# 4finance Holding SA

Investor Presentation for three month 2020 results

2 June 2020

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# Agenda

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

# Q1 2020 business and financial highlights

- Solid initial start to year, prior to impact of Covid-19
  - Jan-Feb broadly in line with expectations, strong start by TBI Bank
  - Online near-prime traction with new product upgrades/launches
  - Over half of net receivables (51%) now 'near-prime'
- Rapid operational response to Covid-19
  - Over 2,000 staff in 16 countries moved to home working
  - Focus on employee safety and providing continuous service
  - Now gradually returning to offices, depending on local situation
- Continued to serve and support our loyal online customers
  - Rapid adjustments to underwriting scorecards, particularly for new customers, but maintained availability of credit to suitably qualified returning customers
  - Generally solid loan repayment data in April/May
  - Proactive support for those who need it (payment deferrals, etc), supplemented by regulatory measures
- Prudent balance sheet and liquidity management
  - Strong cash generation in April & May with lower loan issuance
  - Significant repurchases of bonds below par
  - c.€90m of 'online' cash at end May
  - Strong capital ratios and liquidity at TBI Bank

Interest income

**€96.6m**

(9)% YoY

Adjusted EBITDA

**€23.3m**

(21%) YoY

TBI consumer loan issuance

**+17%**

YoY increase

Online near-prime loan issuance

**+64%**

YoY increase

# Operational overview for key markets

| | Regulatory measures | % of interest income, Q1 | Operational response |
|---|---|---|---|
| Poland | • Temporary reduction in non-interest cost caps to 15% fixed, 6% annual (from 25% & 30%)<br>• Nominal interest rate cap to 7.2% (from 10%)<br>• “Anti crisis shield” regulations in development (payment deferrals, but for instalment loans only) | 23% | • 1-3 month payment deferrals introduced voluntarily in line with association guidelines. Limited requests so far<br>• Adapted single payment product to new pricing overnight<br>• Relaunched instalment loan product as a 3-month loan |
| Spain | • Payment deferral regulations introduced (3 months, ‘with proof’)<br>• Additional social security measures introduced | 22% | • First market impacted, with most significant underwriting changes<br>• Limited requests for payment deferrals so far (voluntary or regulatory)<br>• Daily monitoring of repayment data and acceptance rates on single payment loan products |
| Denmark | • New regulatory regime (developed pre Covid-19) expected to commence in July<br>• No specific payment deferral regulations | 11% | • Preparing new product offering for July, including introduction of near-prime proposition<br>• Minimal requests for payment deferrals |
| Czech Republic | • Payment deferral regulations introduced (up to 6 months, ‘without proof’, interest rate 8.25% p.a.) | 5% | • Moderate take-up (c.12% of eligible portfolio) on payment deferrals, with requests now slowing down |
| Baltics | • LV: regulator encourages lenders to be understanding<br>• LT: payment deferrals up to 3 months ‘with proof’ | 7% | • LV: 1-3 month payment deferrals introduced in line with local association guidelines. Limited requests so far<br>• LT: Limited requests so far |
| TBI Bank | • BG: National Bank introduced various measures<br>• RO: Payment deferrals for up to 6-9m ‘with proof’ | 23% | • Moderate take-up (c.12% of eligible portfolio) in consumer<br>• More significant requests for payment deferrals in SME portfolio. Additional sector-based underwriting introduced |

