

4FINANCE HOLDING S.A. REPORTS RESULTS FOR THE THREE MONTHS ENDING 31 MARCH 2020

Solid initial start to the year, with further near-prime product development.

Rapid business response to Covid-19, focused on supporting existing customers, with demand now increasing again.

Strong liquidity position and lower leverage following bond buybacks in March & April.

29 May 2020. 4finance Holding S.A. (the 'Group' or '4finance'), one of Europe's largest digital consumer lending groups, today announces unaudited consolidated results for the three months ending 31 March 2020 (the 'Period').

Operational Highlights

- Rapidly adapted operations in March, moving over 2,000 staff across 16 countries to working from home in less than 10 working days, ensuring employee safety and enabling continuous service to be provided to customers. Established daily and weekly rhythm of executive committee, crisis team and Board meetings to coordinate Covid-19 response.
- Continued to provide credit to loyal customers, with acceptance rates for returning customers in shorter term products maintained within 5 percentage points of usual levels in most markets since March. Overall repayment behaviour in April and May is slightly below normal levels for this time of year, but remains within the typical annual range.
- Committed to supporting customers whose plans have been disrupted, with early and proactive measures including discounted or free payment deferrals. These have been subsequently reinforced by similar regulatory measures in many markets. Requests for payment deferrals have been concentrated in the TBI Bank SME portfolio and in the Czech Republic, where they are automatically available on request.
- Market-wide customer demand for loans has reduced since mid-March, and the Group has also reduced its marketing spend and tightened aspects of its underwriting criteria, particularly for new customers. Compared to the January-February average, online loan issuance volumes were at 89% in March, 53% in April and 64% (pro-rata) for May. Expecting to see further improvement in loan issuance volumes from June onwards.
- Development of near-prime lending products continued in Q1. Good take-up of new launch in Latvia among suitably qualified existing customers. Products in Lithuania and Sweden were significantly enhanced and offered through new channels, with positive initial customer response. Near-prime issuance was up 22% year-on-year (64% in the online business and 17% in TBI Bank) reflecting strong customer demand and the expanded product range.
- TBI Bank loan issuance volume during the Period grew by 13% year-on-year to €77.3 million from €68.2 million in the prior year period, however issuance was impacted from March onwards, particularly in the SME segment. The majority of TBI Bank branches and service points have remained open and are operating in line with local healthcare guidance.

Financial Highlights

- Interest income of €96.6 million in the Period, down 9% from €106.5 million in the prior year period. Most products performed in line with expectations, with some quarter-on-quarter declines from a seasonally strong Q4 and reductions in some products that were de-emphasised in 2019. Reduced origination from Covid-19 also made a small impact.
- Cost to income ratio for the Period was 52.7%, vs. 52.0% in Q1 2019, with operating costs down 6% year-on-year, reflecting cost discipline across the Group and initiatives already in place, plus some initial reduction of marketing spend in March. Further cost reduction measures underway as part of Covid-19 response.
- Adjusted EBITDA was €23.3 million for the Period, down 21% year-on-year. The interest expense used in the bond covenant interest coverage ratio was reduced 18% year-on-year (following the USD 2019 bond repayment and bond buybacks) maintaining the interest coverage ratio at 2.5x, the same level as a year ago.
- Post-provision operating profit for the Period was €10.7 million, although profit before tax was only €0.2 million as a result of adverse FX movements and a non-cash accounting loss on the sale of its Georgian business.
- Net receivables totaled €542.6 million as of 31 March 2020, down 3.6% during the Period, given lower origination and some increased provisioning associated with Covid-19.
- Overall gross NPL ratio at 22.2% as of 31 March 2020 (28.3% for online), compared with 20.7% as of 31 December 2019 (24.9% for online), with the increase partly due to some debt sales being postponed in March.
- Overall cost of risk was 17.4% for the Period, stable compared with 18.4% in the prior year period. For the online business it was 29.5% for the Period, compared to 28.9% in Q1 2019, and in TBI Bank it was 4.7% for the Period, compared to 4.5% in the prior year period.
- Strong funding position, with €83.4 million of online cash at the end of the Period and no debt maturities in 2020, and solid liquidity and capital adequacy at TBI Bank.

Strategic Highlights

- At the end of Q1 2020, the near-prime segment (including TBI Bank consumer and online) represented over half (51%) of net receivables, up from 48% at the end of 2019. Single payment loans now represent only 17% of the Group's net receivables.
- TBI Bank made a particularly strong start to the year, and whilst Covid-19 is having an impact on new issuance volumes, particularly in the offline SME segment, the Group is a local market leader in providing digital options for its customers, including online point-of-sale products for consumers and SMEs. The regulator has indicated that dividends should not be paid by Bulgarian banks currently, and so the Group does not expect dividends from TBI to resume until 2021.
- The Group continues to review its product range and cost structure as the impact of Covid-19, associated regulatory changes and the pace of resumption in economic activity become clearer. The Group has taken the decision to stop new lending in Argentina and Mexico, where currency volatility has been an additional hurdle, and in Finland. Across the online business, staff reductions have been initiated that will result in savings of c.20% of personnel costs from Q3 onwards, and other cost efficiency programmes have been accelerated.
- Progress on funding diversification projects continues, with further small sales of Polish instalment loans to TBI Bank during the quarter, and filing of a passport application for Lithuania with the Bulgarian National Bank in April ahead of planned initial sales of near-prime loans to TBI Bank in Q3.
- The Group made further market repurchases of its bonds in March and also subsequent to the Period end in April. As of the date of this report, the Group holds €1.1 million of its EUR 2021 bonds and \$85.9 million of its USD 2022 bonds in treasury, whilst its current 'online' cash position, after the May bond interest payments, is approximately €90 million.
- Following the impact of Covid-19 on the high yield debt capital markets, and also on the Group's near-term financial prospects, 4finance is reviewing its liability management options, including the possibility of seeking an extension to the maturity of its EUR 2021 bonds.

Oyvind Oanes, CEO of 4finance, commented:

"Despite the unprecedented challenges in recent months, we have kept our team safe, kept our business going and provided seamless support for our customers. I remain grateful to colleagues across the business for the way they have responded to working in this new environment, and am sure they will manage the gradual return to offices now being planned in many markets equally well.

"I want to talk about our customers – as a responsible lender we want to help support our customers through this time. That means two things: being there to offer a good regulated option for those who seek suitable credit and being ready to help those that might need extra time to pay due to Covid-19 impacting their finances. We moved quickly to offer respite to those in need, in many cases ahead of regulatory guidance. Most customers are able to meet their commitments – but we have a decade of experience of helping those whose circumstances change. We have of course tightened our lending criteria, but are keeping this under very regular review, and have already been able to increase acceptance rates in the last couple of weeks of May where prudent. Accessible credit is very important to our customer segment – arguably even more so at the moment.

