4finance Holding SA

Investor presentation for three month 2022 results

24 May 2022

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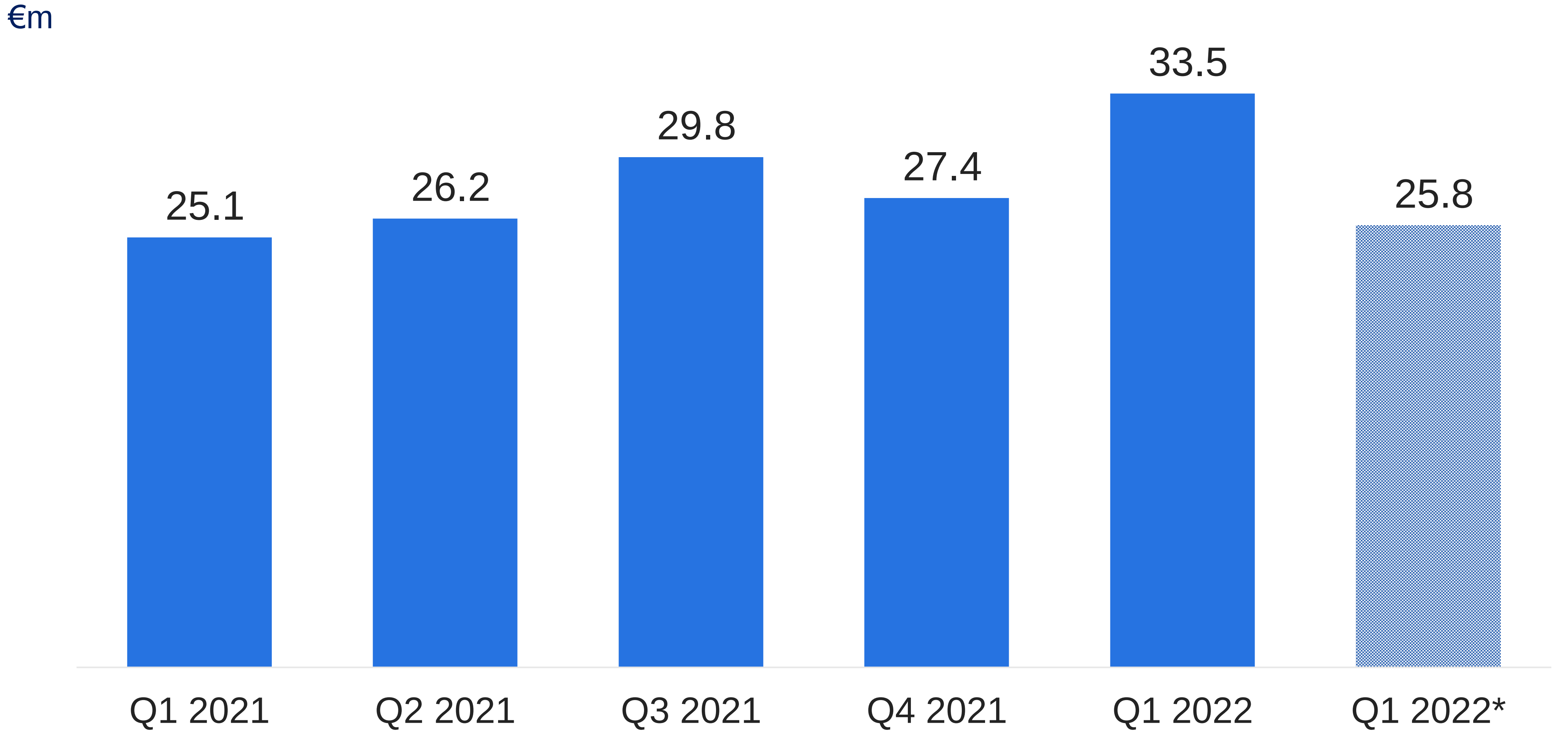
Summary of three month 2022 results

- €33.5m highest quarterly Adjusted EBITDA since 2018; highest EBITDA margin on record at 41%
- Proforma Adjusted EBITDA €25.8m if the current footprint (Philippines replacing Poland) existed from Jan 1, 2022
- Interest income up 17% vs Q1 2021, keeping the momentum of the seasonally strong Q4
- Robust cash position with quarter-end "online" cash levels €68m, after €28.1m notional of bond repurchases
- Stable cost base supporting higher issuance and revenue generation
- Growing business footprint at TBI Bank, with another quarter of record origination and portfolio size
- Cost of risk in Q1 has come down from Q4 reflecting good fundamental asset quality indicators and debt sales results

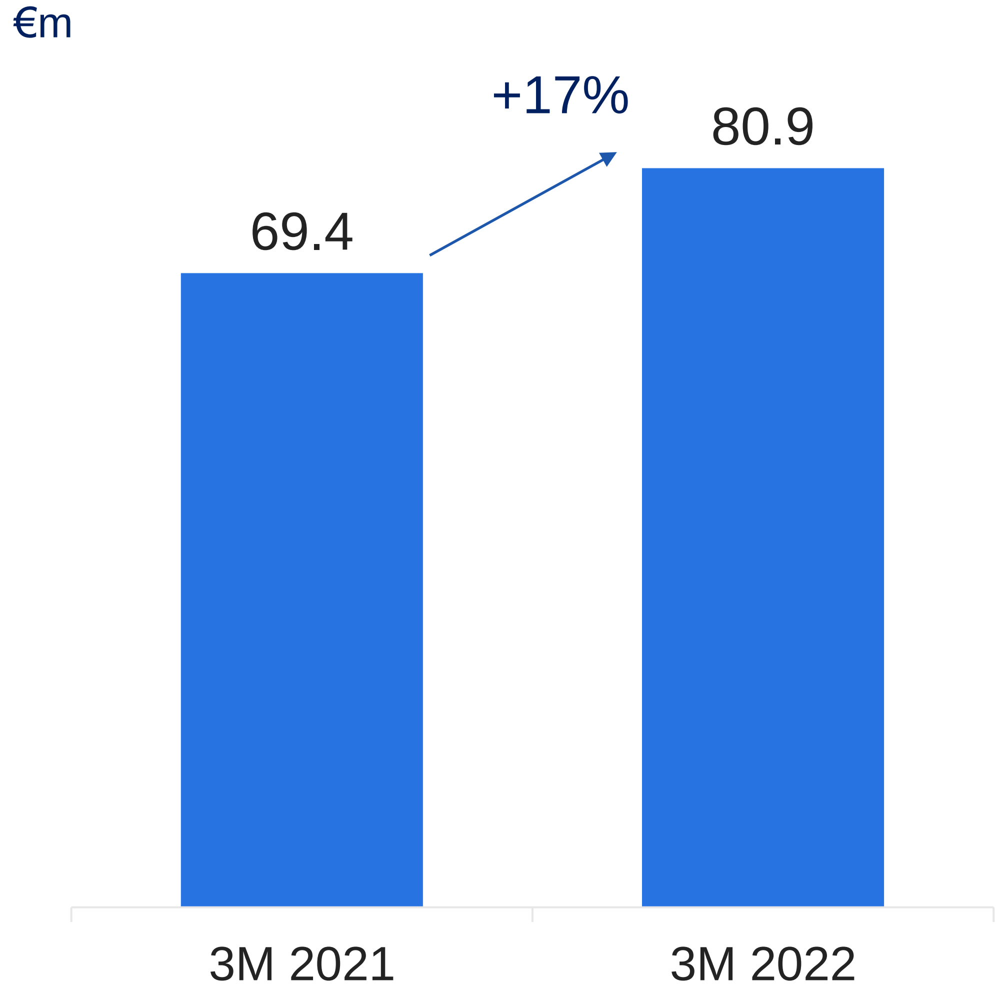
Adjusted EBITDA by quarter



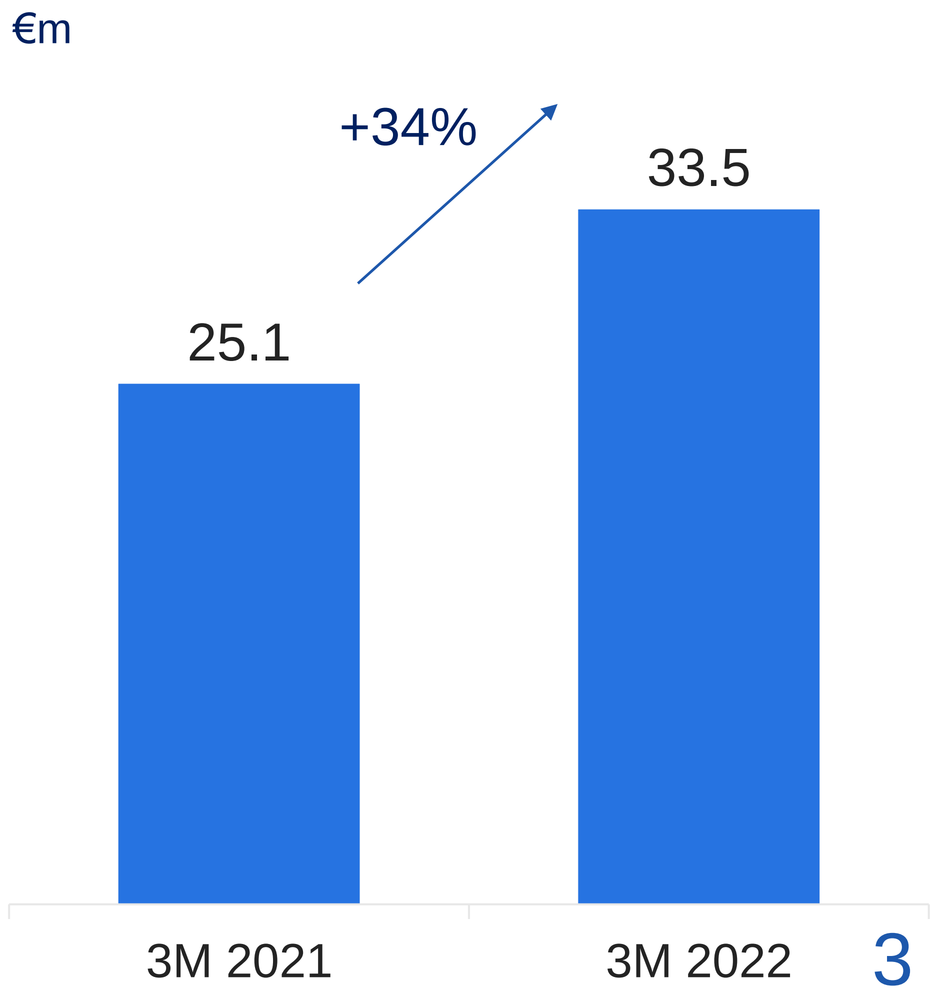
* Illustrative proforma adjusted EBITDA, see appendix

Year-on-year comparison

Interest Income



Adjusted EBITDA



See appendix for definitions of key metrics and ratios

Acquisition of digital lender Online Loans Pilipinas

Online Loans Pilipinas

Business

- Issuance: €66m in 2021 and €23m in Q1 2022
- Net loan portfolio: €6.4m as of Dec 31 2021
- Net profit of €3.2m on total revenue of €23.7m for 2021

Products

- Single-Payment up to PHP 20,000 (€362)
- Instalment Loan up to PHP 30,000 (€543)
- 100% online