# Current trading and outlook

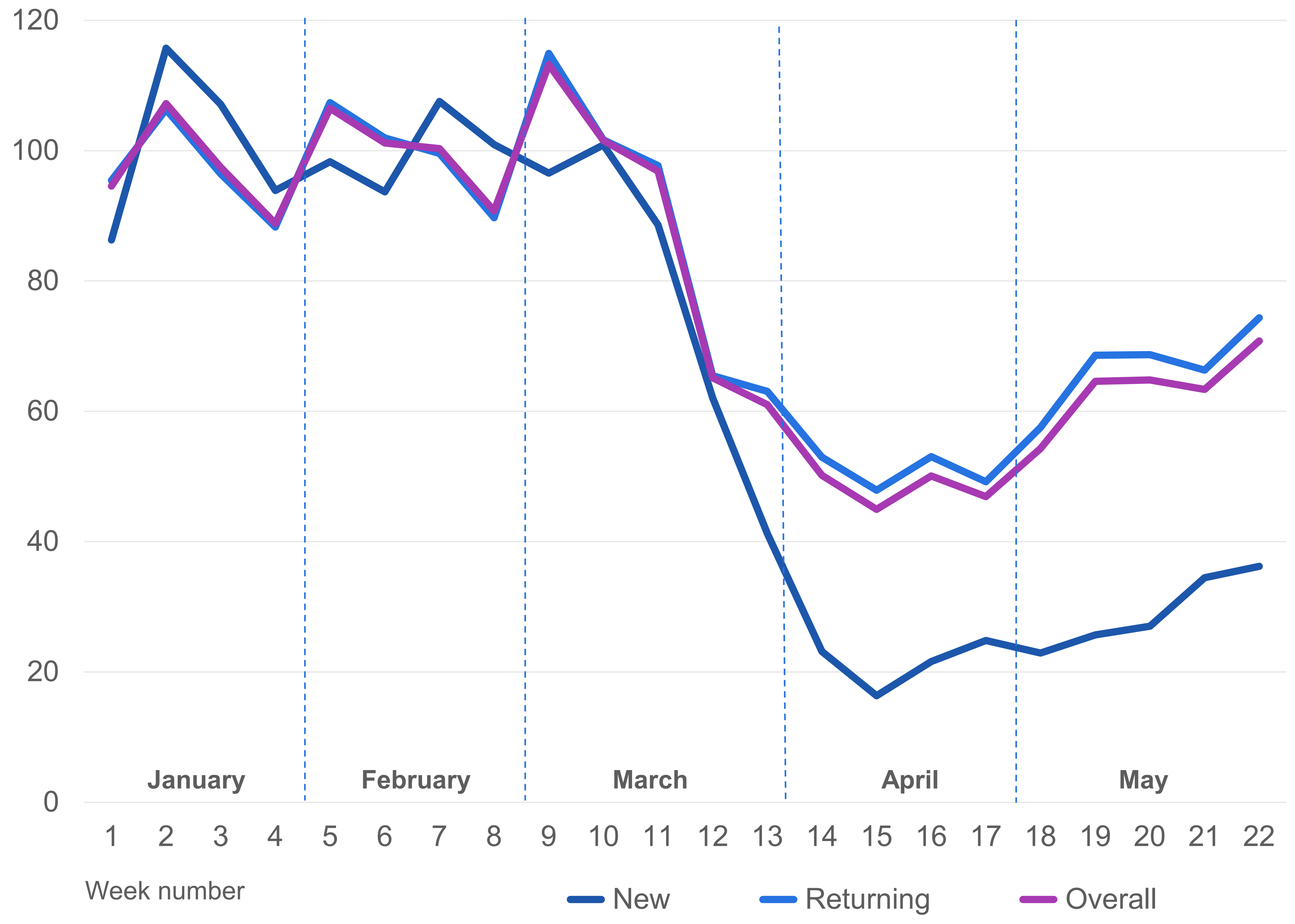
- Early indications of demand in recent weeks have been encouraging, with May online issuance 23% above April
  - Issuance levels of shorter-term products for returning customers are back to nearly 75% of Jan-Feb levels
  - Spain remained at a lower issuance level, but improving in late May
  - Denmark demand already returned to more normal levels in May. Record for daily applications in 2020 set last week

- Strong near-prime progress, with product enhancements in Latvia, Lithuania and Sweden
  - Carefully moderated underwriting and marketing spend post Covid-19
  - Development of funding via TBI Bank continues
  - 51% of net loan portfolio is near-prime consumer lending

- Decisions taken already on business footprint and cost reduction
  - Latin America and Finland
  - Significant headcount reductions across the network

- Significant medium-term opportunities
  - Potentially larger 'non-prime' market size
  - Potential competitive dislocation in many markets