"I also want to talk about our strategic view of the future and how we are preparing for this. There will be significant opportunities as the current crisis recedes. Consumers are even more used to transacting online, which suits both our native online business as well as TBI Bank, which is a digital pioneer in its markets. The overall segment of customers with a more complicated credit history is likely to expand, and our credit scoring expertise enables us to serve them. But we must be very focused on how we deploy our resources. This means concentrating on markets where we see the best prospects, and we have made the difficult decision to wind down our Latin American operations, given the gap to achieve scale in those markets and the continued additional currency challenges. Last September's regulation in Finland has made it difficult to reach a meaningful economic contribution in that market also. As we adjust our footprint and product range, we will also adjust our cost structure. In addition to accelerating ongoing cost efficiency initiatives, we have already implemented significant staffing reductions.

"Navigating the next few months will continue to be challenging, but as a management team and board we are confident the business is well positioned to weather the storm and that we have the experience and operational capability to do this. And we are actively planning now so we can build on our industry leading market positions in the future."

Contacts

Contact: James Etherington, Head of Investor Relations
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 **Tuesday, 2 June 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 14 countries.

Leveraging a high degree of automation and data-driven insights across all aspects of the business, 4finance has grown rapidly, issuing over €7 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, Luxembourg and Miami, and currently operates in 12 countries in Europe as well as in Argentina and Mexico. 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

	Three months ending 31 March 2020	Three months ending 31 March 2019	Year Ended 31 December 2019	Year Ended 31 December 2018
Capitalisation				
Net receivables (€m), ⁽¹⁾ of which:	542.6	547.7	578.9	553.2
- Principal	514.7	516.5	548.0	521.6
- Accrued interest	27.9	31.2	30.9	31.6
Total assets (€m)	972.7	1,014.7	973.1	992.4
Total equity (€m)	160.8	163.7	165.8	156.4
Equity / assets ⁽²⁾	16.5%	16.1%	17.0%	15.8%
Equity / net receivables ⁽³⁾	29.6%	29.9%	28.6%	28.3%
Adjusted interest coverage ⁽⁴⁾	1.8x	2.0x	2.2x	2.4x
TBI Bank consolidated capital adequacy ⁽⁵⁾	18.8%	21.0%	18.9%	22.4%
Profitability				
Net interest margin: ⁽⁶⁾				
- Online	76.4 %	80.2 %	81.3 %	88.9 %
- TBI Bank	24.6 %	25.2 %	24.8 %	26.8 %
- Overall group	50.0 %	55.7 %	54.5 %	63.5 %
Cost / income ratio ⁽⁷⁾	52.7 %	52.0 %	51.3 %	52.1 %
Post-provision operating profit margin ⁽⁸⁾	11.1 %	12.7 %	15.2 %	17.7 %
Normalised Profit before tax margin ⁽⁹⁾	7.8 %	9.7 %	11.4 %	15.2 %
Normalised Return on average equity ⁽¹⁰⁾	11.8 %	10.4 %	16.1 %	31.6 %
Normalised Return on average assets ⁽¹¹⁾	2.0 %	1.7 %	2.6 %	4.7 %
Asset quality				
Cost of risk: ⁽¹²⁾				
- Online	29.5 %	28.9 %	27.5 %	24.0 %
- TBI Bank	4.7 %	4.5 %	4.6 %	8.0 %
- Overall group	17.4 %	18.4 %	17.1 %	17.7 %
Net impairment / interest income ⁽¹³⁾	32.3 %	30.4 %	29.0 %	25.9 %
Gross NPL ratio: ⁽¹⁴⁾				
- Online	28.3 %	22.7 %	24.9 %	22.0 %
- TBI Bank	16.0 %	17.3 %	16.2 %	15.9 %
- Overall group	22.2 %	20.4 %	20.7 %	19.4 %
Overall group NPL coverage ratio ⁽¹⁵⁾	103.5 %	106.4 %	102.0 %	110.6 %

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, and for 2018 ratios only, adjusted to reflect the opening balance of 2018 balance sheet after IFRS 9 effects.

(1) Gross receivables (including accrued interest) less impairment provisions. Note that reduction in write-off period for online loans as of January 2018 reduces 2018 values in comparison with prior years

(2) Total equity / total 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 three months ending 31 March 2020 and 31 March 2019. 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 to better reflect operating results.

	3 months to 31 March		
	2020 (unaudited)	2019 (unaudited)	% change
	<i>(in millions of €)</i>		
Interest Income	96.6	106.5	(9) %
Interest Expense	(12.7)	(15.0)	(16) %
Net Interest Income	83.9	91.5	(8) %
Net F&C Income	2.4	2.1	+12 %
Other operating income	2.3	2.2	+7 %
Non-Interest Income	4.7	4.3	+10 %
Operating Income (Revenue)	88.6	95.7	(7) %
Total operating costs	(46.7)	(49.8)	(6) %
Pre-provision operating profit	41.9	45.9	(9) %
Net impairment charges	(31.2)	(32.4)	(4) %
Post-provision operating profit	10.7	13.5	(21) %
Depreciation and amortisation	(3.2)	(3.2)	0 %
Non-recurring income/(expense)	(3.9)	(0.1)	nm
Net FX gain/(loss)	(3.4)	1.6	nm
Profit before tax	0.2	11.9	nm
Income tax expense	(2.7)	(6.2)	(57) %
Net profit/(loss) after tax	(2.5)	5.7	nm

Interest income

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

	3 months to 31 March		
	2020	2019	% change
	<i>(in millions of €, except percentages)</i>		
Online lending			
Total value of loan principal issued	213.5	259.7	(18) %
Average net receivables, of which:	251.3	289.2	(13) %
- Principal	229.4	264.0	
- Accrued interest	21.9	25.2	
Annualised interest income yield on net portfolio ⁽¹⁾	129 %	132 %	
Interest income from online lending	74.0	87.0	(15) %
Banking operations			
Average net receivables, of which:	309.4	261.1	+18 %
- Principal	301.9	255.1	
- Accrued interest	7.5	5.9	
Annualised interest income yield on net portfolio ⁽¹⁾	30 %	31 %	
Interest income from banking operations ⁽²⁾	22.6	19.5	+16 %

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 €96.6 million, a 9% decrease compared with €106.5 million for the three months ending 31 March 2019. The reduction in interest income from online lending was 15%, reflecting the 13% decrease in the average balance of net receivables and a lower average interest yield.

TBI Bank's loan book has continued to grow, with an increase of 18% in average net receivables year-on-year. Its consumer lending (cash lending, point-of-sale lending and credit cards) has average product APRs between 20% and 50% and SME loans with average interest rates of approximately 8-14% 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 €12.7 million, a decrease of 16% compared with €15.0 million for the three months ending 31 March 2019. The lower interest expense year-on-year reflects the repayment of the remaining \$68 million of USD 2019 bonds in August 2019 and the various bond buybacks over the past year. The interest expense during the Period includes €0.4 million of one-off benefit from buying bonds below par in March 2020.

Non-interest income

Non-interest income for the period was €4.7 million, a 10% increase compared with €4.3 million reported for the three months ending 31 March 2019. The net fee and commission income generated by TBI Bank, primarily fees from insurance sales to its customers, was relatively stable year-on-year. Other operating income is mainly derived from related party loans.