Outlook

- Strong growth in net profit for 2022
- Ahead of its budget so far this year

Regulation

- OLP is registered as a financing company with the Philippines SEC

Market

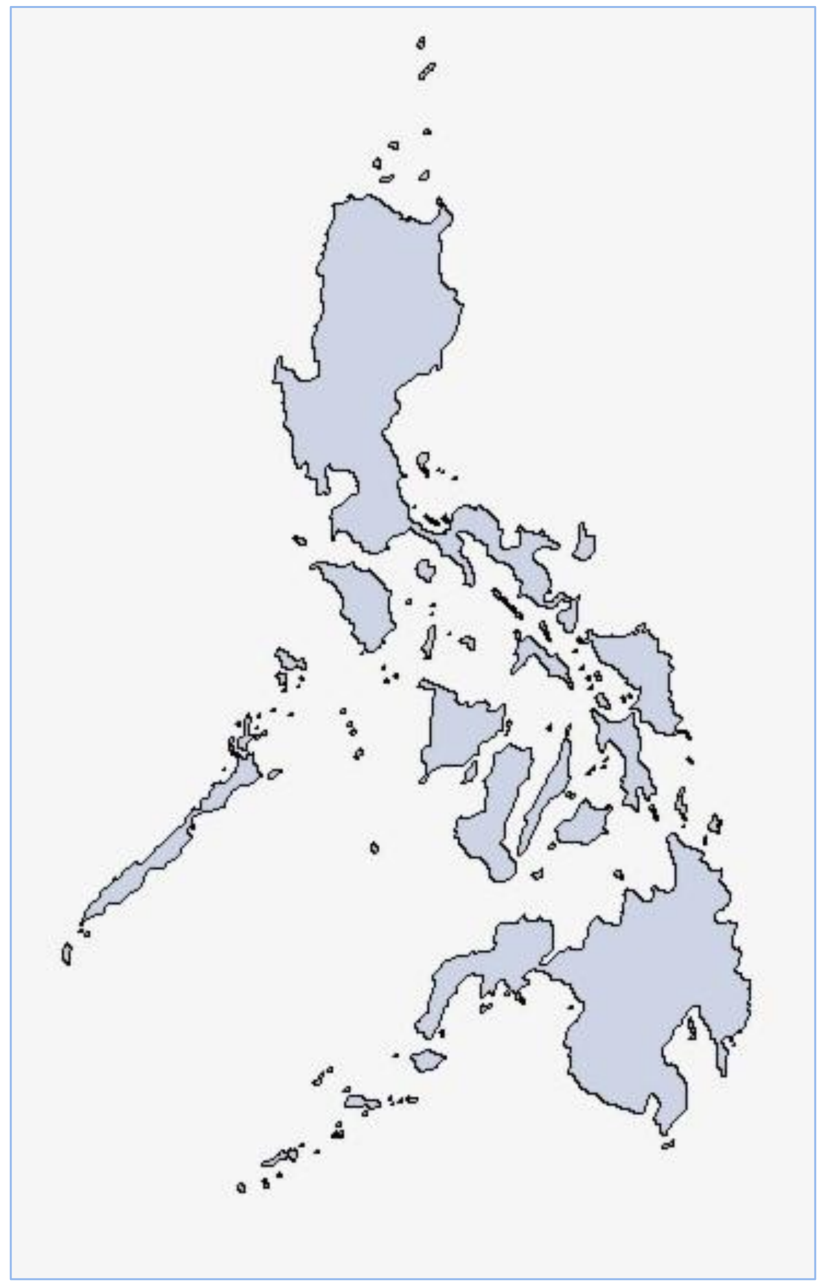
- Large market of 110m people
- Significantly underserved group of creditworthy people: great potential
- A stepping stone into South-East Asia

Market Position

- Top 3 market position

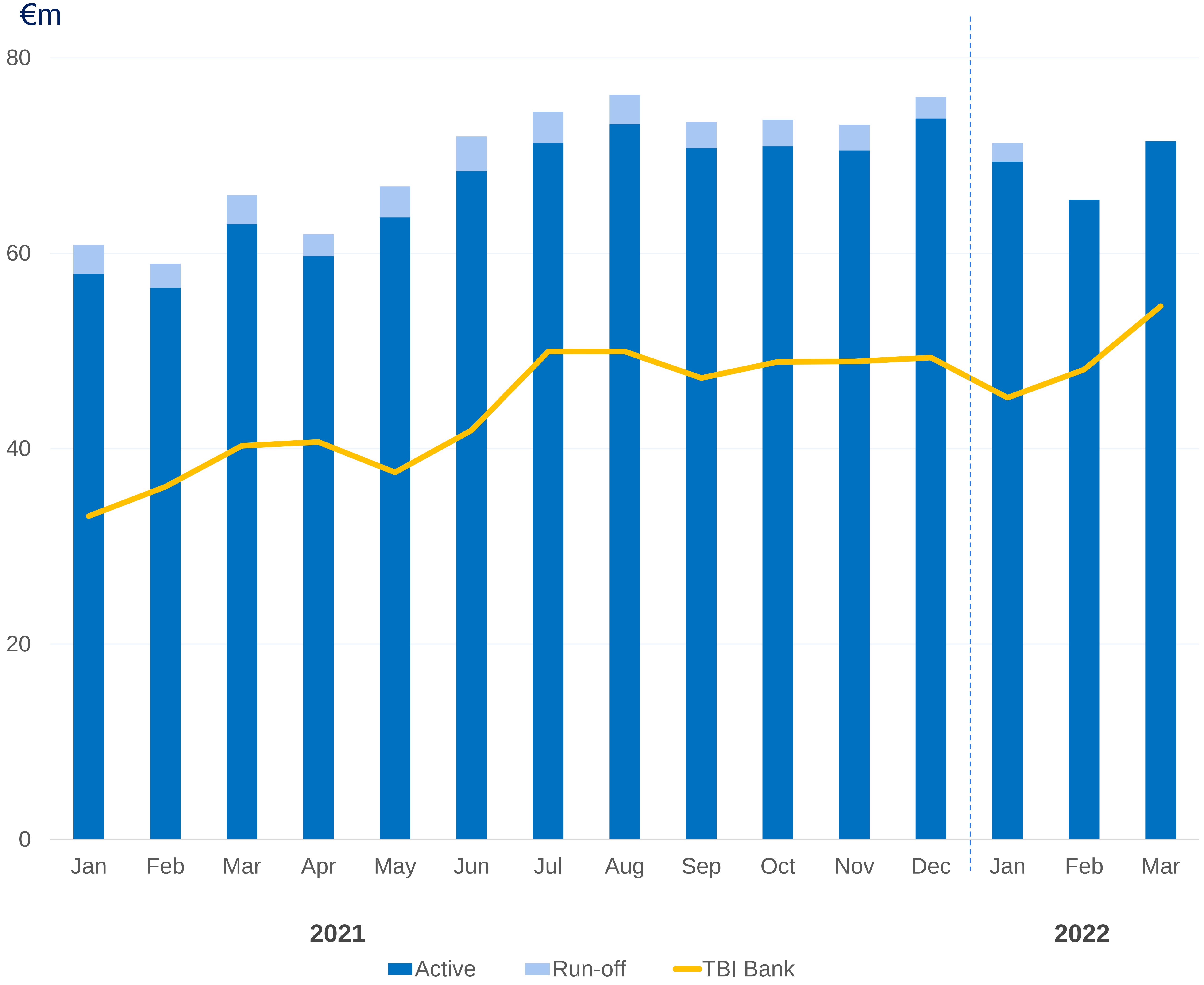
Acquisition

- 100% of the business for €6.6 million, with an additional €5.0 million of funding to replace existing debt
- An earn-out payment of up to €8.0 million (at 4x P/E) may be payable subject to 2022 audited IFRS net profit

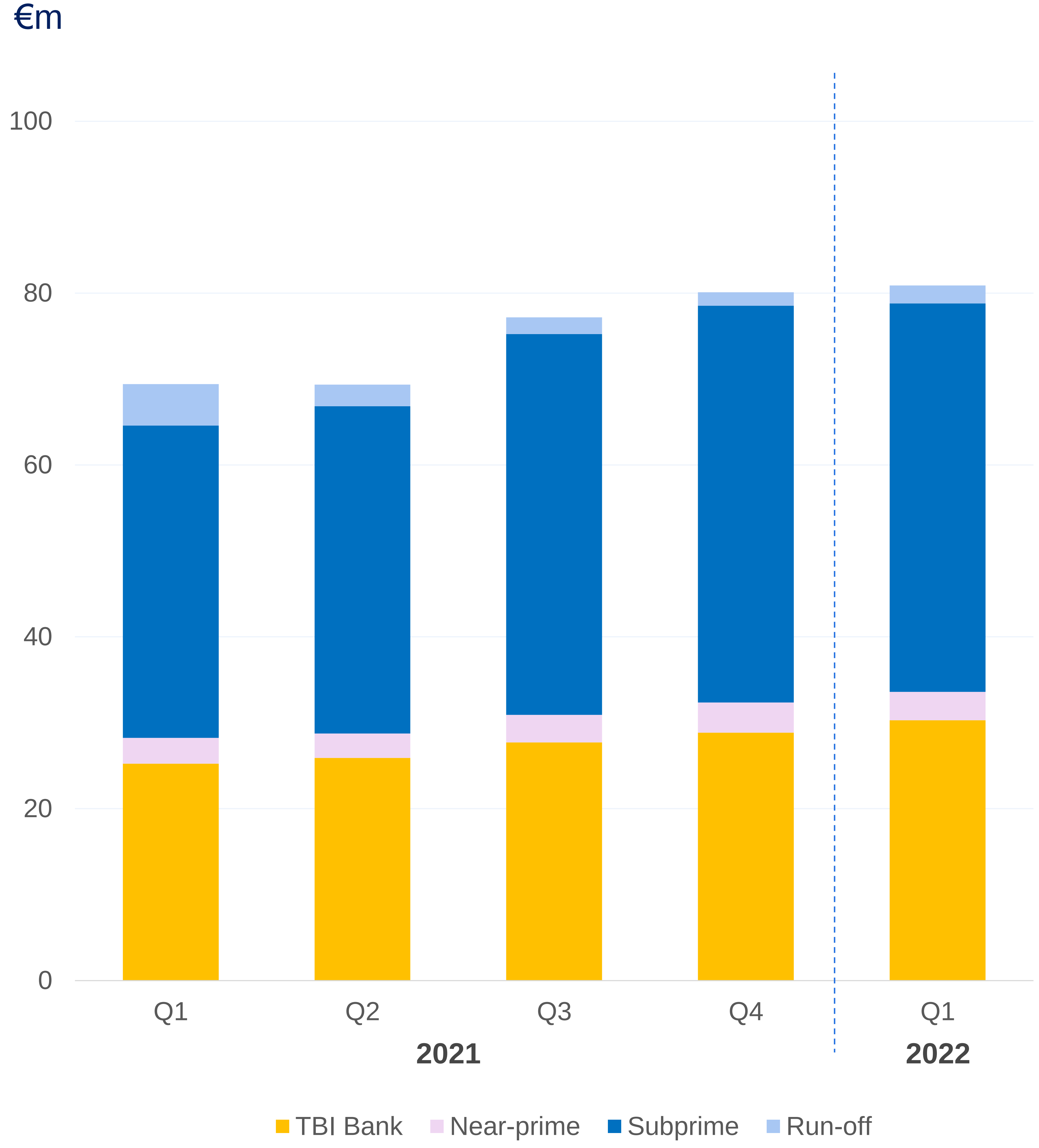


Loan issuance and interest income

Monthly loan issuance [(1)]



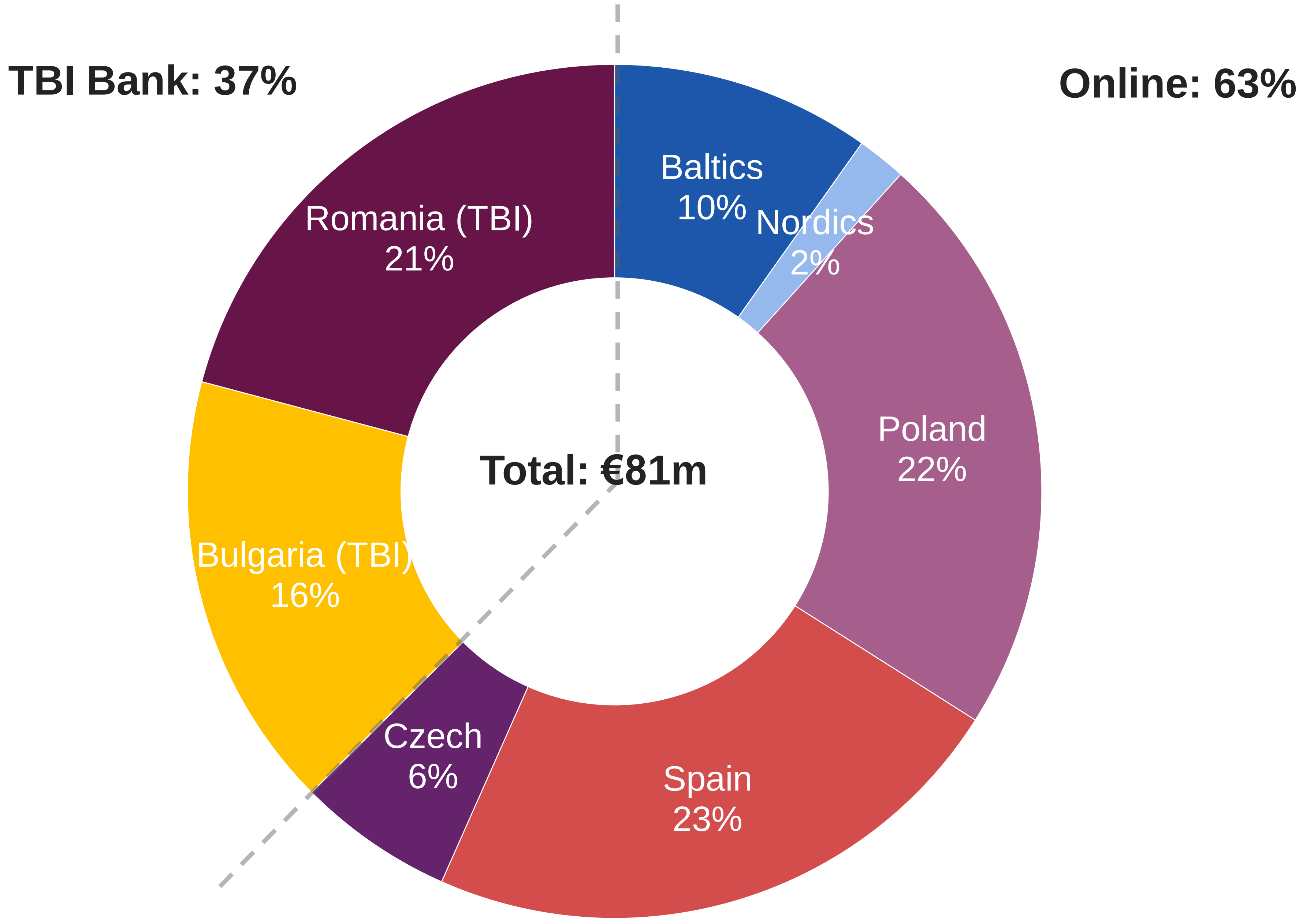
Quarterly interest income



Note (1): Run-off products represent those where issuance has been stopped as of 31 March 2022