**Weekly issuance of short-term* products (rebased to 100 as Jan-Feb average)**




* Includes single payment loans and lines of credit

# Review of three month 2020 results

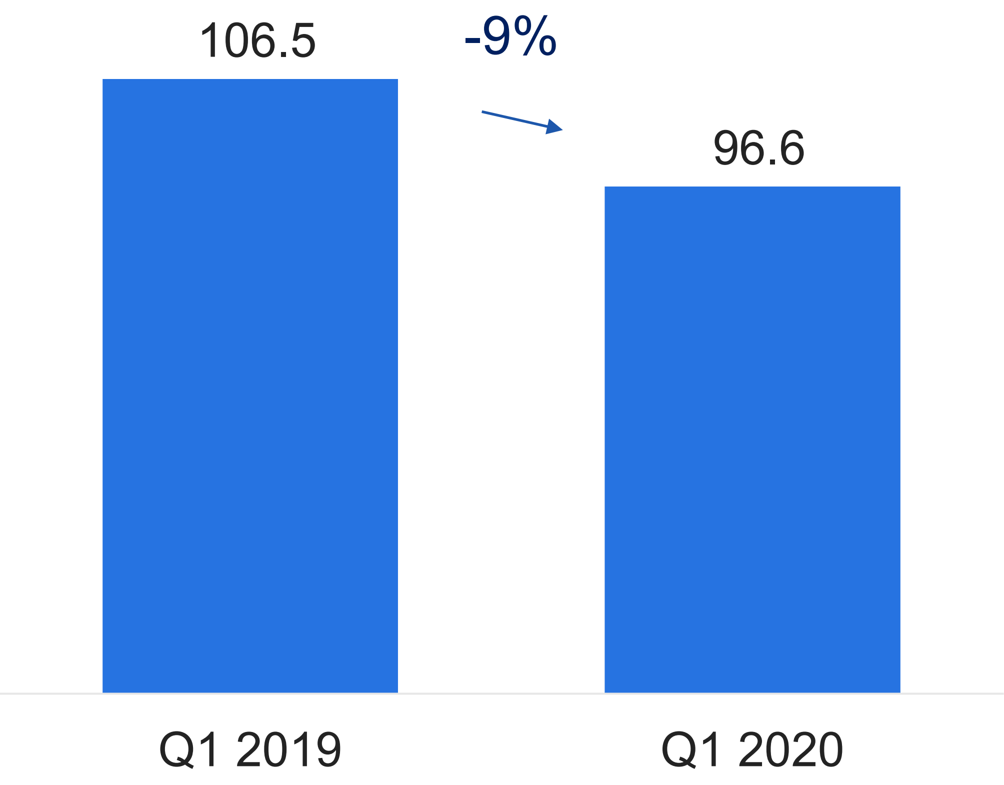
# Summary of three month 2020 results

- Solid initial start to the year, with January and February largely in line with management expectations
  - Follows Q4, a naturally seasonally strong quarter, especially at TBI Bank
- Q1 2020 interest income down 9%, Adjusted EBITDA of €23.3m, down 21% year-on-year
  - Half of QoQ interest income change from products that have been discontinued / de-emphasised (eg instalment loans in Poland & Armenia)
  - Main Covid-19 impact on Q1 financials: additional c.€3m of net impairments
  - Post-provision operating profit of €10.7m, vs. €13.5m in Q1 2019
- Continued progress on cost reduction
  - Year-on-year reduction in costs of 6% from existing cost efficiency programmes
  - Additional measures taken post Covid-19
- Strong operating cashflow and robust cash position
  - Operating cashflow before movements in portfolio & deposits of €47.9m
  - Significant bond repurchases made in March and April ($35.9m of USD bonds)
  - Current "online" cash levels, after May coupons, remain strong at c.€90m
- Overall stable risk performance, although delayed debt sales did impact the NPL ratio
  - Overall gross NPL ratio of 22.2% (vs 20.7% as of Dec 2019)
  - Net impairment/interest income at 32.3% for Q1 2020 (vs 30.4% in Q1 2019)