Total operating costs

Total operating costs reported for the Period were €46.7 million, a 6% decrease compared with €49.8 million reported for the three months ending 31 March 2019. The year-on-year decrease in costs reflects a focus on marketing efficiency, cost discipline and the results of strategic cost initiatives. Costs in TBI Bank increased in line with business growth and from the purchase of the Group's online business in Bulgaria in April 2019. Due to the adoption of IFRS 16 as of January 2019, rent and utilities costs are reduced by €1.1 million in the Period. These expenses are now reclassified within interest expense (€0.1 million) and depreciation & amortisation (€1.1 million).

The table below sets out a breakdown of the Group's total operating costs. Depreciation and amortisation amounts are shown as a separate line on the income statement so that operating costs better reflect actual cash costs.

	3 months to 31 March	
	2020	2019
	<i>(in millions of €)</i>	
Personnel costs	23.9	24.0
Marketing and sponsorship	9.1	9.6
IT expenses (including R&D)	3.9	4.5
Legal and consulting	1.5	2.2
Application processing costs	1.5	1.6
Debt collection costs	1.1	1.3
Communication expenses	1.1	1.0
Taxes	1.1	1.5
Bank services	1.0	0.9
Rent and utilities	0.5	0.8
Travel	0.5	0.6
Other	1.5	1.9
Total	46.7	49.8
Of which:		
TBI Bank	12.6	10.7
4finance 'online' business	34.1	39.2

For the three months of 2020 and 2019, marketing and sponsorship costs accounted for 20% and 19% respectively, and personnel costs accounted for 51% and 48%, respectively, of total operating costs. The cost to income ratio for the Period was 52.7%, an increase from 52.0% for Q1 2019, impacted by the reduced income in March, before mitigating cost action is reflected in operating costs.

Pre-provision operating profit

For the reasons stated above, the Group's pre-provision operating profit for the Period was €41.9 million, a 9% decrease compared with €45.9 million for the three months ending 31 March 2019.

Net impairment charges on loans and receivables

Net impairment charges for the Period were €31.2 million, compared with €32.4 million for the three months ending 31 March 2019. Gross impairment charges increased slightly compared to the prior period, despite the greater proportion of lower risk near-prime lending (TBI Bank and online) in the overall loan portfolio. Some increased impairments were seen in the Armenian instalment loan portfolio (which is being wound down) and in short-term loans in Spain and Denmark due to lower recent debt sales activity.

The Group also estimates that Covid-19 effects added approximately €3 million to net impairment charges in March from a combination of delayed debt sales, initial impact on delay indicators and increased macro provisions. The postponement of debt sales in March has also resulted in a higher NPL ratio, particularly for the online business.

	3 months to 31 March	
	2020	2019
	<i>(in millions of €)</i>	
Impairment charges on loans	36.4	35.9
Over provision on debt portfolio (portfolio sale net gains)	(2.0)	0.1
Recovery from written-off loans	(3.1)	(3.6)
Net impairment charges	31.2	32.4

Overall net impairment charges represented 32% of interest income for the Period, an increase from 30% last year. The net impairment charges for the online business compared to average online gross receivables, *i.e.* cost of risk, increased to 30% in the Period from 29% last year. This ratio was also impacted by the lower level of new loan issuance in March due to Covid-19.

Non-recurring expense

During the Period, the Group sold its operating business in Georgia to its parent company at fair market value (€3.0 million, paid in cash). However, a €3.2 million non-cash loss was booked in the IFRS income statement on the sale. This relates mainly to the FX impact on historic retained earnings being moved from balance sheet equity reserves to the income statement (with no impact on equity) and the expected future losses of the entity.

Net FX gain/(loss)

Foreign exchange movements resulted in a net loss of €3.4 million for the Period. In the prior year period there was a net FX gain of €1.6 million. The Group monitors its currency positions actively and hedges net exposures where practical, including the majority of its US Dollar and Polish Zloty exposures. The main impact during the quarter came from the Mexico, Armenia and Argentina on the asset side and the US Dollar on the liability side.

Profit/(loss) before tax

For the reasons stated above, the Group made a profit before tax for the Period of €0.2 million, compared with €11.9 million for the three months ending 31 March 2019.

Corporate income tax

The Group's corporate income tax expense was €2.7 million for the Period, compared with €6.2 million for the three months ending 31 March 2019.

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

	3 months to 31 March	
	2020	2019
	<i>(in millions of €)</i>	
Current tax	6.1	7.4
Deferred tax	(3.4)	(1.2)
Total	2.7	6.2

The Group had positive profit before tax in its larger online operations, and TBI Bank, during the Period, hence there was still a tax charge for the Period.

Profit/(loss) for the period

For the reasons stated above, the loss for the Period was €2.5 million, compared with a profit of €5.7 million for the three months ending 31 March 2019.

Other financial data – EBITDA and Adjusted EBITDA

	Three months ending 31 March 2020	Three months ending 31 March 2019	Year Ended 31 December 2019	Year Ended 31 December 2018
	<i>(in millions of €)</i>			
Profit for the period	(2.5)	5.7	28.4	28.5
Income tax expense	2.7	6.2	22.3	26.0
Interest expense	12.7	15.0	56.8	62.1
Depreciation and amortisation	3.2	3.2	16.5	11.9
EBITDA	16.1	30.1	124.0	128.5
Adjustments	7.2	(0.7)	(0.3)	22.0
Adjusted EBITDA ⁽¹⁾	23.3	29.4	123.7	148.6

	Three months ending 31 March 2020	Three months ending 31 March 2019	Year Ended 31 December 2019	Year Ended 31 December 2018
	<i>(in millions of €)</i>			
Summary breakdown of Adjustments to EBITDA				
Discontinued operations	—	—	—	(0.1)
Net FX impact	3.4	(1.6)	(4.8)	12.6
One-off costs and other prescribed adjustments	3.9	0.9	3.0	2.8
One-off write-down of intangible assets	—	—	1.5	6.7
Total	7.2	(0.7)	(0.3)	22.0

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.

Balance Sheet

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

	31 March 2020 (unaudited)	31 December 2019
	<i>(in millions of €)</i>	
Cash and cash equivalents, of which:	156.0	125.7
- Online	83.4	76.7
- TBI bank	72.5	49.0
Placements with other banks	12.7	6.4
Gross receivables due from customers	704.2	733.7
Allowance for impairment	(161.6)	(154.8)
Net receivables due from customers, of which:	542.6	578.9
- Principal	514.7	548.0
- Accrued Interest	27.9	30.9
Net investments in finance leases	4.5	4.7
Net loans to related parties	59.4	60.7
Property and equipment	18.2	17.8
Financial investments	50.2	56.4
Prepaid expenses	4.0	4.5
Tax assets	17.4	21.3
Deferred tax assets	35.3	33.0
Intangible IT assets	16.8	17.8
Goodwill	16.5	16.5
Other assets	39.2	29.5
Total assets	972.7	973.1
Loans and borrowings	384.9	384.6
Deposits from customers	333.3	322.2
Deposits from banks	9.5	13.0
Corporate income tax payable	12.4	9.5
Other liabilities	71.8	78.0
Total liabilities	811.9	807.4
Share capital	35.8	35.8
Retained earnings	162.8	165.7
Reserves	(37.8)	(35.7)
Total attributable equity	160.8	165.8
Non-controlling interests	—	—
Total equity	160.8	165.8
Total shareholders' equity and liabilities	972.7	973.1

Assets

The Group had total assets of €972.7 million as of 31 March 2020, compared with €973.1 million as of 31 December 2019. The main changes during the Period were a reduction in the net loan portfolio, as described below, an increase in deposits and cash at TBI Bank, and an increase in the value of the Group's FX hedges (within 'other assets').