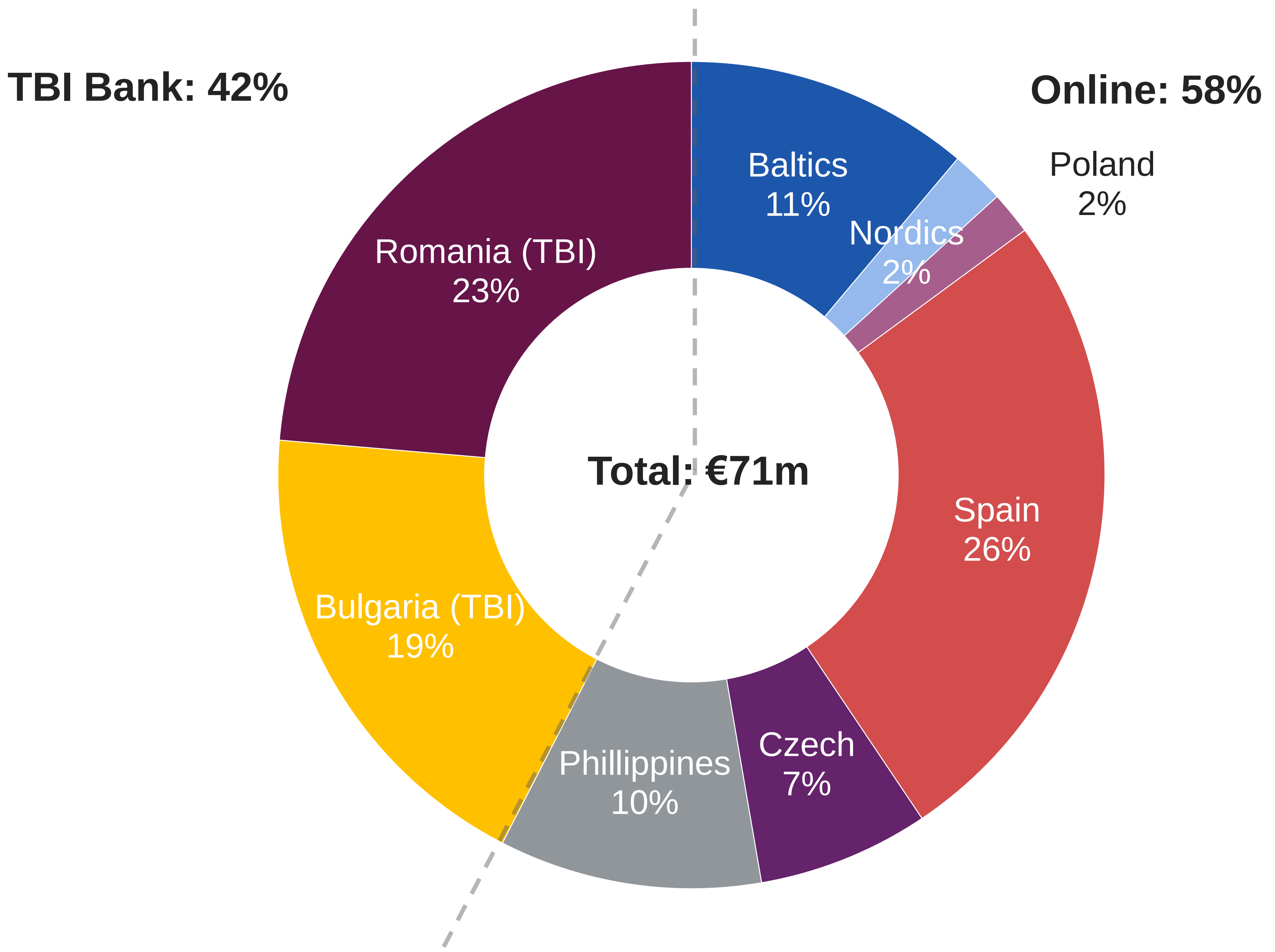
Interest income remains diversified

Q1 2022 interest income by country



- Represents actual Q1 2022 results
- Poland business interest income included
- Denmark stopped issuance in February

Q1 2022 Proforma interest income by country

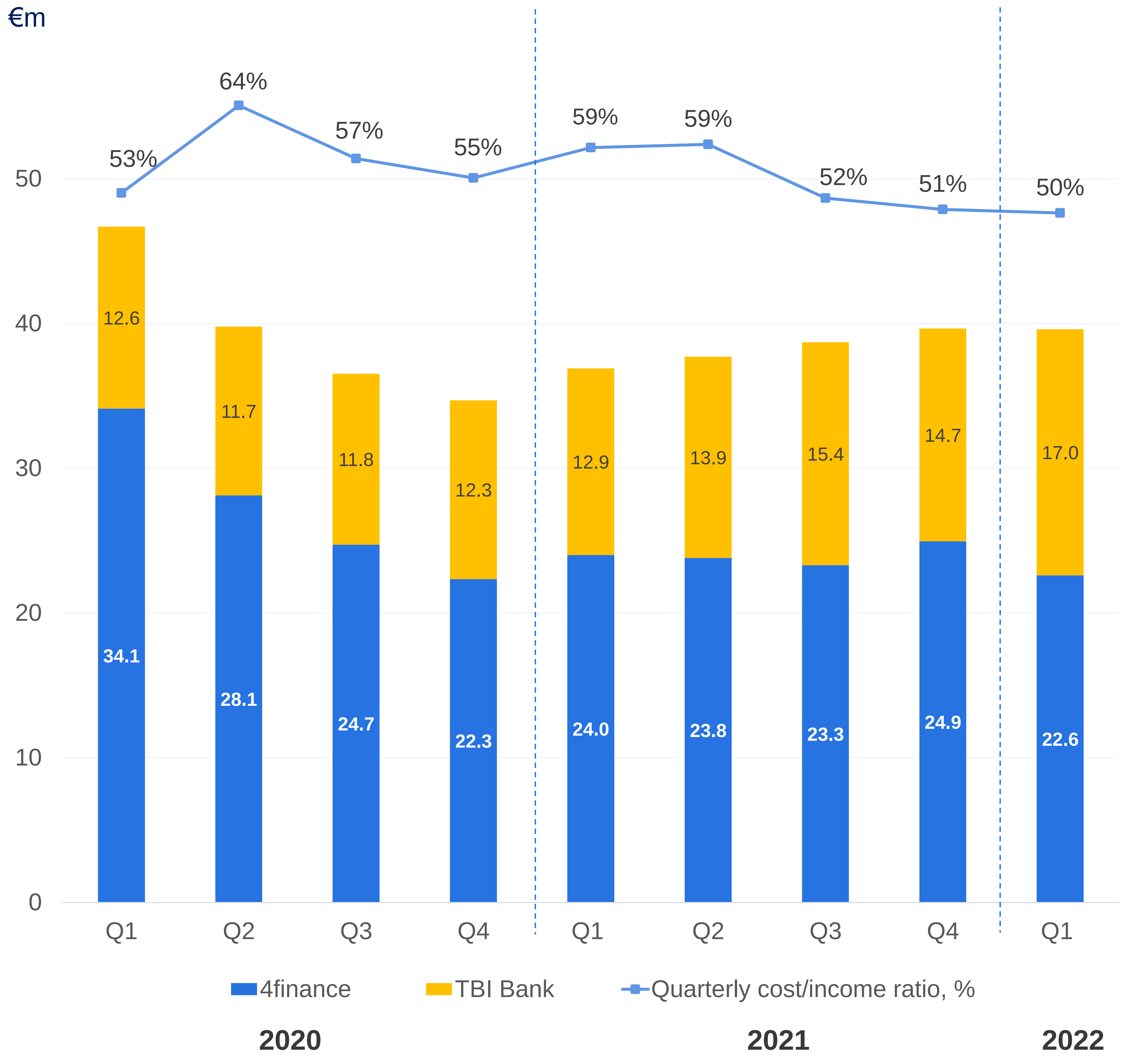


- Proforma interest income if current footprint existed from Jan 1, 2022
- Philippines interest income included
- Poland income derived from loan to the business
- Largest market only 1/4 of total income

Operating cost drivers

- Quarterly operating costs in online business in Q1 2022 down €1.4m YoY and €2.3m lower vs Q4 2021
- Savings in online staff costs, IT expenses, and marketing spend, which in Q4 rose to support seasonally active issuance period and to invest in future customer lifetime value
- TBI Bank costs up (personnel, IT expenses and professional services) to support business growth and investment in strategic growth initiatives, among which expansion of operations and developing product offering in Greece
- Cost/income ratio at TBI flat vs Q4 2021
- Continued focus on operational efficiency given inflationary environment

Total operating costs [1]

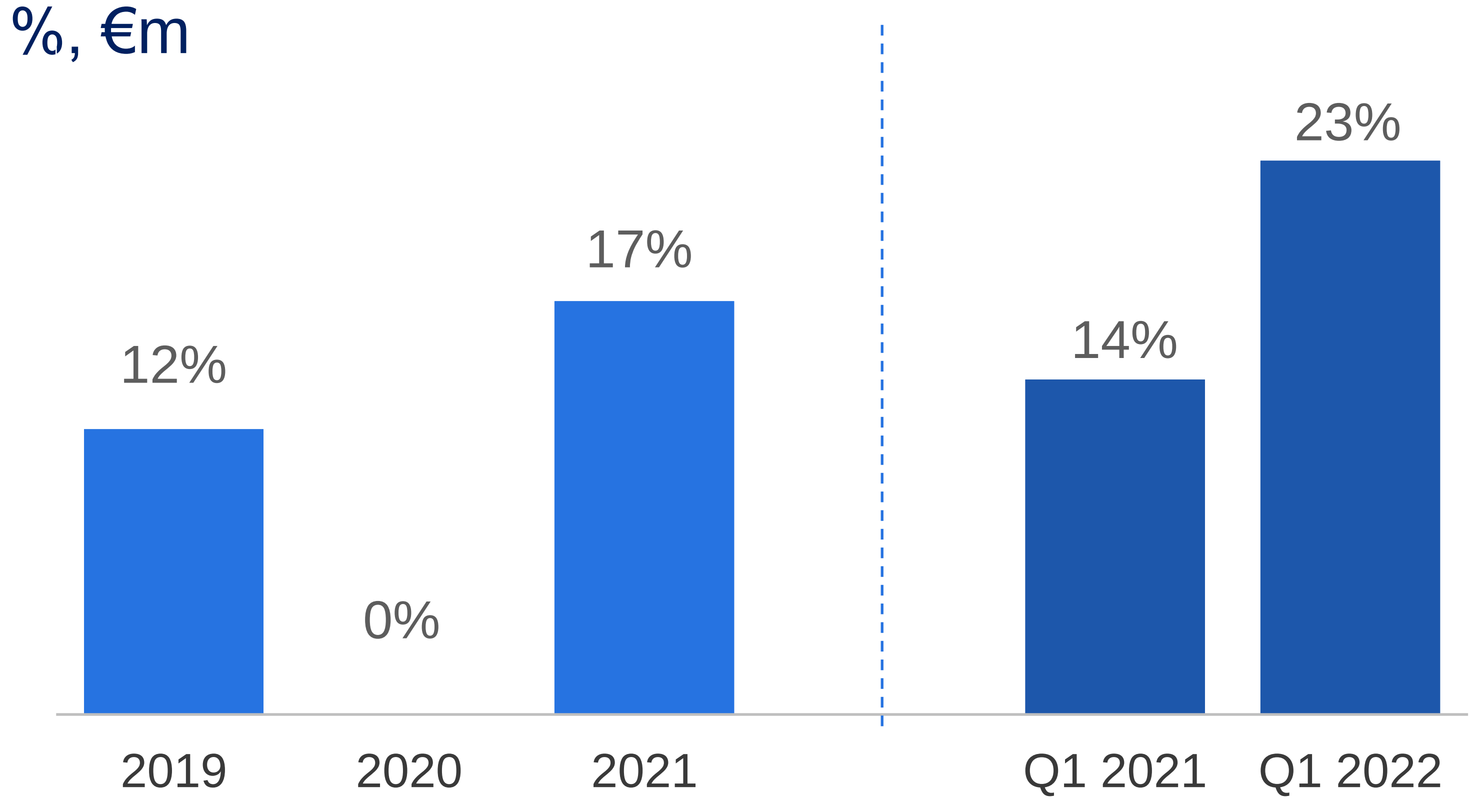


Note (1): Q4 costs for 2020 & 2021 have been adjusted to reflect respective year's audited figures