## Year-on-year comparison

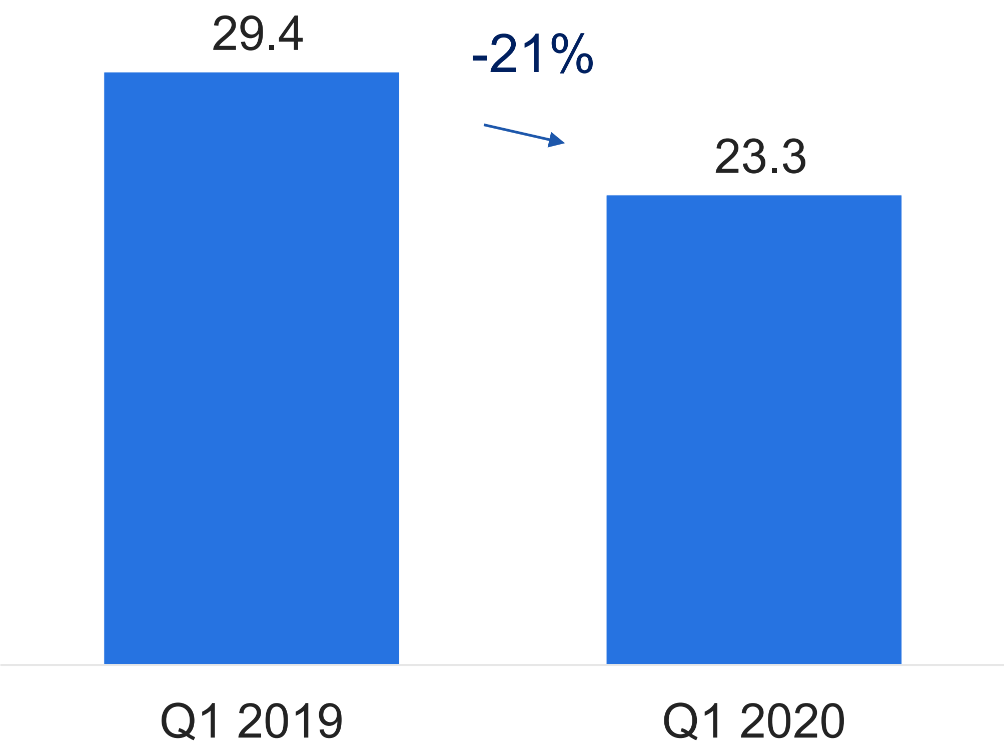
### Interest Income

€m



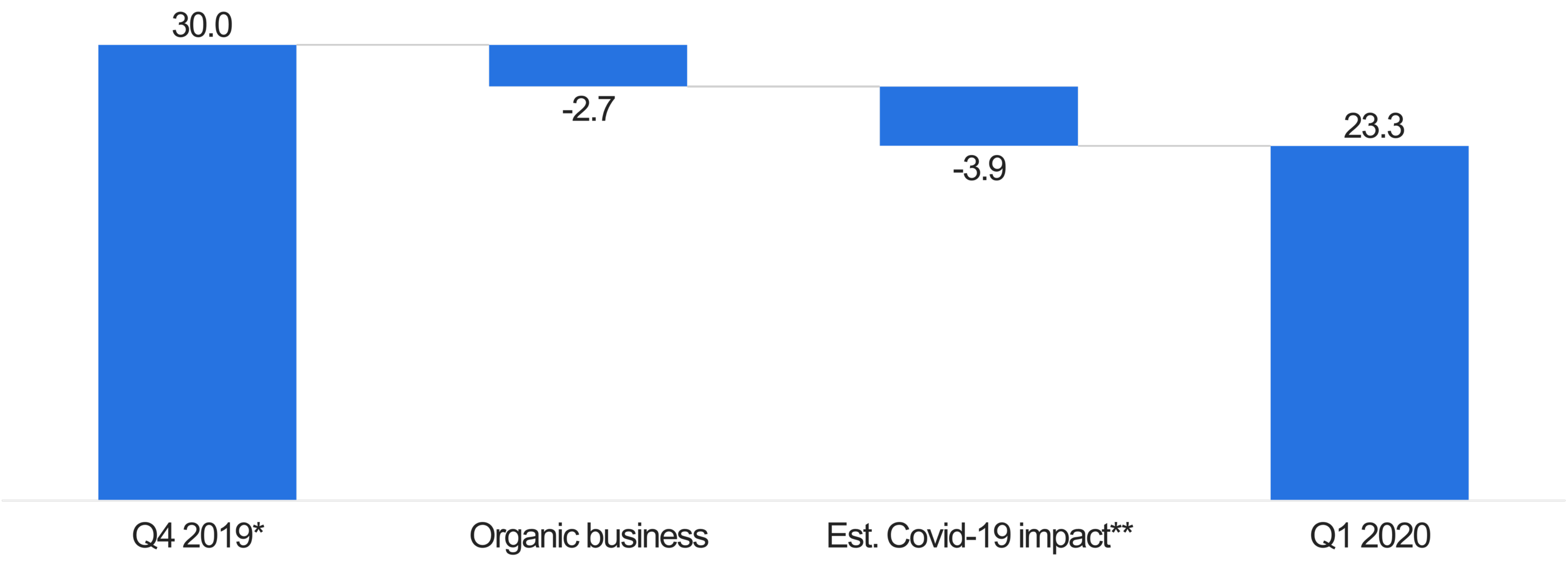

### Adjusted EBITDA

€m