Loan portfolio

As of 31 March 2020, the Group's net receivables equaled €542.6 million, compared with €578.9 million as of 31 December 2019, representing a decrease of €36.3 million, or 6%. The decrease was largely due to reductions in online lending origination, and the additional provisioning due to Covid-19. TBI Bank contributed €305.3 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 our overall loan portfolio, both online (mainly funded outside of TBI Bank) and banking (funded by TBI Bank), showing performing vs non-performing classification. This is shown on a loan principal basis to

better reflect amounts actually funded. Additional reference information on the historic quarterly development of our online portfolio on a receivables basis for comparability, 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 principal in terms of performing and non-performing loans (*i.e.* those more than 90 days past due). The Group's Bulgarian online lending operations (vivas.bg) with approximately €3 million of gross principal was transferred to TBI Bank in April 2019. Just over €3 million of gross principal of Polish instalment loans was transferred to TBI Bank in H2 2019. Both of these portfolios are still classified as 'online' loans in the tables below, and others in this report, to give a more comprehensive picture of asset quality across the online lending products.

Principal	31 March 2020				31 December 2019			
	Gross Amount	Impairment allowance	Net Amount	% of Gross Amount	Gross Amount	Impairment allowance	Net Amount	% of Gross Amount
	<i>(in millions of €, except percentages)</i>				<i>(in millions of €, except percentages)</i>			
Online principal								
Performing	234.7	(35.7)	199.0	73.7 %	263.4	(39.7)	223.7	77.4 %
Non-performing ⁽¹⁾	83.6	(65.6)	18.1	26.3 %	77.0	(59.0)	18.0	22.6 %
Online total	318.4	(101.3)	217.1	100.0 %	340.4	(98.7)	241.7	100.0 %
TBI Bank principal								
Performing	285.3	(12.1)	273.2	84.0 %	289.6	(11.8)	277.8	83.8 %
Non-performing ⁽¹⁾	54.1	(29.8)	24.4	16.0 %	55.8	(27.4)	28.4	16.2 %
TBI Bank total	339.4	(41.8)	297.6	100.0 %	345.4	(39.2)	306.2	100.0 %
Overall principal								
Performing	520.0	(47.8)	472.2	79.1 %	552.9	(51.5)	501.5	80.6 %
Non-performing ⁽¹⁾	137.8	(95.3)	42.4	20.9 %	132.8	(86.4)	46.5	19.4 %
Overall total	657.8	(143.1)	514.7	100.0 %	685.8	(137.8)	548.0	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 principal by product. A separate classification for Near Prime loans has been added, which includes the Group's lower APR instalment loan products in Latvia, Lithuania, Spain and Sweden.

Online performing gross principal by product:	31 March 2020		31 December 2019	
	Amount	% of Portfolio	Amount	% of Portfolio
	<i>(in millions of €, except percentages)</i>			
Single Payment Loans	89.1	38.0 %	101.3	38.5 %
Instalment Loans	71.9	30.6 %	89.4	34.0 %
Lines of Credit ⁽¹⁾	39.5	16.8 %	41.8	15.9 %
Near Prime ⁽²⁾	34.2	14.6 %	30.8	11.7 %
Total online gross performing principal	234.7	100.0 %	263.4	100.0 %

Notes: (1) Includes Minimum-to-Pay products and Point of Sale Loans

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

Online non-performing loan portfolio

As of 31 March 2020, the Group's non-performing online principal was €83.6 million, an increase of €6.6 million since 31 December 2019. The gross NPL ratio was 28.3% for online receivables as of 31 March 2020, compared to 24.9% as of 31 December 2019. This increase in NPL ratio was mainly due to lower fresh loan origination, particularly in March, and the delay in some debt sales, as mentioned earlier.

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 €17.0 million, or 20%, in addition to the non-performing loan principal. 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 principal by product.

	31 March 2020	31 December 2019
	<i>(in millions of €, except percentages)</i>	
Non-performing online principal by product:		
Single Payment Loans	37.8	32.3
Instalment Loans	29.2	29.8
Lines of Credit ⁽¹⁾	12.7	12.2
Near Prime	4.0	2.7
Total non-performing online principal	83.6	77.0
Allowance for NPL principal	65.6	59.0
Allowance for NPL principal / non-performing principal	78 %	77 %
Overall receivables allowance / NPL receivables coverage ratio	118 %	121 %
Average Loss Given Default rate ⁽²⁾	75 %	75 %

Notes: (1) Includes Point of Sale Loans

(2) Average LGD rate for SPL was 87%; IL: 73%; LOC: 69%; Near prime: 49% as of 31/03/2020

Other assets

A breakdown of the Group's other assets is presented in the table below. The increase in the 'derivatives' line relates mainly to the Group's EUR/USD currency hedges, which increased in value during the quarter.

	31 March 2020	31 December 2019
	<i>(in millions of €)</i>	
Derivatives	18.4	5.5
Receivables from suppliers	6.4	7.5
Non-current assets held for sale	4.2	4.3
FX hedging - funds on margin	0.2	1.6
Investments in associates	2.1	2.1
Security deposits	1.4	1.4
Other non-customer receivables	6.6	7.1
Total	39.2	29.5

Liabilities

The Group had total liabilities of €811.9 million as of 31 March 2020, compared with €807.4 million as of 31 December 2019, representing an increase of €4.6 million.

Loans and borrowings

As of 31 March 2020, the Group had loans and borrowings of €384.9 million, compared with €384.6 million as of 31 December 2019. The Group's loans and borrowings accounted for 47% of total liabilities as of 31 March 2020 and 48% of total liabilities as of 31 December 2019. The following table sets out the loans and borrowings by type.

In March 2020, 4finance S.A. repurchased €10.2 million of its EUR 2021 bonds and a further \$7.9 million of its USD 2022 bonds (bringing the total USD 2022 bonds repurchased by 4finance S.A. and held in treasury to \$57.9 million as of 31 March 2020). Further repurchases were made after the period end, including a repurchase of USD 2022 bonds using EUR 2021 bonds as consideration. As of the date of this report, the Group holds a total of €1.1 million of its EUR 2021 bonds and \$85.9 million of its USD 2022 bonds in treasury.