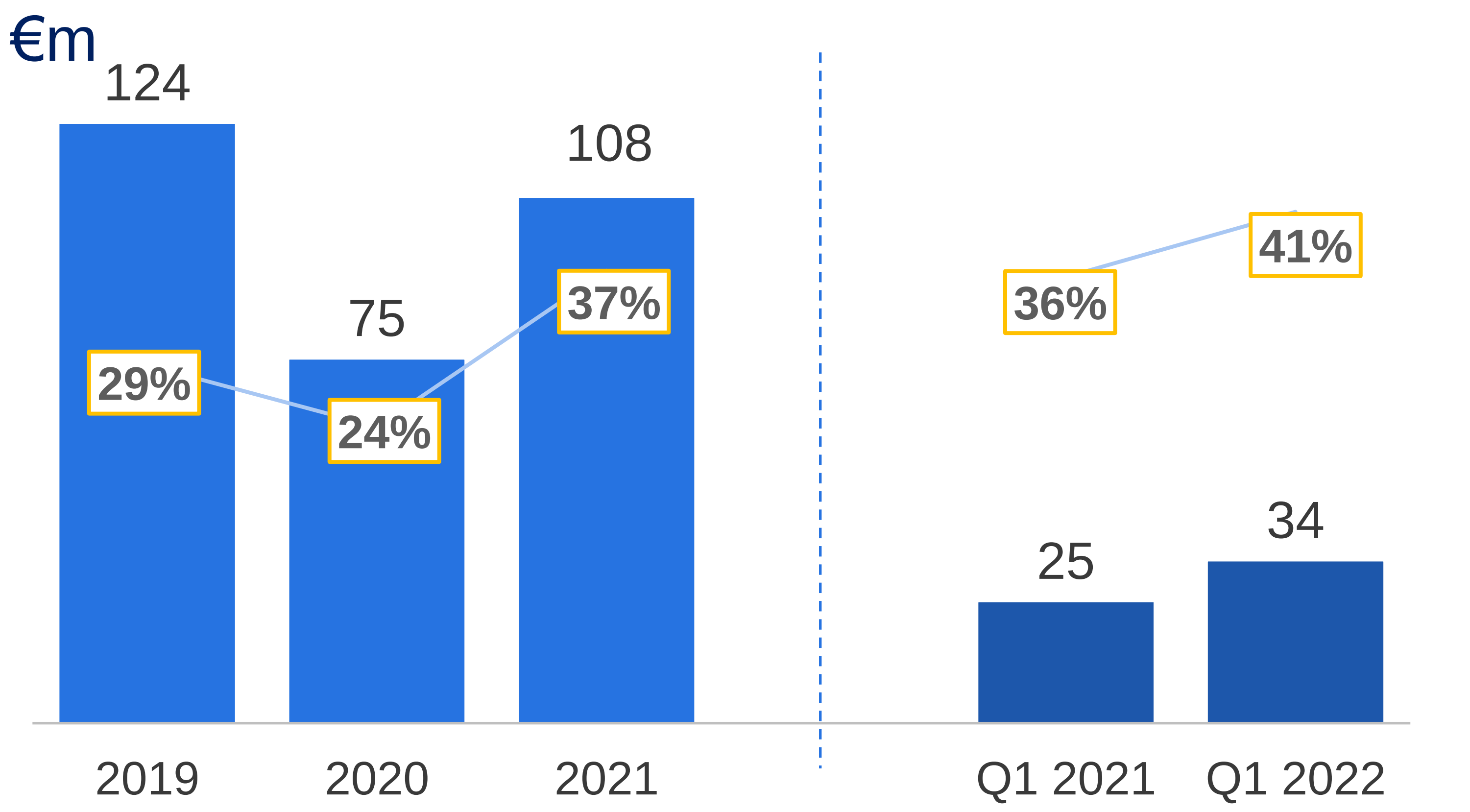
See appendix for definitions of key metrics and ratios

Resilient financial track record

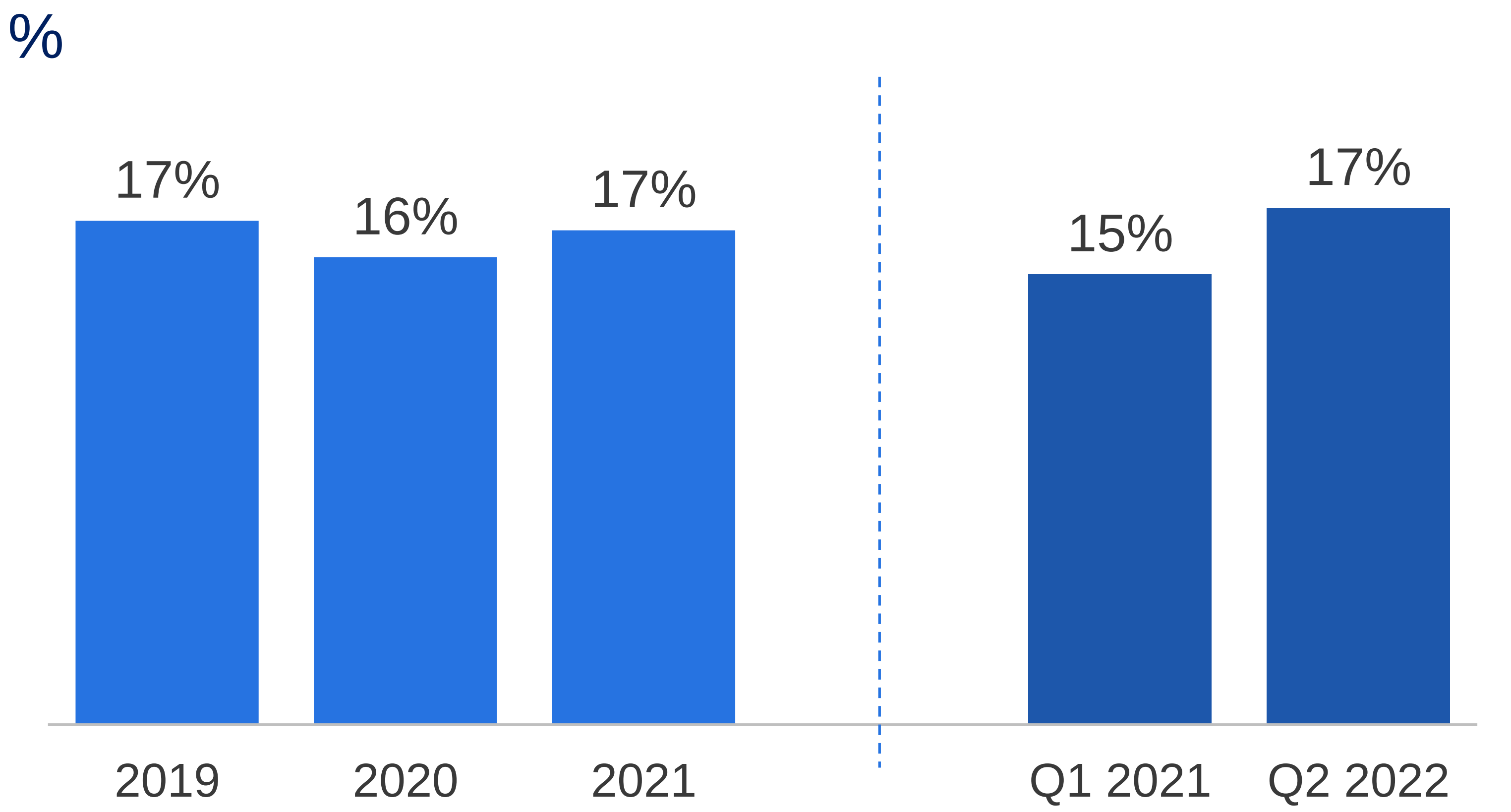
PBT margin (%) / Interest income



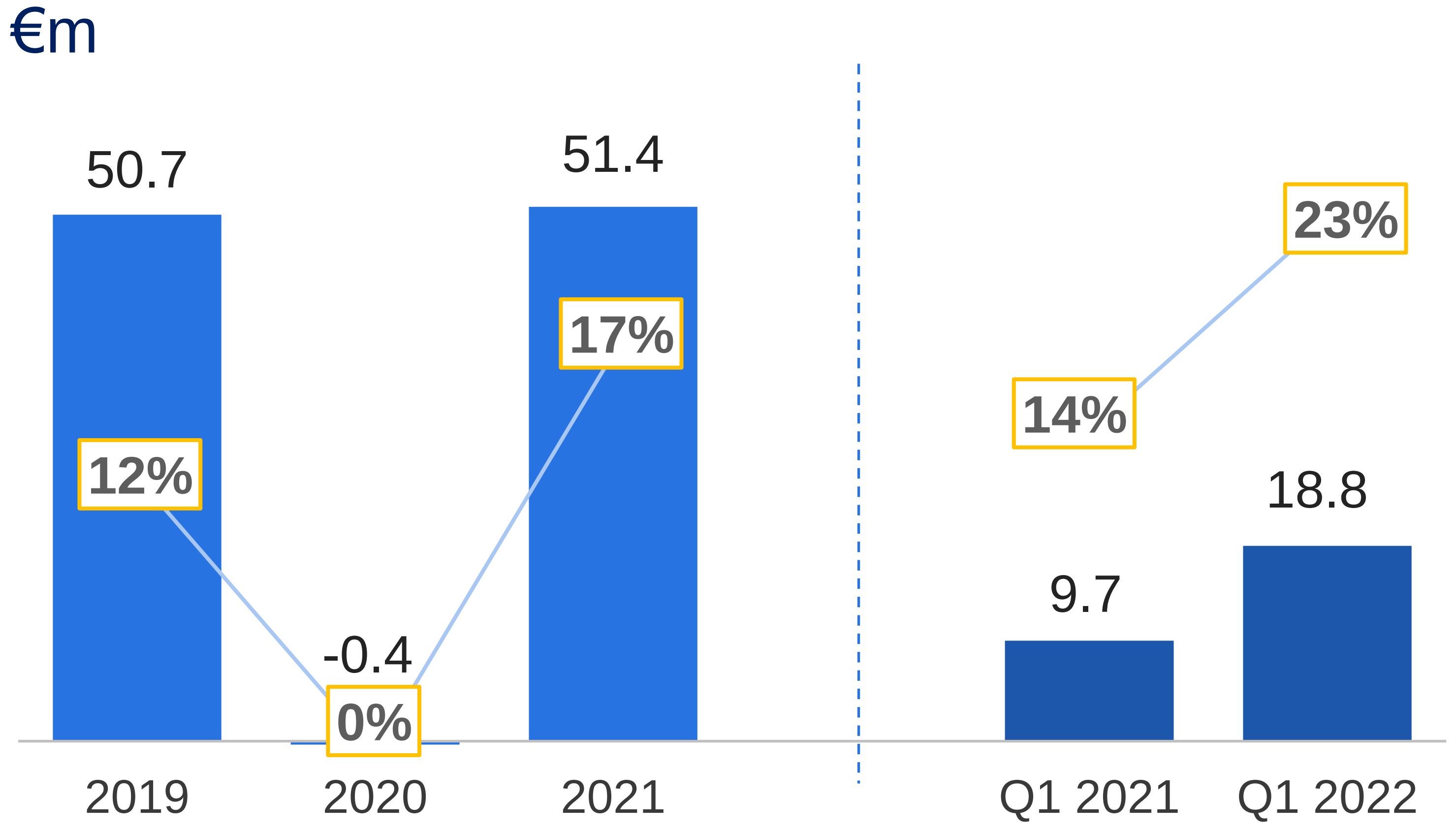
Adj. EBITDA / Adj. EBITDA margin (%)