## Quarter-on-quarter bridge for Adjusted EBITDA

€m



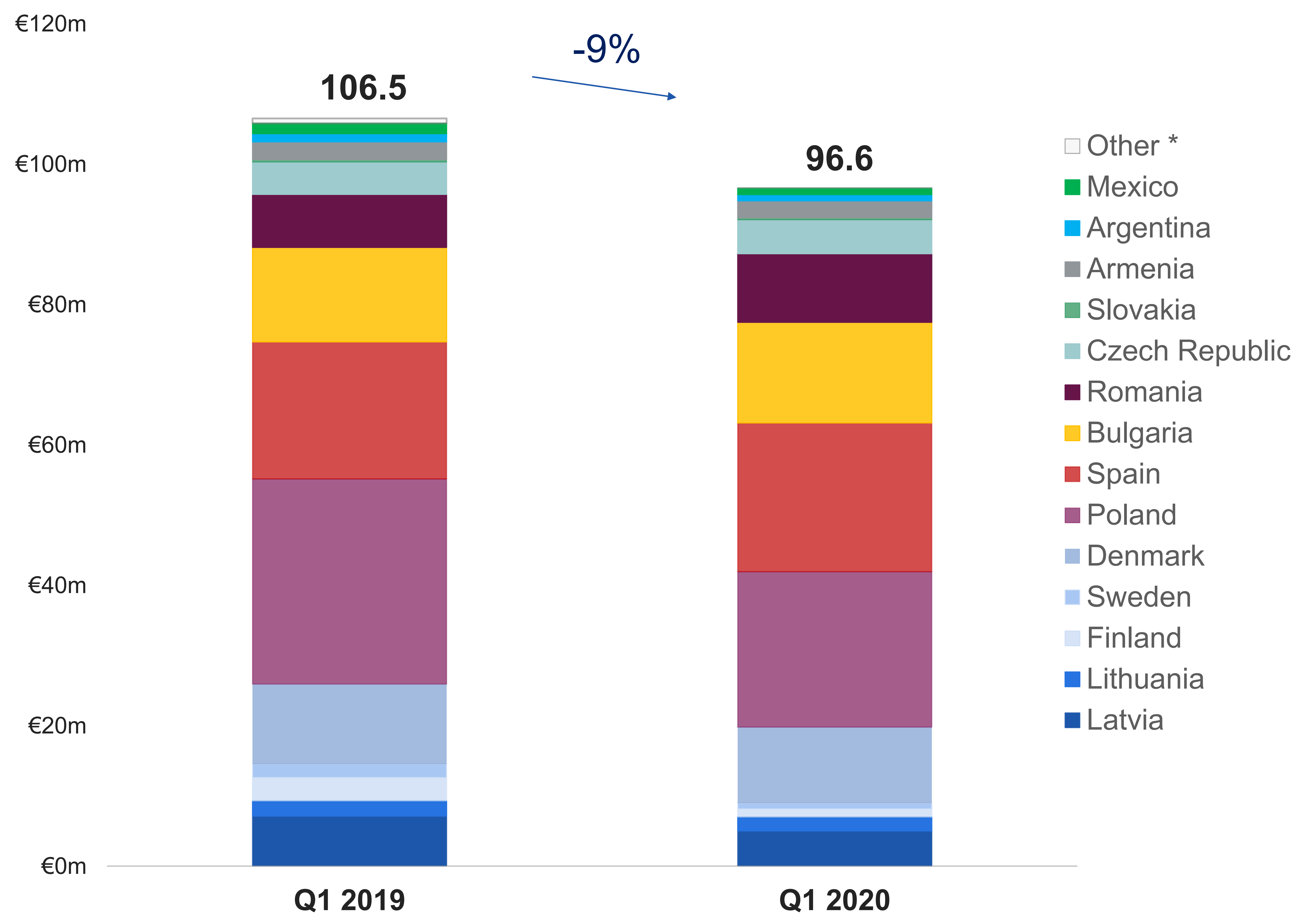

See appendix for definitions of key metrics and ratios

*Q4 2019 costs have been adjusted to reflect audited figures