	<u>31 March 2020</u>	<u>31 December 2019</u>
	<i>(in millions of €)</i>	
2021 Notes	140.9	147.1
2022 Notes	243.9	237.4
Other	0.0	0.0
Total loans and borrowings ⁽¹⁾	<u>384.9</u>	<u>384.6</u>

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% notes (the '2021 Notes'). The 2021 Notes are listed on the Prime Standard regulated market segment of the Frankfurt Stock Exchange. In November 2016, a further €50.0 million of Notes were issued at par. The 2021 Notes mature in May 2021 and are callable at 104%.

In April 2017, 4finance S.A. issued US\$325.0 million of 10.75% notes (the '2022 Notes') 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 2022 Notes are callable at 105.4%.

Customer deposits

As of 31 March 2020, the Group had total customer deposits of €333.3 million. Banking operations contributed €321.3 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 6.5%. 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.

	<u>31 March 2020</u>	<u>31 December 2019</u>
	<i>(in millions of €, except percentages)</i>	
Accrued expenses	17.2	21.0
Lease liabilities (IFRS 16)	9.2	9.0
FX hedging liability	6.5	7.1
Taxes payable	6.0	8.5
Accounts payable to suppliers	5.9	8.0
Provisions for unused vacations	2.8	2.3
Other liabilities	24.3	22.1
Total	<u>71.8</u>	<u>78.0</u>

Equity

As of 31 March 2020, the Group's total equity amounted to €160.8 million, compared with €165.8 million as of 31 December 2019, representing a decrease of €5.0 million, or 3%. In addition to the net loss for the Period, there was a reduction of €2.3 million due to revaluation of the Group's investment in Brabank. The Group's equity to assets ratio as of 31 March 2020 was 17%.

The equity to net receivables ratio as of 31 March 2020 was 30%, 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 31 March 2020 were €18.2 million. This includes TBI Bank's undrawn lending commitments of €17.4 million and financial guarantees €0.4 million, plus €0.4 million in connection with the Group's online portfolio (LoC product). 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

	3 months to 31 March	
	2020	2019
	<i>(in millions of €)</i>	
Cash flows from operating activities		
Profit before taxes	0.2	11.9
Adjustments for:		
Depreciation and amortisation	3.2	3.2
Impairment of goodwill and intangible assets	—	—
Net (gain)/loss on foreign exchange from borrowings and other monetary items	13.1	6.3
Impairment losses on loans	36.4	35.9
Reversal of provision on debt portfolio sales	(2.0)	0.1
Write-off and disposal of intangible and property and equipment assets	0.1	0.1
Interest income from non-customers loans	(1.9)	(1.9)
Interest expense on loans and borrowings and deposits from customers	12.7	15.0
Non-recurring finance cost	3.2	—
Other non-cash items	1.4	0.0
Profit before adjustments for the effect of changes to current assets and short-term liabilities	66.3	70.7
Adjustments for:		
Change in financial instruments measured at fair value through profit or loss	(13.7)	(8.2)
(Increase)/decrease in other assets (including TBI statutory reserve, placements & leases)	(0.9)	(1.5)
Increase/(decrease) in accounts payable to suppliers, contractors and other creditors	(3.9)	(8.1)
Operating cash flow before movements in portfolio and deposits	47.9	52.9
Increase in loans due from customers	(13.2)	(46.8)
Proceeds from sale of portfolio	7.1	16.1
Increase in deposits (customer and bank deposits)	7.7	7.4
Deposit interest payments	(1.5)	(1.0)
Gross cash flows from operating activities	48.1	28.8
Corporate income tax paid	(0.6)	(6.3)
Net cash flows from operating activities	47.5	22.5
Cash flows used in investing activities		
Purchase of property and equipment and intangible assets	(1.5)	(1.3)
Net cash from Purchase / Sale of financial instruments	3.9	(11.8)
Loans issued to related parties	—	—
Loans repaid from related parties	—	4.0
Interest received from related parties	3.1	0.1
Disposal of subsidiaries, net of cash disposed	(1.3)	—
(Acquisition)/Disposal of equity investments	(1.4)	—
Acquisition of non-controlling interests	(0.4)	(0.4)
Net cash flows from investing activities	2.5	(9.4)
Cash flows from financing activities		
Loans received and notes issued	—	—
Repayment and repurchase of loans and notes	(16.4)	(13.3)
Interest payments	(0.6)	(3.5)
FX hedging margin	1.4	8.2
Payment of lease liabilities	(1.1)	(0.9)
Dividend payments	—	—
Net cash flows used in financing activities	(16.7)	(9.5)
Net increase/(decrease) in cash and cash equivalents	33.3	3.5
Cash and cash equivalents at the beginning of the period	98.5	148.8
Effect of exchange rate fluctuations on cash	(0.1)	—
Cash and cash equivalents at the end of the period	131.8	152.4
TBI Bank minimum statutory reserve	24.2	35.4
Total cash on hand and cash at central banks	156.0	187.8

Net cash flows from operating activities in the Period were €47.5 million compared with €22.5 million in the same period last year, mainly due to lower levels of loan issuance. Net cash flows from investing activities were €2.5 million in the Period, including a net reduction in financial instruments at TBI Bank and interest received from related parties. The Group's cash flows used in financing activities include the repurchases of its 2021 Notes and 2022 Notes in the Period.

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 three months ending 31 March 2020 and three months ending 31 March 2019. Following TBI Bank's purchase of the Group's Bulgarian online lending business (vivus.bg) in April 2019, this is included in the consolidation for the 2020 results presented here.

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.

	3 months to 31 March	
	2020	2019
	<i>(in millions of €)</i>	
Interest Income	23.6	19.3
Interest Expense	(1.1)	(0.8)
Net Interest Income	22.6	18.5
Net F&C Income	2.4	2.3
Other operating income	0.3	0.2
Non-Interest Income	2.7	2.4
Operating Income	25.3	20.9
Total operating costs	(13.0)	(11.1)
Pre-provision operating profit	12.3	9.8
Net impairment charges	(4.4)	(3.4)
Post-provision operating profit	7.9	6.5
Depreciation and amortisation	(0.4)	(0.3)
Non-recurring income/(expense)	0.4	0.4
Net FX gain/(loss)	(0.9)	(0.8)
Pre-tax profit	6.9	5.7
Income tax expense	(0.9)	(0.8)
Net profit after tax	6.0	4.9

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.

	31 March 2020	31 December 2019
	<i>(in millions of €)</i>	
Cash and cash equivalents	77.0	49.9
Placements with other banks	12.7	6.4
Gross receivables due from customers	355.7	357.8
Allowance for impairment	(44.5)	(40.5)
Net receivables due from customers	311.2	317.3
Net investments in finance leases	5.5	5.7
Property and equipment	9.4	9.2
Financial assets	51.3	59.9
Tax assets	1.4	1.5
Prepaid expenses	0.9	1.1
Intangible assets	5.7	5.5
Other assets	10.0	7.9
Total assets	485.0	465.2
Loans and borrowings	0.0	0.0
Deposits from customers	328.0	311.8
Deposits from banks	9.5	13.0
Other liabilities	28.3	23.9
Total liabilities	365.9	348.8
Share capital	41.7	41.7
Retained earnings	79.1	74.4
Reserves	(1.7)	0.3
Total equity	119.1	116.4
Total shareholders' equity and liabilities	485.0	465.2

Financial assets include mainly government 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.