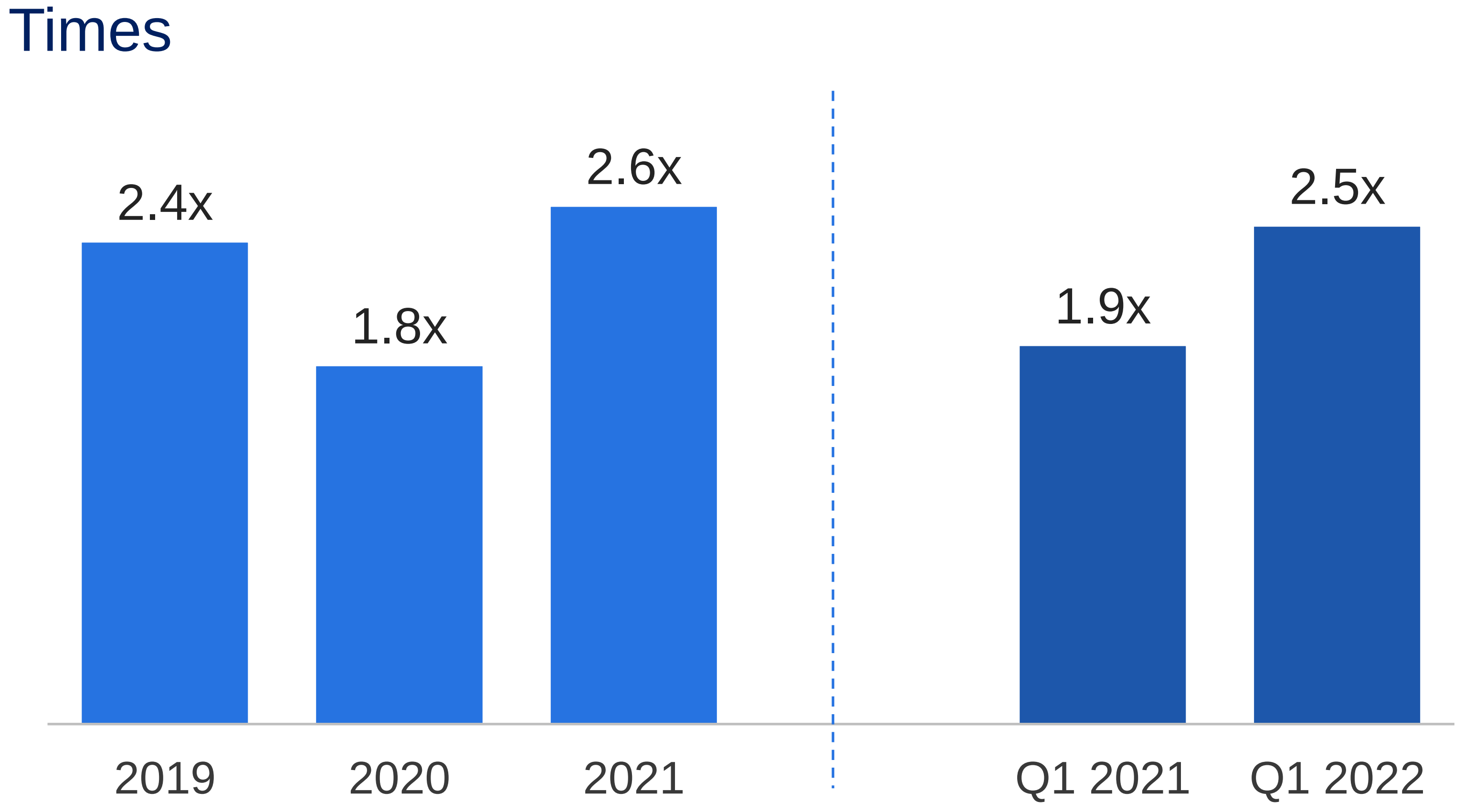
Equity to assets ratio



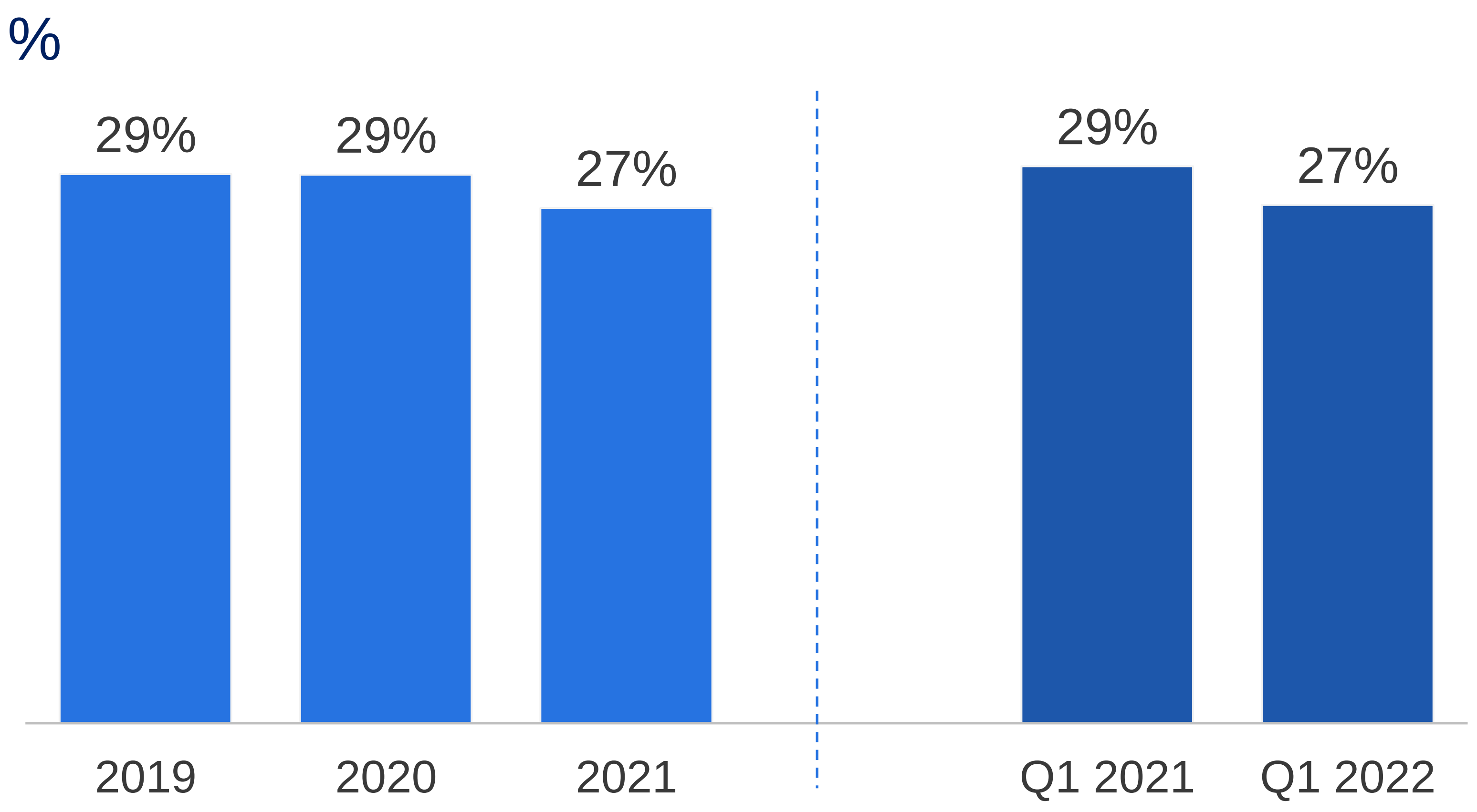
Profit before tax / PBT margin (%)



Covenant interest coverage ratio[(1)]



Equity to net receivables ratio[(2)]

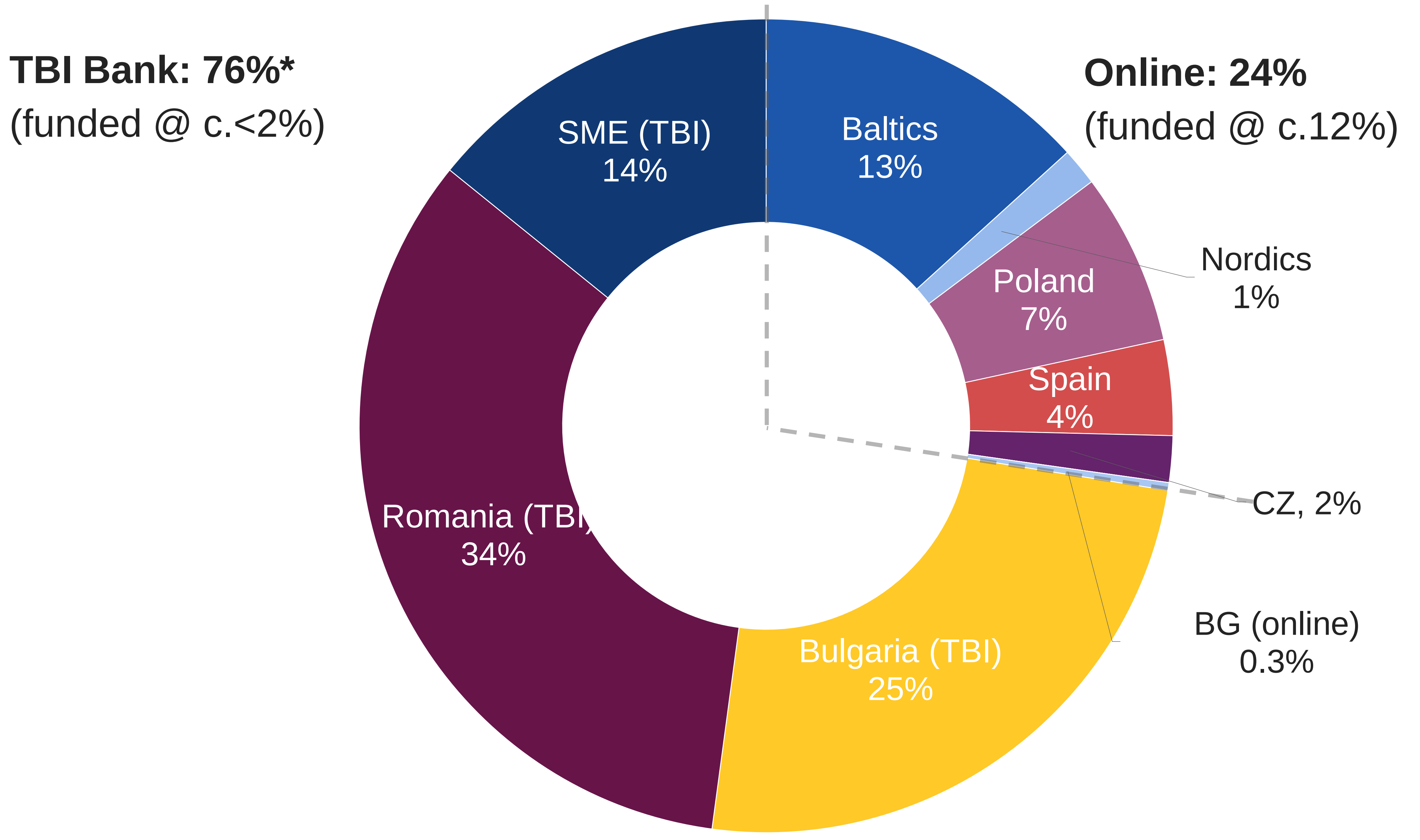


Notes:
(1): The graph is shown based on full covenant calculation of interest coverage ratio, based on proforma last twelve-month figures, as at the date of publication of the respective period results.
(2): The full covenant calculation of equity/net loans includes related party loans and finance leases, and is currently 25%

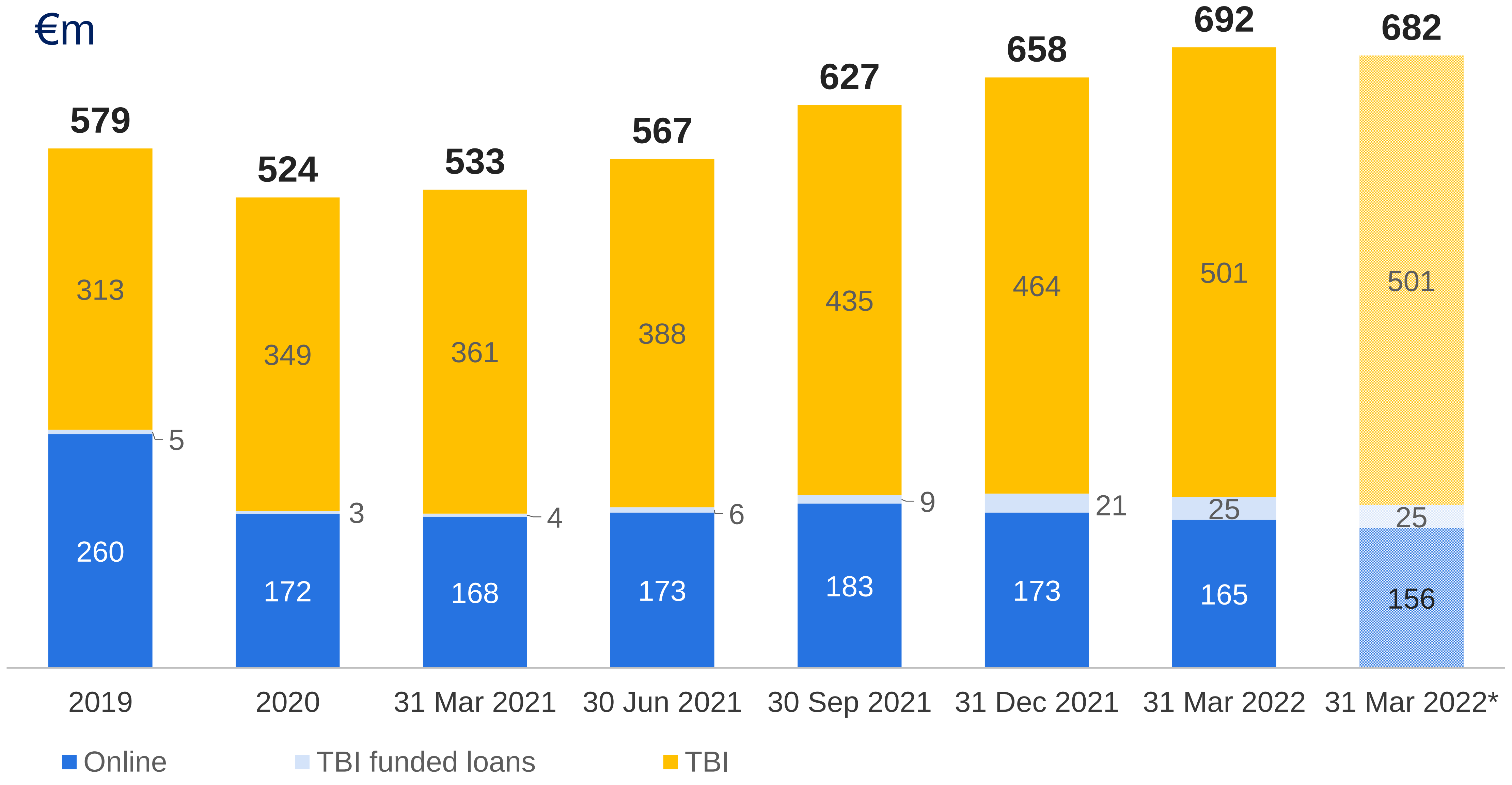
Diversified and growing loan portfolio

- Strong performance in loan issuance in Q1 supported net receivables growth in TBI Bank portfolios
- Overall net receivables totals €692m
  - 5% increase during Q1
  - 86% consumer loans
- NPL ratio improved to 10.2% in Mar ‘22 from 11.3% in Dec ‘21