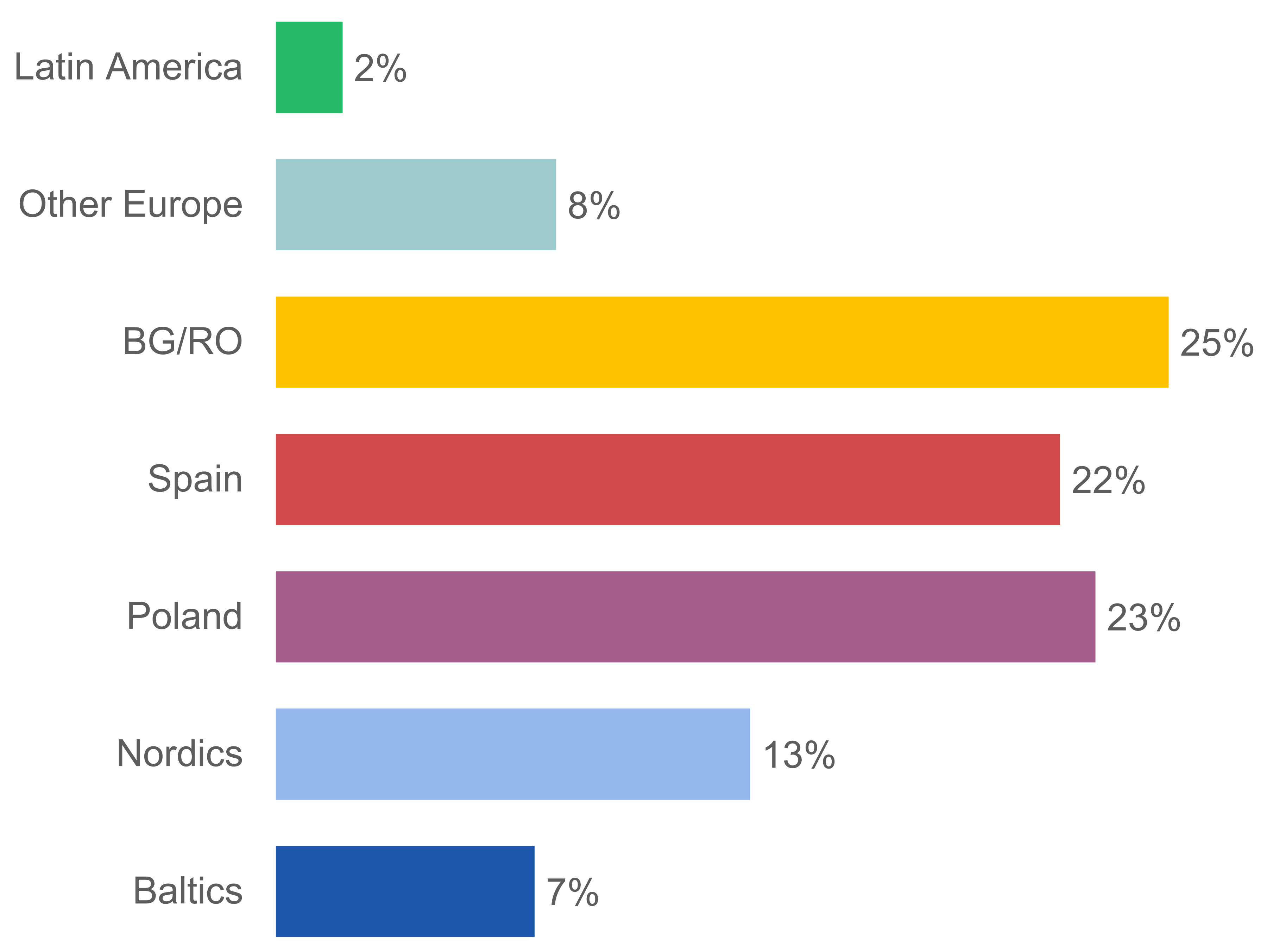
**Estimated Covid-19 impact comprises -€1m of interest income reduction, +€0.2m marketing cost savings and -€3.1m additional impairment

