7	44.4	35.0	35.1	38.6
- NPL (2)	39.2	36.9	35.6	27.6	13.0	11.2	8.6	6.3
- Total gross receivables	**134.7**	**114.1**	**95.3**	**81.3**	**57.4**	**46.2**	**43.7**	**44.8**
- Provisions	(44.4)	(41.0)	(36.0)	(29.5)	(18.6)	(13.5)	(10.1)	(7.7)
- Net receivables	**90.3**	**73.1**	**59.4**	**51.8**	**38.9**	**32.7**	**33.6**	**37.1**
- Gross NPL ratio	29.1 %	32.3 %	37.3 %	33.9 %	22.7 %	24.2 %	19.7 %	14.0 %
Minimum to pay								
- Performing	45.0	42.2	37.3	29.5	24.8	24.0	26.4	29.7
- NPL (2)	14.7	15.3	14.2	13.0	9.8	7.2	4.6	2.6
- Total gross receivables	**59.6**	**57.5**	**51.5**	**42.5**	**34.6**	**31.2**	**30.9**	**32.4**
- Provisions	(15.9)	(16.7)	(15.1)	(14.7)	(11.1)	(7.7)	(4.8)	(2.8)
- Net receivables	**43.7**	**40.8**	**36.4**	**27.8**	**23.5**	**23.5**	**26.2**	**29.6**
- Gross NPL ratio	24.6 %	26.6 %	27.6 %	30.6 %	28.2 %	23.0 %	14.7 %	8.2 %
Near Prime loans								
- Performing	31.7	35.1	39.0	43.0	47.2	49.0	45.2	45.9
- NPL (2)	3.0	4.4	5.7	5.5	3.3	3.3	2.9	2.7
- Total gross receivables	**34.7**	**39.4**	**44.7**	**48.5**	**50.5**	**52.4**	**48.2**	**48.6**
- Provisions	(4.6)	(5.3)	(7.9)	(8.3)	(6.0)	(6.4)	(5.6)	(4.2)
- Net receivables	**30.1**	**34.1**	**36.8**	**40.2**	**44.5**	**46.0**	**42.6**	**44.4**
- Gross NPL ratio	8.6 %	11.1 %	12.8 %	11.3 %	6.5 %	6.4 %	6.1 %	5.5 %
Total Online receivables								
- Performing	285.5	255.3	207.4	202.6	193.1	187.1	192.7	205.7
- NPL (2)	94.6	100.6	96.0	65.5	46.0	37.4	32.3	28.9
- Total gross receivables	**380.1**	**355.9**	**303.5**	**268.0**	**239.1**	**224.6**	**225.0**	**234.6**
- Provisions	(114.7)	(118.7)	(105.0)	(79.2)	(64.4)	(52.6)	(45.9)	(42.4)
- Net receivables	**265.4**	**237.3**	**198.5**	**188.8**	**174.8**	**172.0**	**179.1**	**192.2**
- Gross NPL ratio	24.9 %	28.3 %	31.6 %	24.4 %	19.2 %	16.7 %	14.4 %	12.3 %
TBI Bank								
- Performing	296.4	292.7	290.0	313.2	339.9	352.5	376.2	419.7
- NPL (2)	57.1	55.6	61.3	62.4	63.5	57.2	64.4	71.8
- Total gross receivables	**353.5**	**348.2**	**351.3**	**375.6**	**403.4**	**409.7**	**440.6**	**491.5**
- Provisions	(40.1)	(42.9)	(47.6)	(49.3)	(51.7)	(48.5)	(52.4)	(56.2)
- Net receivables	**313.5**	**305.3**	**303.7**	**326.3**	**351.7**	**361.1**	**388.1**	**435.2**
- Gross NPL ratio	16.2 %	16.0 %	17.5 %	16.6 %	15.7 %	14.0 %	14.6 %	14.6 %

Notes: (1) Single Payment Loan portfolio includes vivus.bg online business in Bulgaria.

(2) Non-performing amounts that are over 90 days past due (and, for TBI, shown on a customer level basis)

DEFINITIONS

Active customers – Online lending customers with open loans that are up to 30 days past due

Adjusted EBITDA – a non-IFRS measure that represents EBITDA (profit for the period plus tax, plus interest expense, plus depreciation and amortisation) 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 www.4finance.com

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 charges / 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

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 charges 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

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 provision coverage – Allowance account for provisions / 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)

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)

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 27 August 2021.

Acquisitions and disposals

As part of the Group's ongoing efforts to simplify its legal structure, the dormant LLC Credit Management (Georgia) entity was sold to 4finance Group SA in August.

Supervisory Board

During September 2021, Dmitry Kislyakov and Ugis Zemturis were appointed to the Supervisory Board of 4finance Group SA. Dmitry has 25 years of experience in finance and is the CFO of online lending firm Digital Finance International. Ugis has extensive retail banking sector executive and consulting experience, including 10 years of board-level roles with banks in the Baltic, Nordic and CIS/CEE regions including AlfaBank and Swedbank Latvia (Hansabank). Evgeny Sytnik and Paul Muhr stepped down from the board in September.

Redomicile of holding company

The Group continues to progress the planned redomicile of its holding company from Luxembourg to the United Kingdom. All regulatory filings have been made, however the timing of closing is currently unclear and closing may occur only in H1 2022.

Regulatory changes

In Denmark: the Group's license application was approved by the Danish FSA in October 2021. The Group continues to seek constructive engagement with the Consumer Ombudsman and other local authorities regarding its post-regulation products, however the timing and process for this remains unclear.

In Poland: a draft proposal to revise the caps for non-interest costs in Poland has reportedly been circulated to the Cabinet of Ministers by the Ministry of Justice. The Group intends to actively contribute to any consultation process that may take place.

Financing

In October, 4finance S.A. issued €175.0 million of 10.75% 5 year notes maturing October 2026. The proceeds from the new issue were used to repay the Group's outstanding $200 million USD bonds. The Group currently holds €7.6 million of its EUR 2026 bonds and €0.9m of its EUR 2025 bonds in treasury. The EUR 2026 bonds are intended to be listed on the Oslo Stock Exchange in coming months.

Corporate website: www.4finance.com

4finance Holding S.A.

Address: 8-10 Avenue de la Gare, L-1610, Grand Duchy of Luxembourg