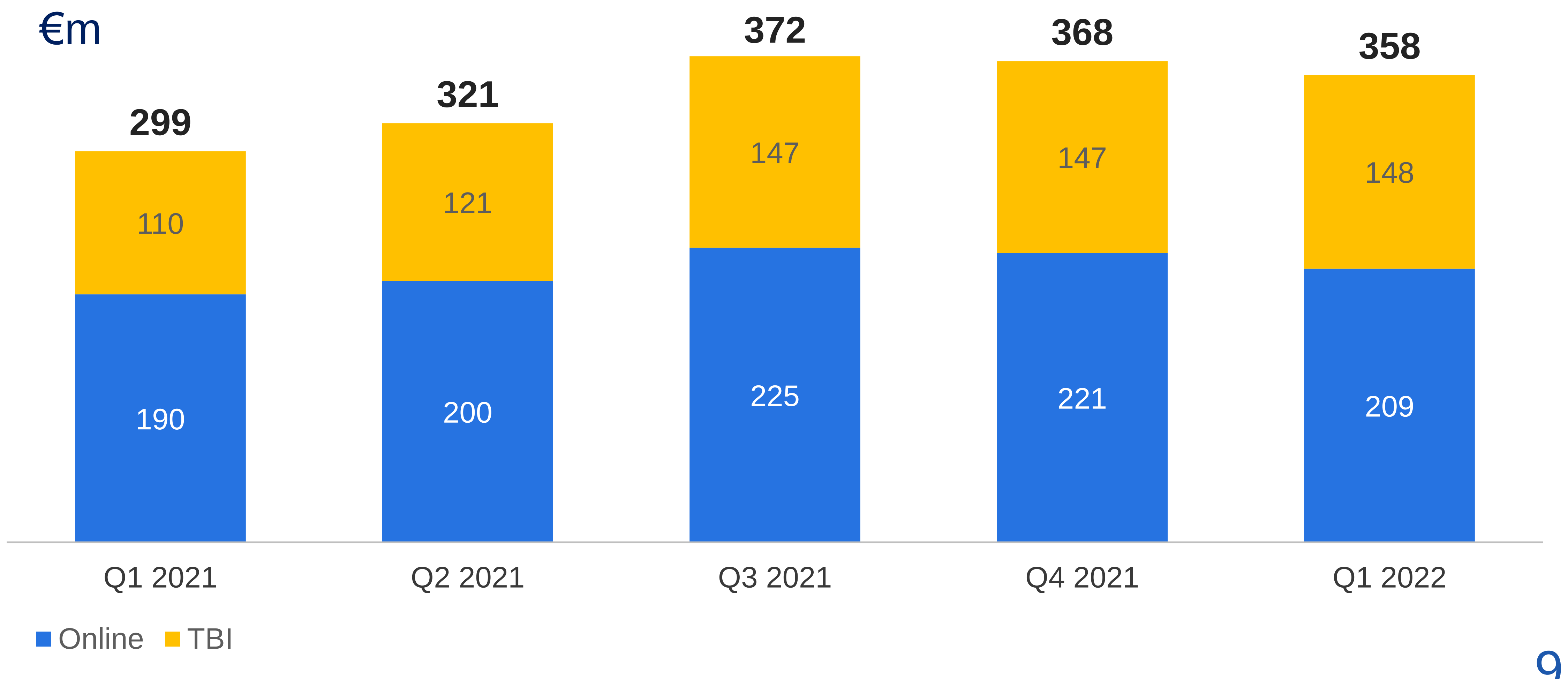
Net receivables, 31 March 2022



Net receivables



Loans issued



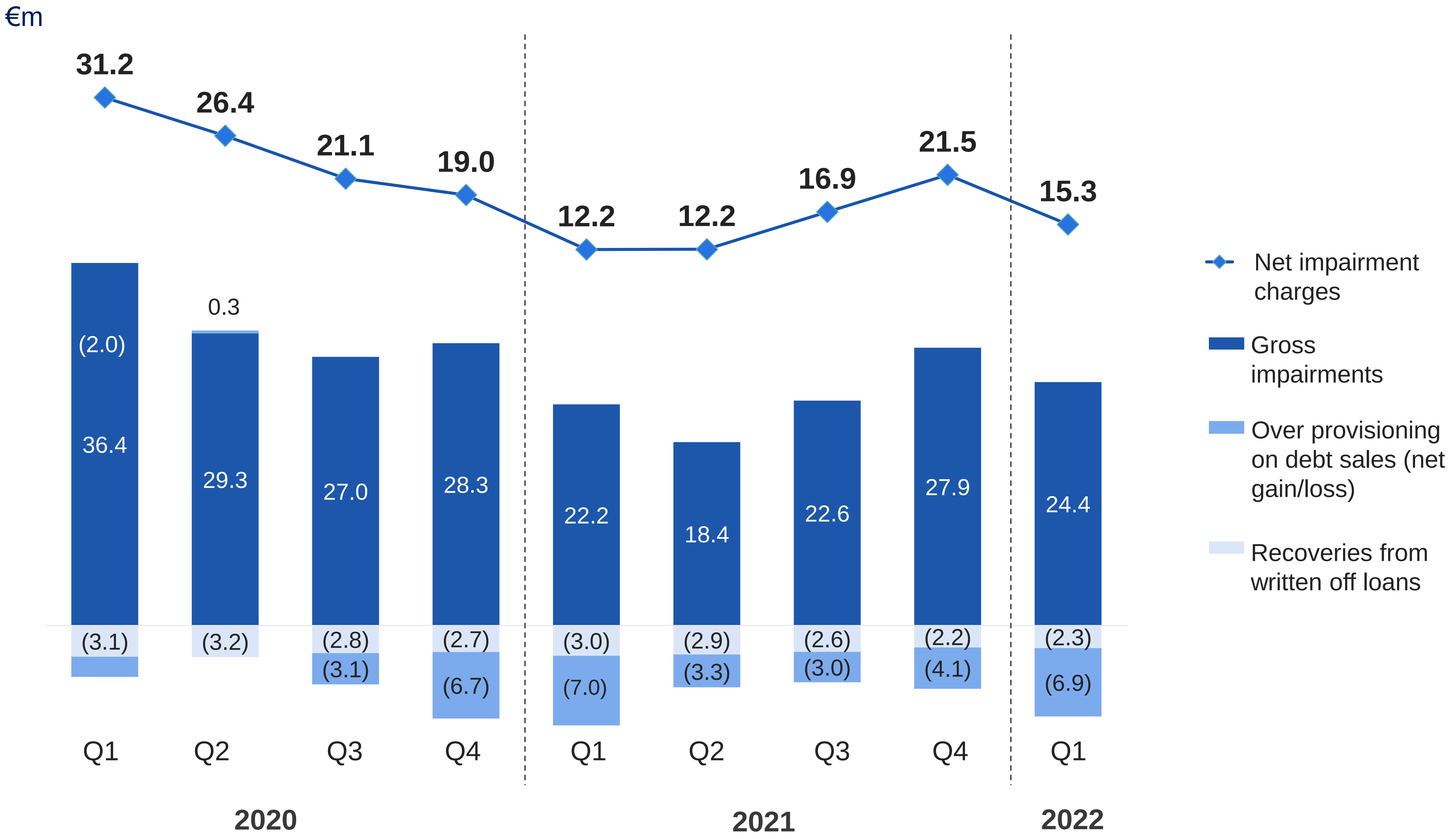
See appendix for definitions of key metrics and ratios

* Includes TBI bank, BG online and €23m of purchased Poland and Lithuania portfolios

* Proforma net receivables, including Philippines net receivables and loan to Polish business

Analysis of net impairment charges and cost of risk

Net impairment charges by quarter (1)



Annualised cost of risk (2)		2021	Q1 2022
Online	24.2%	15.4%	16.4%
TBI Bank	6.1%	5.7%	4.7%
Overall	14.2%	9.0%	8.0%

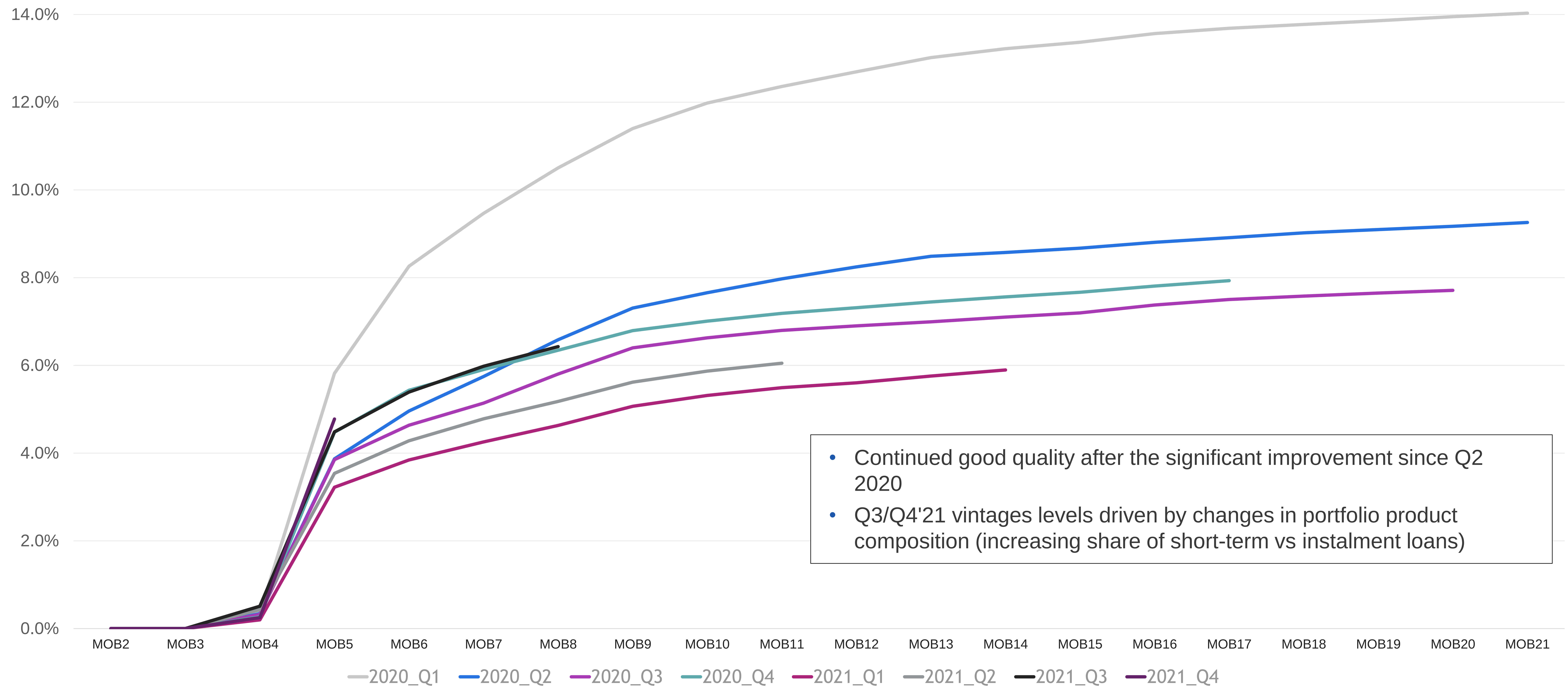
- Q1 2022 quarterly net impairment charges:
  - Stable asset quality (see slide 11)
  - Q1 net impairments decreased despite growing issuance and portfolio
  - Continued active forward flow and debt sales market for NPLs
- Overall cost of risk moderately increased YoY as a result of growing SPL portfolio in online, balanced by an increased share of TBI Bank loan receivables in the portfolio
  - Overall cost of risk 8.0% (3M 2022, including TBI Bank) vs 7.6% (3M 2021)
  - Online cost of risk in 3M 2022 16.4% vs 13.2% (3M 2021)
  - Net impairment / interest income 18.9% vs 17.5% (3M 2021)