	31 March 2020	31 December 2019	% Change
	<i>(in millions of €)</i>		
Gross receivables by type			
Consumer	290.0	289.0	0 %
SME (including financial leases)	71.0	75.0	(5) %
Total gross receivables	361.0	364.0	(1) %
Provisions	(44.0)	(41.0)	7 %
Total net receivables	317.0	323.0	(2) %

As of 31 March 2020, consumer loans made up 80% of TBI Bank's gross loans, slightly up from 79% as of 31 December 2019. The overall loan portfolio has a roughly equal contribution from both Bulgaria and Romania.

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

	Consumer	SME (incl. leases)	Overall
Non-performing receivables to gross receivables ratio	15.6 %	20.4 %	16.6 %
Provision coverage ⁽¹⁾	88.0 %	31.3 %	73.8 %

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.

	31 March 2020	31 December 2019	% Change
	<i>(in millions of €)</i>		
Customer accounts of consumers	294.0	281.0	5 %
- Current accounts	27.0	27.0	— %
- Term deposits	267.0	254.0	5 %
Customer accounts of SMEs	34.0	31.0	10 %
- Current accounts	21.0	17.0	24 %
- Term deposits	14.0	14.0	— %

TBI Bank increased deposits and liquidity in Q1 2020 to support planned business growth. The average interest rate paid on term deposits varies by type and currency, ranging from 0.1% to 4.4%. Deposit costs (excluding the state deposit guarantee fund annual charge) were 1.2% for the Period. The average remaining maturity of consumer term deposits is approximately 11 months, with strong roll-over rates.

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 31 March 2020. Following the Bulgarian National Bank's supervisory review of the banking sector, the minimum capital adequacy ratio requirement for TBI Bank was increased from 13.5% to 14.25% during Q1 2019. This increased by a further 50bps to 14.75% in October 2019. A further increase in the counter-cyclical buffer of 50bps was expected in April 2020, however this was cancelled as part of the Bulgarian National Bank's coronavirus response.

	Standalone	Consolidated
Common equity Tier 1 ratio	17.1 %	18.8 %
Capital adequacy	17.1 %	18.8 %
Liquidity ratio	35.2 %	—
Liquidity coverage ratio	395.3 %	432.4 %

HISTORIC QUARTERLY RESULTS APPENDIX

For ease of reference, a summary income statement by quarter from Q1 2018 is presented below.

Income statement

<i>(in millions of €)</i>	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020
Interest Income	123.2	122.3	116.1	113.7	106.5	106.9	105.7	104.8	96.6
Interest Expense	(14.9)	(15.5)	(16.0)	(15.7)	(15.0)	(15.0)	(14.2)	(12.7)	(12.7)
Net Interest Income	108.2	106.8	100.1	98.0	91.5	91.9	91.5	93.2	83.9
Net F&C Income	2.3	2.3	2.7	2.3	2.1	1.9	2.4	2.8	2.4
Other operating income	2.1	2.3	2.2	2.5	2.2	2.2	2.1	2.3	2.3
Non-Interest Income	4.4	4.6	4.9	4.8	4.3	4.0	4.5	5.2	4.7
Operating Income	112.6	111.4	105.0	102.7	95.7	95.9	96.0	97.3	88.6
Total operating costs	(61.0)	(59.0)	(51.0)	(53.7)	(49.8)	(50.3)	(48.1)	(49.4)	(46.7)
Pre-provision operating profit	51.6	52.4	54.0	49.0	45.9	45.6	48.0	47.9	41.9
Net impairment charges	(36.4)	(26.9)	(30.5)	(29.1)	(32.4)	(28.1)	(31.9)	(30.5)	(31.2)
Post-provision operating profit	15.2	25.6	23.4	19.9	13.5	17.5	16.1	17.4	10.7
Depreciation and amortisation	(2.5)	(2.5)	(3.5)	(3.4)	(3.2)	(3.9)	(4.5)	(4.9)	(3.2)
Non-recurring income/(expense)	0.1	0.9	0.2	(1.5)	(0.1)	0.3	0.2	(1.1)	(3.9)
Net FX	2.4	(14.7)	(5.6)	5.3	1.6	1.5	(0.4)	2.0	(3.4)
One-off adj. of intangible assets	—	—	—	(6.7)	—	(0.2)	(0.1)	(1.1)	—
Pre-tax profit	15.2	9.3	14.6	13.6	11.9	15.2	11.3	12.3	0.2
Income tax expense	(4.6)	(3.1)	(6.2)	(12.1)	(6.2)	(5.8)	(5.4)	(4.9)	(2.7)
Net profit after tax	10.6	6.1	8.3	1.5	5.7	9.4	5.8	7.4	(2.5)
EBITDA	32.6	27.2	34.0	32.7	30.1	34.0	30.0	29.9	16.1
Adjusted EBITDA	32.1	42.1	39.9	34.5	29.4	33.1	31.2	30.0	23.3

Loan issuance

(in millions of €)

Total value of online loans issued	337.3	305.7	289.4	276.7	260.0	263.2	253.9	238.5	214.4
Single Payment Loans ⁽¹⁾	237.2	222.1	206.4	195.1	167.2	169.8	170.9	162.3	148.3
Instalment Loans	63.0	45.4	39.0	38.5	39.5	35.1	23.4	21.2	16.7
Near-prime Loans	5.6	4.2	5.0	5.6	6.8	9.9	12.3	8.4	11.2
Lines of Credit ⁽²⁾	37.0	38.2	39.0	37.5	46.5	48.5	47.4	46.6	38.2
Total value of TBI Bank loans issued	60.8	60.8	73.3	86.9	68.2	78.0	87.2	103.3	77.3
SME	7.3	9.4	8.6	9.9	10.1	13.4	15.6	13.4	8.7
Consumer	53.5	51.4	64.6	77.0	58.1	64.6	71.5	89.8	68.6

Notes: (1) Reflects reclassification of 'Vivus' brand products in Denmark, Sweden and Armenia, and (from Q1 2019 onwards) the 'SMS Credit' and 'Ondo' products in Latvia to Lines of Credit. Also includes vivus.bg online business in Bulgaria.