# Interest income remains well diversified

## Interest income by country




## 2020 interest income: €96.6m

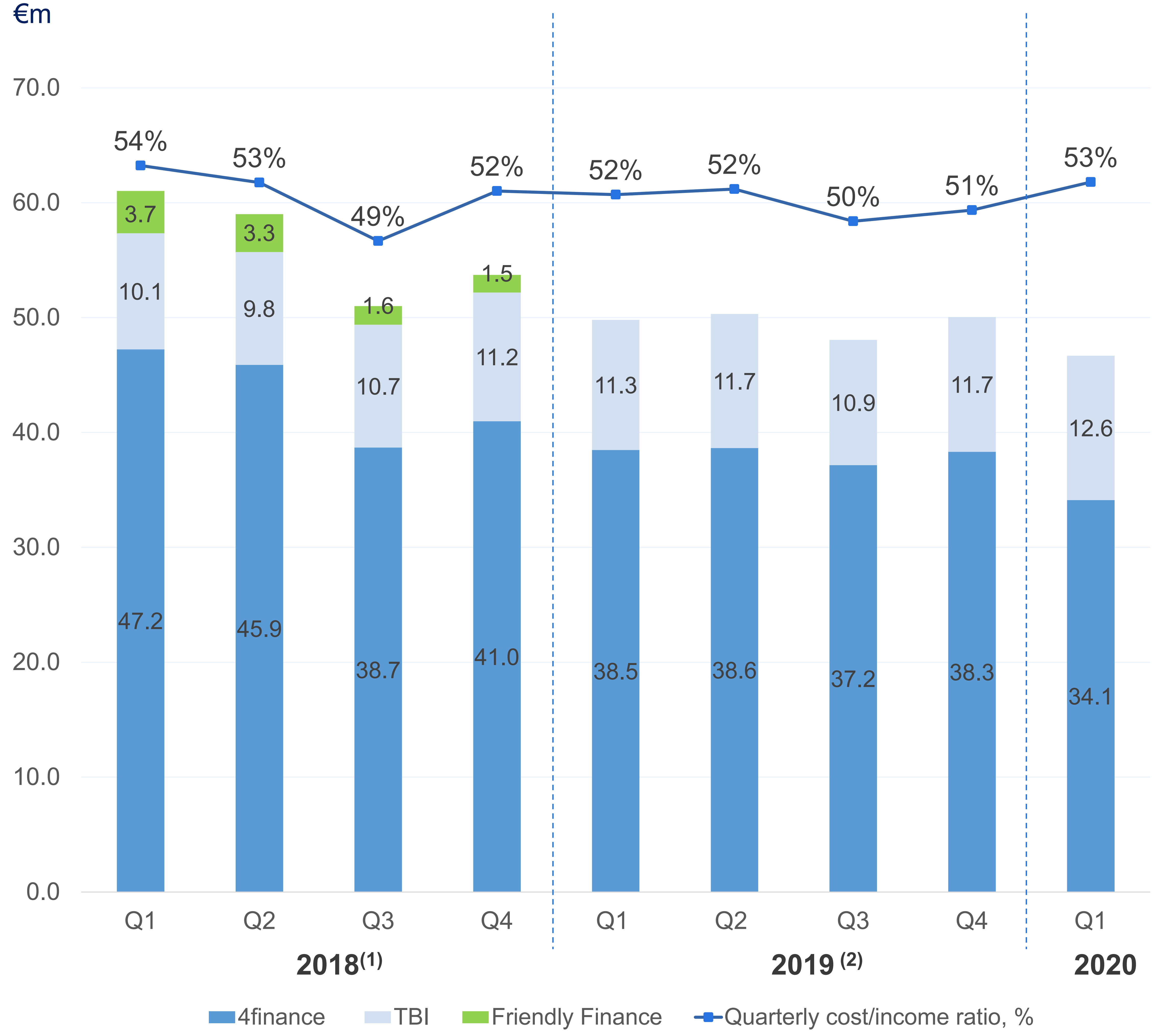



* Other represents countries exited during 2018 (Dominican Republic and Georgia)

# Operating cost drivers

- Operating costs down 6% year-on-year vs revenue down 7%
  - Q1 2020 cost/income ratio at 52.7% compared to 52.0% in Q1 2019
  - Some cost reduction effect from IFRS 16, impacting comparison with 2018 data
  - Seasonal increase in marketing spend in Q4, reduced in Q1, with some early impact of Covid-19 reductions
  - Investment in TBI Bank to support growth
- Cost efficiency projects ongoing with focus on cost/income ratio
  - Headcount reduction of 5% year-on-year
  - Lower above-the-line marketing spend due to efficiency savings from econometric modelling
- Additional actions taken post Covid-19
  - Further headcount reductions of c.20% of online business personnel costs to align cost structure with market and product footprint