Notes:
(1): Q4 2020 figures have been adjusted to reflect audited figures
(2): Annualised net impairment charges / average gross receivables (average total gross receivables as of the start and end of each period)

See appendix for definitions of key metrics and ratios

Online portfolio asset quality

Online portfolio quality - vintage ‘ever’ 90+ DPD (1)

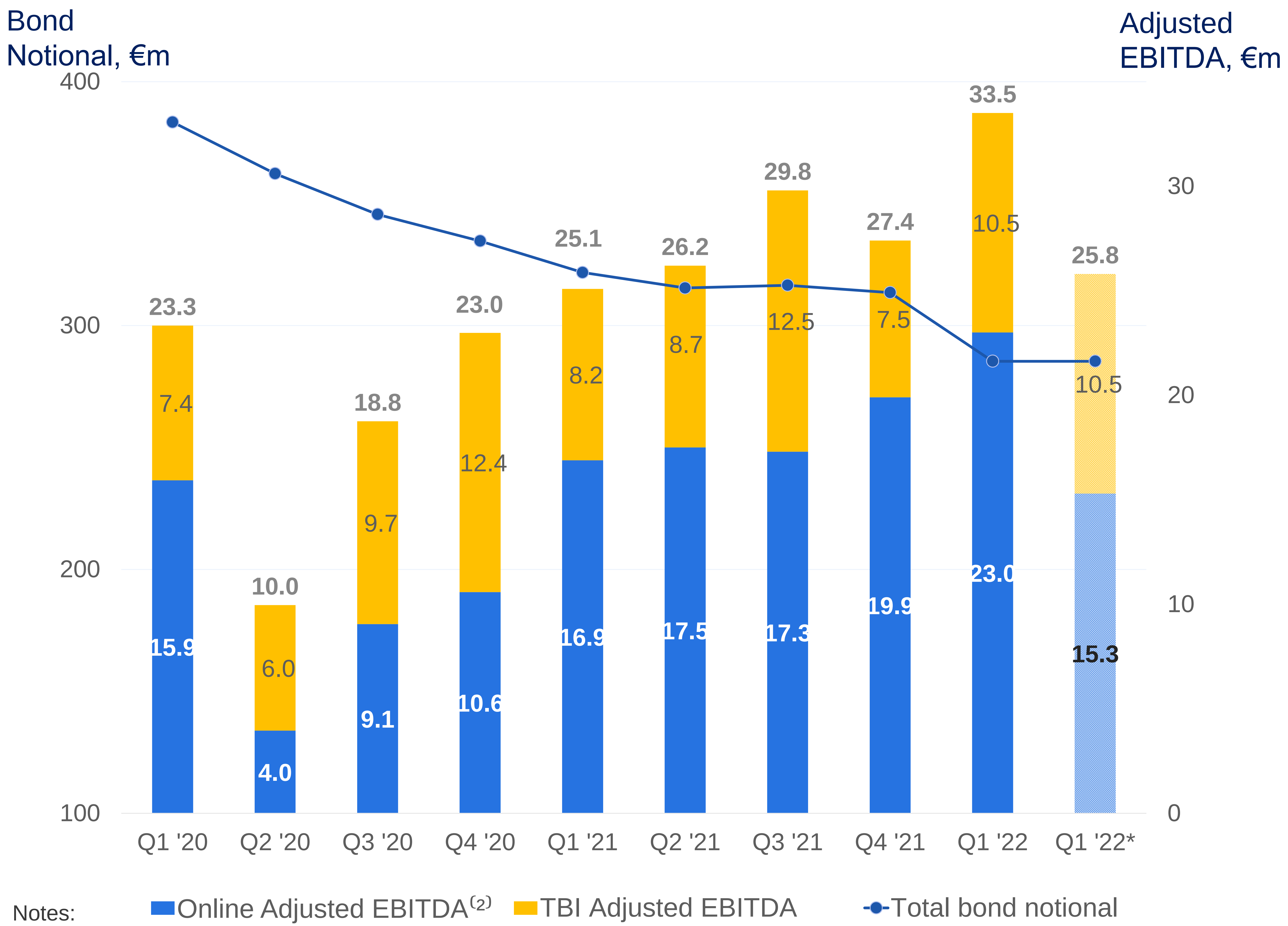


- Continued good quality after the significant improvement since Q2 2020
- Q3/Q4'21 vintages levels driven by changes in portfolio product composition (increasing share of short-term vs instalment loans)

Note (1): Vintages ‘ever’ = outstanding amount of principal at the moment of entering 90+ DPD to total principal issued for all online loans in the analysed period. MOB = months on book.

Improvement in EBITDA and leverage metrics

Adjusted EBITDA vs EUR equivalent bond notional outstanding [1]



Notes:

(1): Bond notional in issue minus bonds held in treasury

(2): Online EBITDA includes income from loan sales to TBI that is eliminated on consolidation

* Proforma adjusted EBITDA

- Rebound in EBITDA from the online business post Covid
- Significant reduction in leverage and interest expense during the same period
- Current online business footprint can deliver EBITDA of c.2x bond interest expense in 2022
- €28.1m notional of bonds repurchased in Q1 (€13.3m of 2025s, €14.8m 2026s)
- Overall credit metrics improved from pre-Covid levels. In approximate run-rate terms, proforma for Poland/Philippines:

	Early 2020	FY 2022 proforma
Net debt (€m)	~360	~270
Adj. EBITDA (€m)	~90	~100
Multiple	~4x	~2.7x

Summary

- Delivered strong Q1 results showing year-on-year growth across the business and record EBITDA generation
- TBI performing well, delivering book value growth and Greece expansion
- Maintaining healthy cash levels even after further deleveraging in Q1
- Taking positive steps to adapt to circumstances: optimising core business, acquisition of growth business in the Philippines
- New business footprint still delivers solid credit metrics
    - EUR c.100m annual EBITDA run-rate
    - Diversification: largest market only ¼ of interest income
- Macro outlook brings both challenges and opportunities

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
- 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 and sharing our ESG approach and credentials

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
- Actively engaged in the discussions surrounding revisions to the EU Consumer Credit Directive as it moves to the trilogue stage

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

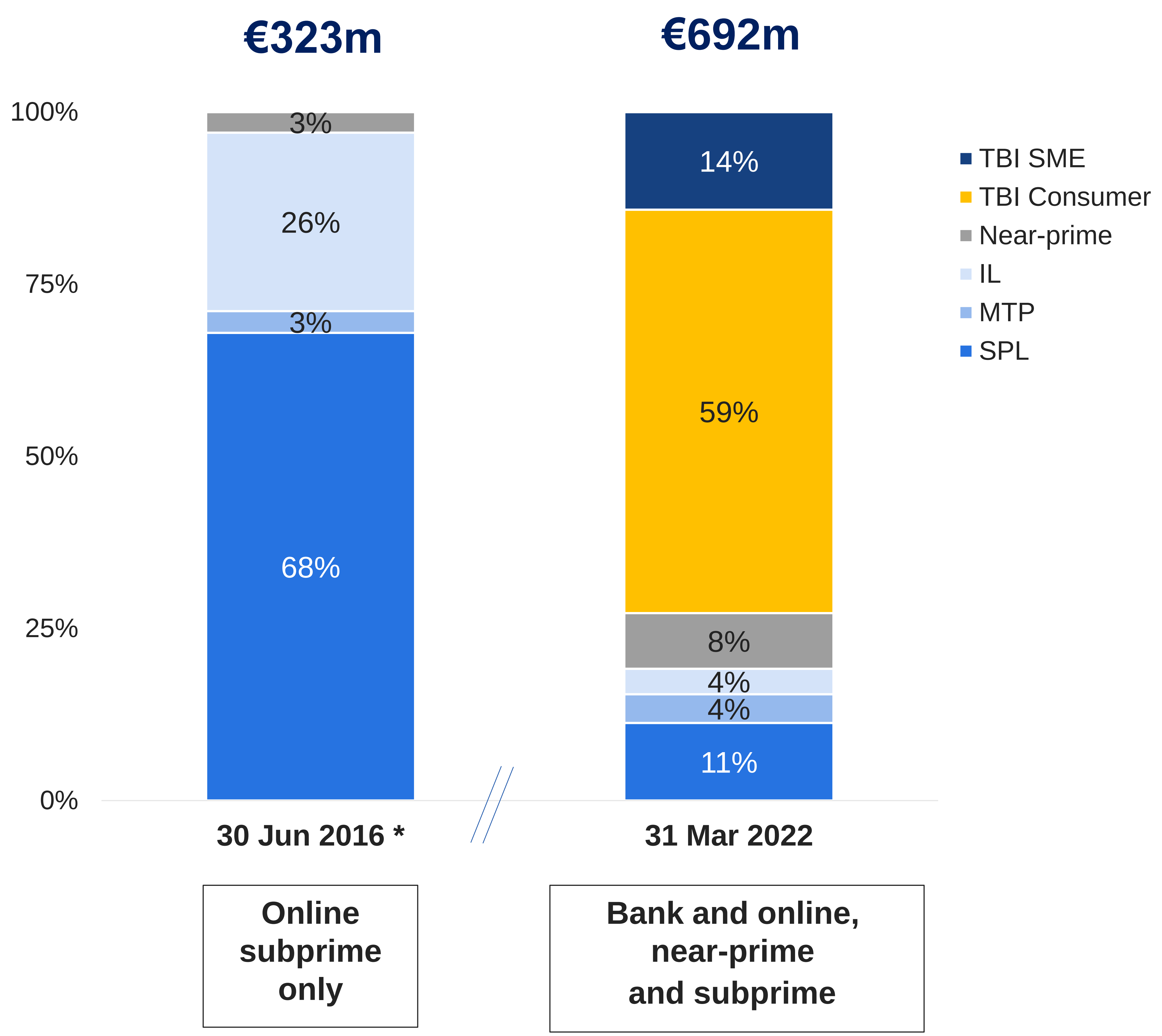
Country	% of interest income (Y2022)	Products [1]	Regulator	CB [2]	License required [3]	Interest rate cap [1]	Status
Bulgaria	17%	SPL (online), IL, LOC, POS, SME	Bulgarian National Bank	Yes	Yes	APR (inc. fees)	New Draft Bill for Amendments in Contracts and Obligations Act, lowering default interest from 10% to 4% for individuals, which may reduce APR cap from 50% to 20%
Czech Republic	6%	SPL, IL	Czech National Bank	Yes	Yes	-	Stable framework
Denmark	1%	IL	FSA and Consumer Ombudsman	Yes	Yes	APR & TCOC	Ceased offering and lending; managing current portfolio
Latvia	7%	MTP, IL	Consumer Rights Protection Centre	-	Yes	Nominal, fees & TCOC	Stable framework since new interest rate caps in July 2019
Lithuania	3%	IL	Central Bank of Lithuania	Yes	Yes	Nominal, fees & TCOC	Stable framework
Poland	22%	SPL, IL	Office of Competition and Consumer Protection	-	-	Nominal, fees & TCOC	New Anti-Usury Law proposal on non-interest cost caps still under regulatory review. On 13 April 2022 4finance Holding S.A. sold Vivus Finance Sp. z o.o. shares to local management
Romania	21%	IL, LOC, POS, SME	National Bank of Romania	Yes	Yes	-	Stable framework
Spain	23%	SPL, IL	N/A	-	-	-	New Draft Bill creating Financial Customer Protection Authority. TBD if consumer credit companies are in the scope
Sweden	1%	MTP	Swedish Financial Supervisory Authority	Yes	Yes	Nominal & TCOC	Stable framework

Notes:
(1) 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; 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