(2) Includes Point of Sale Loans

Loan portfolio (receivables, including accrued interest)

(in millions of €)	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020
Single payment loans ⁽¹⁾								
- Performing	163.7	153.4	142.0	116.3	116.1	114.4	113.3	100.8
- NPL ⁽²⁾	53.4	39.7	40.8	31.8	34.7	42.6	37.8	44.1
- Total gross receivables	217.0	193.1	182.8	148.1	150.8	157.0	151.1	145.0
- Provisions	(69.9)	(53.1)	(51.2)	(44.1)	(47.1)	(54.1)	(49.8)	(55.6)
- Net receivables	147.1	140.0	131.6	104.0	103.7	102.9	101.3	89.3
- Provisions to gross receivables	32.2 %	27.5 %	28.0 %	29.8 %	31.2 %	34.4 %	33.0 %	38.4 %
- Gross NPL ratio	24.6 %	20.6 %	22.3 %	21.5 %	23.0 %	27.1 %	25.0 %	30.4 %
Instalment loans ⁽³⁾								
- Performing	146.9	145.0	140.8	144.9	150.2	141.6	127.2	112.3
- NPL ⁽²⁾	33.3	43.8	38.3	41.8	27.9	35.2	42.1	41.2
- Total gross receivables	180.1	188.8	179.1	186.7	178.1	176.8	169.4	153.5
- Provisions	(49.4)	(56.9)	(48.7)	(50.4)	(43.2)	(46.6)	(49.0)	(46.3)
- Net receivables	130.7	131.9	130.4	136.3	134.9	130.3	120.4	107.2
- Provisions to gross receivables	27.4 %	30.2 %	27.2 %	27.0 %	24.3 %	26.3 %	28.9 %	30.2 %
- Gross NPL ratio	18.5 %	23.2 %	21.8 %	22.4 %	15.7 %	19.9 %	24.9 %	26.9 %
Lines of Credit ⁽⁴⁾								
- Performing	34.6	34.5	33.4	46.9	44.1	44.6	45.0	42.2
- NPL ⁽²⁾	10.5	11.6	10.2	17.0	11.5	12.2	14.7	15.3
- Total gross receivables	45.1	46.2	43.6	63.9	55.6	56.8	59.6	57.5
- Provisions	(13.1)	(14.9)	(14.0)	(17.3)	(12.9)	(14.1)	(15.9)	(16.7)
- Net receivables	32.0	31.2	29.6	46.6	42.7	42.7	43.7	40.8
- Provisions to gross receivables	29.1 %	32.4 %	32.1 %	27.0 %	23.3 %	24.8 %	26.7 %	29.1 %
- Gross NPL ratio	23.3 %	25.2 %	23.4 %	26.6 %	20.7 %	21.5 %	24.6 %	26.6 %
Total Online receivables								
- Performing	345.1	332.9	316.2	308.1	310.4	300.7	285.5	255.3
- NPL ⁽²⁾	97.1	95.1	89.3	90.6	74.1	90.0	94.6	100.6
- Total gross receivables	442.3	428.1	405.4	398.6	384.5	390.6	380.1	355.9
- Provisions	(132.5)	(125.0)	(113.9)	(111.8)	(103.2)	(114.7)	(114.7)	(118.7)
- Net receivables	309.8	303.1	291.6	286.9	281.3	275.9	265.4	237.3
- Provisions to gross receivables	30.0 %	29.2 %	28.0 %	28.0 %	26.8 %	29.4 %	30.2 %	33.3 %
- Gross NPL ratio	22.0 %	22.2 %	22.0 %	22.7 %	19.3 %	23.0 %	24.9 %	28.3 %
TBI Bank								
- Performing	218.2	229.3	252.3	249.0	258.7	274.8	296.4	292.7
- NPL ⁽²⁾	43.6	41.7	47.6	52.1	49.8	53.5	57.1	55.6
- Total gross receivables	261.8	271.0	299.9	301.1	308.5	328.3	353.5	348.2
- Provisions	(34.4)	(33.2)	(38.3)	(40.3)	(38.5)	(41.4)	(40.1)	(42.9)
- Net receivables	227.4	237.8	261.6	260.8	270.0	286.9	313.5	305.3
- Provisions to gross receivables	13.1 %	12.2 %	12.8 %	13.4 %	12.5 %	12.6 %	11.3 %	12.3 %
- Gross NPL ratio	16.6 %	15.4 %	15.9 %	17.3 %	16.2 %	16.3 %	16.2 %	16.0 %

Notes: (1) Single Payment Loan portfolio shown in this table reflects the reclassification of 'Vivus' products in Sweden, Denmark and Armenia, and (from Q1 2019 onwards) the 'SMS Credit' and 'Ondo' products in Latvia to Lines of Credit. Also 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)

(3) Includes Near Prime Loans

(4) Includes Point of Sale Loans

Additional Key Performance Indicators

	3 months to 31 March		
	2020	2019	FY 2019
Profitability			
ROAA, % * ⁽¹⁾	2.0 %	1.7 %	2.6 %
ROAE, % * ⁽²⁾	11.8 %	10.4 %	16.1 %
ROATE, % *	20.3 %	20.1 %	29.0 %
Interest Income / Average Interest Earning Assets, % ⁽³⁾	53.0 %	60.1 %	58.4 %
Interest Income / Average Gross Loan Portfolio, %	57.5 %	64.8 %	64.0 %
Interest Income / Average Net Loan Portfolio, %	72.7 %	82.1 %	80.6 %
Interest Expense / Interest Income, %	13.1 %	14.1 %	13.4 %
Cost Of Funds, % ⁽⁴⁾	6.3 %	7.1 %	6.9 %
Cost Of Interest Bearing Liabilities, % ⁽⁵⁾	7.1 %	8.1 %	7.8 %
Net Spread, % ⁽⁶⁾	45.9 %	52.0 %	50.6 %
Net interest margin, % ⁽⁷⁾			
- Online	76.4 %	80.2 %	81.3 %
- TBI Bank	24.6 %	25.2 %	24.8 %
- Overall group	50.0 %	55.7 %	54.5 %
Net effective annualised yield ⁽⁸⁾	70.0 %	78.2 %	75.9 %
Net Fee & Commission Income / Total Operating Income, %	2.7 %	2.2 %	2.4 %
Earnings Before Taxes / Average Total Assets, % *	0.1 %	4.7 %	5.3 %
Efficiency			
Total Assets / Employee, (in thousands of €) *	362	358	356
Total Operating Income / Employee, (in thousands of €)	132	135	141
Cost / Income Ratio, % ⁽⁹⁾	52.7 %	52.0 %	51.3 %
Total Recurring Operating Costs / Average Total Assets, % *	19.2 %	19.9 %	20.2 %
Total Operating Income / Average Total Assets, % *	36.4 %	38.2 %	39.3 %
Personnel Costs / Total Recurring Operating Costs, %	51.2 %	48.2 %	48.8 %
Personnel Costs / Total Operating Income, %	27.0 %	25.1 %	25.1 %
Net Operating Income / Total Operating Income, % *	47.3 %	48.0 %	49.0 %
Net Income (Loss) / Total Operating Income, % *	(2.8)%	6.0 %	7.7 %
Profit before tax / Interest income, % *	7.8 %	9.7 %	11.4 %
Liquidity			
Net Loan Receivables / Total Assets, % *	55.8 %	54.0 %	59.4 %
Average Net Loan Receivables / Average Total Assets, % *	57.6 %	54.8 %	57.6 %
Net Loan Receivables / Total Liabilities, %	66.8 %	64.4 %	71.7 %
Interest Earning Assets / Total Assets, % *	73.7 %	69.4 %	75.9 %
Average Interest Earning Assets / Average Total Assets, % *	74.9 %	70.7 %	74.0 %
Liquid Assets / Total Assets, % * ⁽¹⁰⁾	17.3 %	19.0 %	13.6 %
Liquid Assets / Total Liabilities, %	20.8 %	22.6 %	16.4 %
Total Deposits / Total Assets, % *	34.3 %	28.0 %	33.1 %
Total Deposits / Total Liabilities, %	41.0 %	33.4 %	39.9 %
Total Deposits / Shareholders' Equity, Times *	2.1x	1.7x	1.9x
Leverage (Total Liabilities / Equity), Times *	5.0x	5.2x	4.8x
Tangible Common Equity / Tangible Assets * ⁽¹¹⁾	10.2 %	9.2 %	10.9 %
Tangible Common Equity / Net Receivables	17.0 %	15.7 %	17.0 %
Net Loan Receivables / Equity, Times *	3.4x	3.3x	3.5x

Asset quality	3 months to 31 March		
	2020	2019	FY 2019
Loan Loss Reserve / Gross Receivables from Clients, %	22.9 %	21.7 %	21.1 %
Average Loan Loss Reserve / Average Gross Receivables from Clients, %	22.0 %	21.7 %	21.3 %
Cost of risk, % ⁽¹²⁾			
- Online	29.5 %	28.9 %	27.5 %
- TBI Bank	4.7 %	4.5 %	4.6 %
- Overall Group	17.4 %	18.4 %	17.1 %
Gross NPL ratio, % ⁽¹³⁾			
- Online	28.3 %	22.7 %	24.9 %
- TBI Bank	16.0 %	17.3 %	16.2 %
- Overall group	22.2 %	20.4 %	20.7 %
Net impairment / Interest income, % ⁽¹⁴⁾	32.3 %	30.4 %	29.0 %
Credit Metrics			
Total Equity / Total Assets, % *	16.5 %	16.1 %	17.0 %
Total Equity / Net Loan Receivables, %	29.6 %	29.9 %	28.6 %
Interest Coverage ('basic' EBITDA), Times	1.3x	2.0x	2.2x
Adjusted Interest Coverage, Times ⁽¹⁵⁾	1.8x	2.0x	2.2x
TBI Bank consolidated capital adequacy, % ⁽¹⁶⁾	18.8 %	21.0 %	18.9 %
Selected Operating Data			
	31 March 2020	31 March 2019	31 December 2019
Total Employees	2,686	2,837	2,730

*Normalised ratios are adjusted to remove the effect of non-recurring items, net FX and one-off adjustments to intangible assets.

All ratios are annualised where appropriate.

- (1) Return On Average Total Assets (ROAA) equals Net Income of the period / Average Total Assets for the same period
- (2) Return On Average Total Equity (ROAE) equals Net Income of the period / Average Total Equity for the same period
- (3) Interest Earning Assets include: Placement with other banks and Gross Loan Receivables
- (4) Cost Of Funds equals Interest Expense of the period / Average Total Liabilities for the same period
- (5) Cost Of Interest-Bearing Liabilities equals Interest Expense of the period / Average Interest Bearing Liabilities for the same period; Interest bearing Liabilities include Loans and borrowings and Deposits from customers and banks
- (6) Net Spread equals Interest Income of the period / Average Interest Earning Assets for the same period less Cost of Interest Bearing Liabilities
- (7) Net interest margin equals Net interest income / Average gross loan principal (total gross loan principal as of the start and end of each period divided by two)
- (8) Annualised interest income (excluding penalties) / Average net loan principal
- (9) Cost to Income ratio equals Operating costs / Operating income (revenue)
- (10) Liquid Assets / Total Assets; Liquid assets include Cash and cash equivalents and Placements with other banks
- (11) Tangible Common Equity / Tangible Assets. Tangible equity is Total Equity less Intangible Assets. Tangible Assets are Total Assets less Intangible Assets
- (12) Cost Of Risk (Receivables only) equals Net impairment charges / Average Gross Receivables for the same period
- (13) Gross NPL ratio equals Non-performing receivables (including accrued interest) with a delay of over 90 days / Gross receivables (including accrued interest)
- (14) Net impairment charges on loans and receivables / interest income
- (15) Adjusted Interest Coverage for the Period equals Adjusted EBITDA / Interest expense for the relevant period (n.b. not equal to the full covenant coverage ratio calculation)
- (16) TBI Bank (Tier One Capital + Tier Two Capital) / Risk weighted assets (calculated according to the prevailing regulations of the BNB)

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 28 February 2020.

Covid-19

The Group published a statement on 3 April 2020 regarding the impact of the coronavirus pandemic, which was also reflected in its published audited annual report dated 22 April 2020. Some further updates are provided in this Q1 results report.

Acquisitions and disposals

In March 2020, 4finance Holding SA purchased a further 30 million shares in Brabank ASA, bringing the Group's overall stake to 11.3%. This purchase was made as part of the Group's participation in a private placement together with other existing Brabank shareholders to strengthen the capitalisation of the bank and support its sustainable growth.

Changes in management

Anton Metochkin joined the Group as Chief Commercial Officer at the end of April 2020. Anton has extensive operations experience from over 15 years with consumer lending businesses including GE Capital, Raiffeisen Bank, Hypo Group and Digital Finance International in both the Eastern Europe and Asia-Pacific regions. Olga Pavlikova stepped down as Chief Operating Officer in April 2020.

Paul Muhr joined the Group's Supervisory Board in May 2020. Mr. Muhr is an M&A and capital markets advisor and former investment banker with 15 years of professional experience. Paul currently works at private equity firm Finstar Financial Group, and was previously employed at Goldman Sachs and Citi.

Regulatory changes

In Poland: the government has introduced a temporary reduction in non-interest cost caps for a period of one year. Since March 2016, the caps have been 25% fixed cost plus 30% annual cost with a 100% total limit, while the separate cap on nominal annual interest was 10%. The new non-interest cost caps for loans of 30 days or more, effective as of 1 April 2020, are 15% fixed cost plus 6% annual cost with a 45% total limit. The separate nominal annual interest cap was lowered to 8% as of 9 April 2020 and then to 7.2% as of 29 May 2020. The Group adapted its single payment loan product to the new pricing regulations immediately and has now also re-launched its instalment loan zaplo.pl as a mini-instalment loan with a fixed 3 month tenor.

In Finland: the parliament is currently debating a bill that would halve the recently-introduced 20% cap on interest rates for consumer lending to 10% until year end.

As part of their Covid-19 response, various governments and regulators have introduced debt forbearance measures such as payment deferrals. These include Bulgaria, the Czech Republic, Lithuania, Poland, Romania, Spain and other countries.

Financing

The Group made further market repurchases of its bonds in March and April, with a focus on its USD bonds. As of the date of this report, the Group holds €1.1 million of its EUR 2021 bonds and \$85.9 million of its USD 2022 bonds in treasury.

Following the impact of Covid-19 on the high yield debt capital markets, and also on the Group's near-term financial prospects, 4finance is reviewing its liability management options, including the possibility of seeking an extension to the maturity of its EUR 2021 bonds.

Corporate website: www.4finance.com

4finance Holding S.A.

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