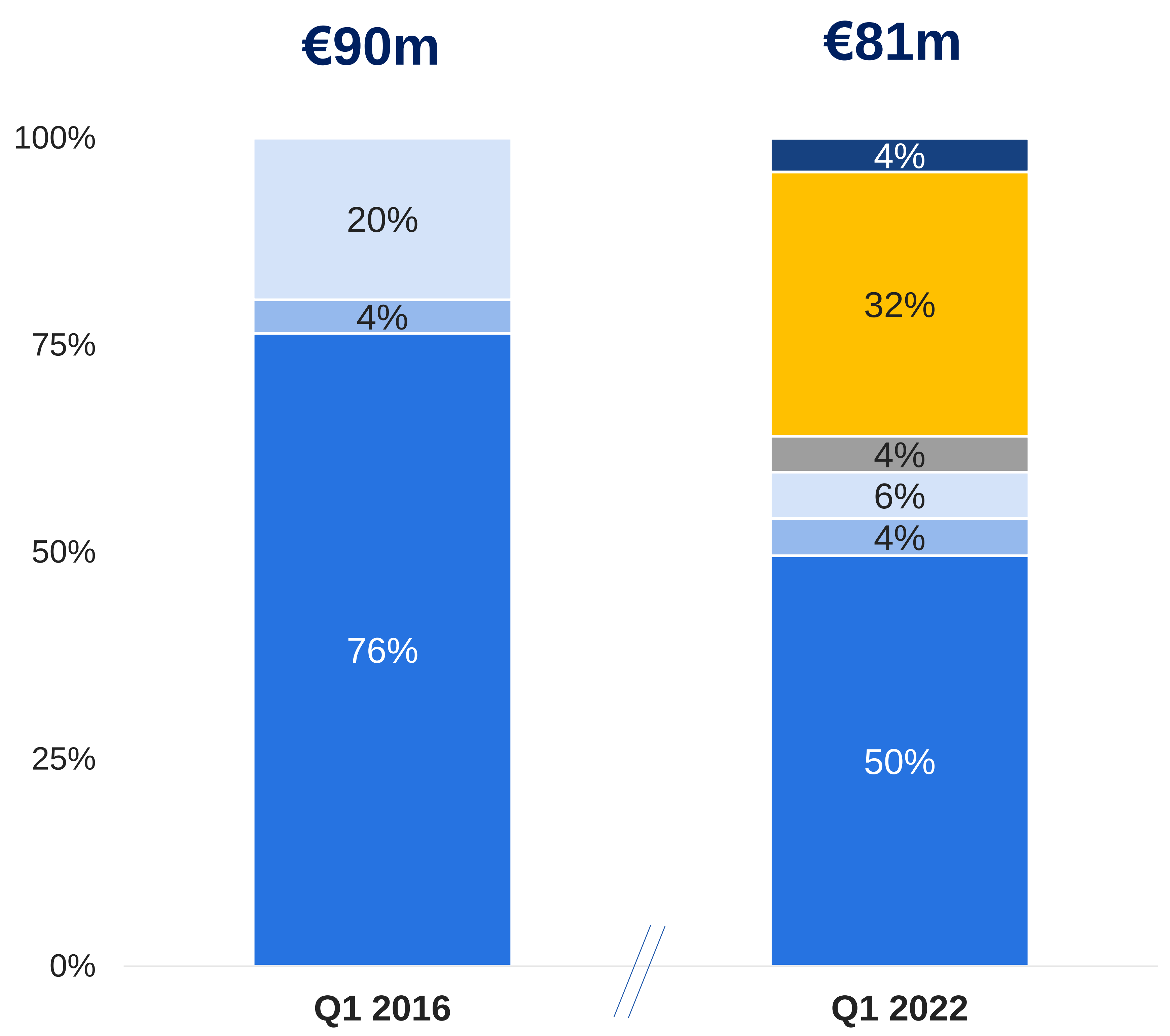
Appendix – strategic evolution of portfolio and funding

Evolution of product mix

Net receivables by product



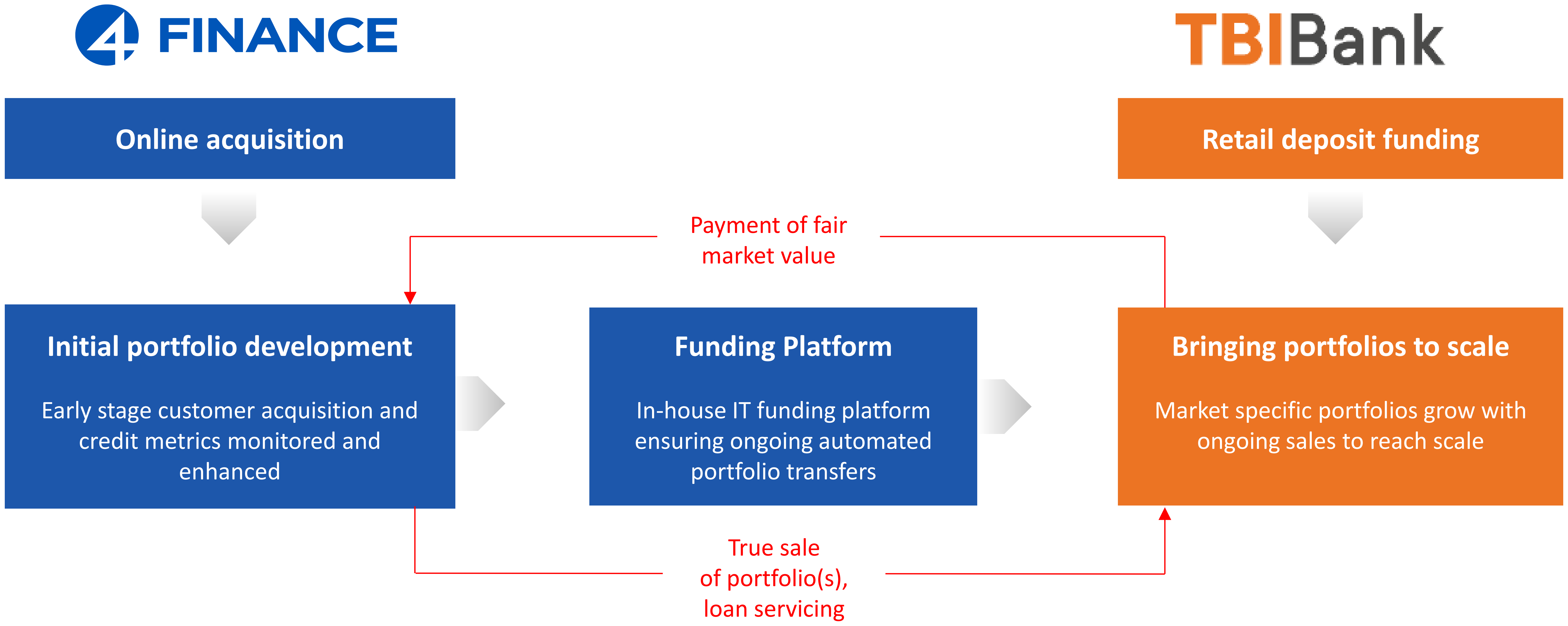
Interest income by product



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

Funding near-prime loans 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**
- **Sales of Lithuanian near-prime loans with over €28m principal sold since February 2021**
- **Project for sales of Latvian near-prime product underway**

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 €	Q1 2022 (unaudited)	Q1 2021 (unaudited)	% change	Q1 2022 Proforma*
Interest Income	80.9	69.4	17%	71.4
Interest Expense	(10.6)	(12.2)	(13)%	(10.1)
Net Interest Income	**70.3**	**57.2**	**23%**	**61.3**
Net F&C Income	6.5	3.0	118%	6.5
Other operating income	1.9	2.4	(22)%	2.3
Non-Interest Income	**8.4**	**5.4**	**54%**	**8.8**
Operating Income (Revenue)	**78.7**	**62.6**	**(26)%**	**70.1**
Total operating costs	**(39.6)**	**(36.9)**	**7%**	**(35.0)**
Pre-provision operating profit	**39.1**	**25.8**	**52%**	**35.1**
Net impairment charges	(15.3)	(12.2)	(26)%	(18.3)
Post-provision operating profit	**23.8**	**13.6**	**75%**	**16.8**
Depreciation and amortisation	(1.8)	(1.8)	(0)%	(1.6)
Non-recurring income/(expense)	(0.4)	0.7	nm	(0.3)
Net FX gain/(loss)	(2.7)	(2.7)	(0)%	(2.8)
Profit before tax	**18.8**	**9.7**	**94%**	**12.1**
Income tax expense	(5.6)	(4.1)	34%	(4.5)
Net profit/(loss) after tax	**13.3**	**5.6**	**139%**	**7.7**
Adjusted EBITDA	**33.5**	**25.1**	**34%**	**25.8**

* Illustrative proforma results for Q1 2022 for the combination of 4finance, plus Philippines and excluding Poland, as if the transactions occurred prior to January 2022
Philippines numbers based on management accounts with preliminary IFRS adjustments
Interest expense also adjusted to reflect bond buybacks for the full quarter

Balance sheet

In millions of €	31 March 2022 (unaudited)	31 December 2021
Cash and cash equivalents, of which:	**127.3**	**180.0**
- Online	68.3	80.1
- TBI Bank	59.0	99.9
Placements with other banks	25.0	16.9
Gross receivables due from customers	782.2	750.7
Allowance for impairment	(90.7)	(92.5)
Net receivables due from customers, of which:	**691.5**	**658.1**
- Principal	673.1	640.0
- Accrued interest	18.4	18.1
Net investments in finance leases	1.9	2.0
Net loans to related parties	58.8	59.0
Property and equipment	18.0	18.1
Financial investments	71.5	53.4
Prepaid expenses	4.3	3.5
Tax assets	4.6	5.8
Deferred tax assets	12.7	12.5
Intangible IT assets	12.4	11.5
Goodwill	15.9	15.9
Other assets	26.6	21.4
Total assets	**1,070.5**	**1,058.1**
Loans and borrowings	289.6	313.0
Deposits from customers	504.1	482.1
Deposits from banks	—	6.7
Corporate income tax payable	8.2	5.1
Other liabilities	81.6	74.4
Total liabilities	**883.6**	**881.3**
Share capital	35.8	35.8
Retained earnings	181.4	168.1
Reserves	(30.2)	(27.0)
Total equity	**186.9**	**176.8**
Total shareholders' equity and liabilities	**1,070.5**	**1,058.1**

Statement of cash flows

In millions of €	3 months to 31 March	
	2022	2021
Cash flows from operating activities		
Profit/(loss) before taxes	**18.8**	**9.7**
Adjustments for:		
Depreciation and amortisation	1.8	1.8
Net loss on foreign exchange from borrowings and other monetary items	0.2	7.1
Impairment losses on loans	24.4	22.2
Reversal of provision on debt portfolio sales	(6.9)	(7.0)
Write-off and disposal of intangible and property and equipment assets	0.0	0.1
Interest income from non-customers loans	(1.7)	(2.2)
Interest expense on loans and borrowings and deposits from customers	10.6	12.2
Non-recurring finance (income)	(0.6)	(1.0)
Other non-cash items, including gain/loss on disposals	(0.1)	0.3
Profit before adjustments for the effect of changes to current assets and short-term liabilities	46.7	43.1
Adjustments for:		
Change in financial instruments measured at fair value through profit or loss	(1.7)	(7.1)
(Increase) decrease in other assets (including TBI statutory reserve, placements & leases)	(13.1)	(17.7)
Increase/(decrease) in accounts payable to suppliers, contractors and other creditors	3.3	2.2
Operating cash flow before movements in portfolio and deposits	**35.2**	**20.4**
Increase in loans due from customers	(65.6)	(34.3)
Proceeds from sale of portfolio	14.3	11.4
Increase in deposits (customer and bank deposits)	15.3	51.4
Deposit interest payments	(1.8)	(2.1)
Gross cash flows from / (used in) operating activities	**(2.7)**	**46.8**
Corporate income tax (paid), net of refunds received	(1.4)	(1.5)
Net cash flows from / (used in) operating activities	**(4.1)**	**45.3**

In millions of € (continued)	3 months to 31 March	
	2022	2021
Cash flows from / (used in) investing activities		
Purchase of property and equipment and intangible assets	(1.7)	(1.3)
Net cash from (Purchase) / Sale of financial instruments	(19.3)	(5.7)
Interest received from related parties	1.8	2.2
(Acquisition) of equity investments	(1.8)	-
Net cash flows (used in) investing activities	**(21.0)**	**(4.8)**
Cash flows from / (used in) financing activities		
Repayment and repurchase of loans and notes	(26.7)	(7.0)
Interest payments	(4.7)	-
FX hedging margin	1.5	6.3
Payment of lease liabilities	(0.9)	(0.8)
Dividend payments	-	-
Net cash flows used in financing activities	**(30.9)**	**(1.5)**
Net increase/(decrease) in cash and cash equivalents	**(56.0)**	**39.0**
Cash and cash equivalents at the beginning of the period	**134.2**	**120.6**
Effect of exchange rate fluctuations on cash	(0.0)	(0.2)
Cash and cash equivalents at the end of the period	**78.2**	**159.4**
TBI Bank minimum statutory reserve	**49.1**	**37.0**
Total cash on hand and cash at central banks	**127.3**	**196.3**

Key financial ratios

	Q1 2022	Q1 2021
Capitalisation		
Equity / assets	17.5%	15.2%
Tangible common equity / tangible assets	14.2%	11.5%
Equity / net receivables	27.0%	29.1%
Adjusted interest coverage	2.5x	1.9x
TBI Bank consolidated capital adequacy	21.4%	19.0%
Profitability		
Net interest margin:		
- Online	74.5%	62.5%
- TBI Bank	22.6%	23.8%
- Overall group	37.9%	37.4%
Cost / income ratio	50.3%	58.9%
Normalised Profit before tax margin	27.1%	17.0%
Normalised Return on average equity	36.0%	20.0%
Normalised Return on average assets	6.2%	3.1%
Asset quality		
Cost of risk:		
- Online	16.4%	13.2%
- TBI Bank	4.3%	4.4%
- Overall group	8.0%	7.6%
Net impairment / interest income	18.9%	17.5%
Gross NPL ratio:		
- Online	11.1%	16.7%
- TBI Bank	9.8%	14.0%
- Overall group	10.2%	14.9%
Overall group NPL coverage ratio	114.1%	106.9%
Loan loss reserve / gross receivables, %	11.6%	15.9%

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)

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