## Total operating costs (1)

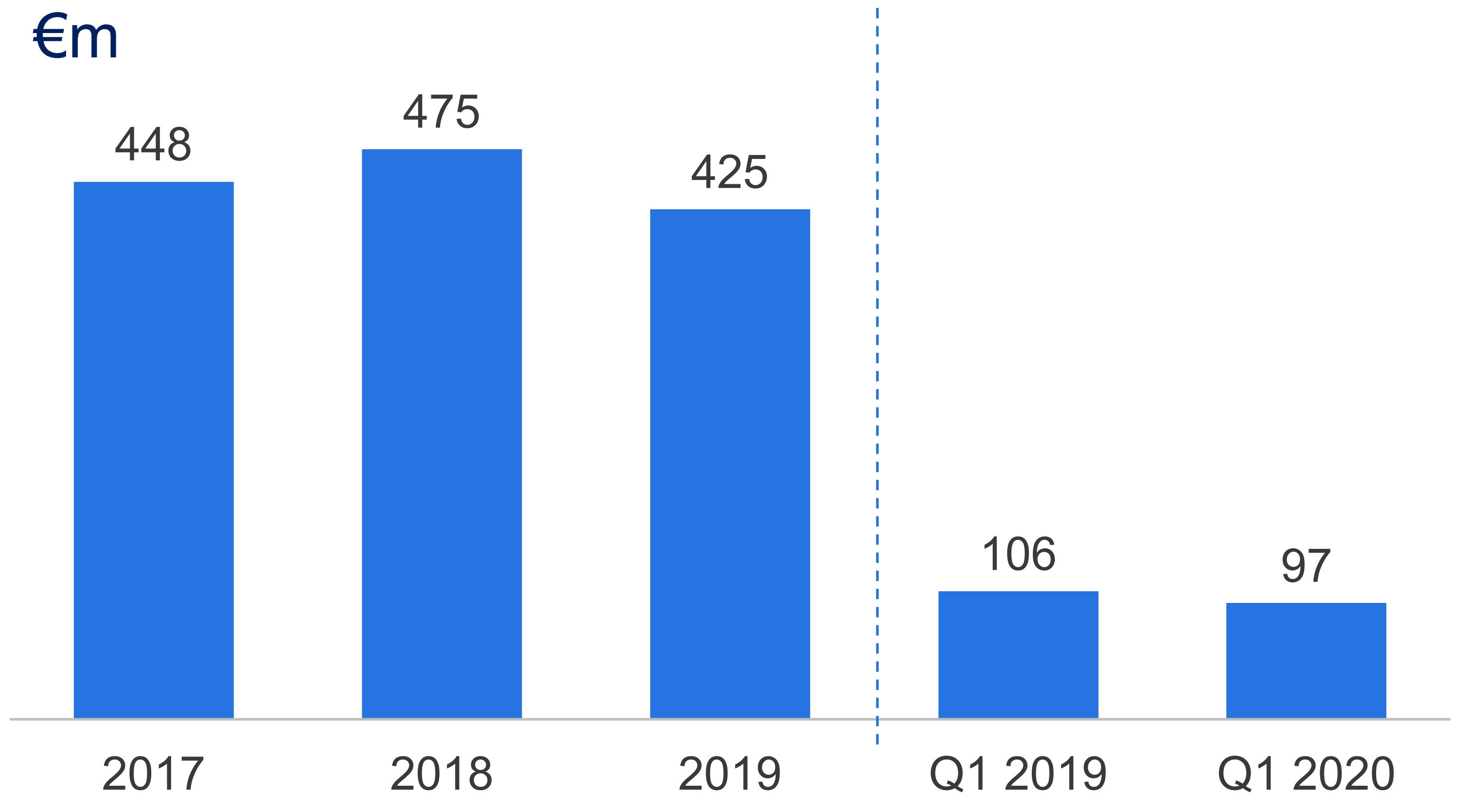



**Notes:**
(1) Q4 2018 costs have been adjusted to reflect audited figures
(2) Q4 2019 costs have been adjusted to reflect audited figures

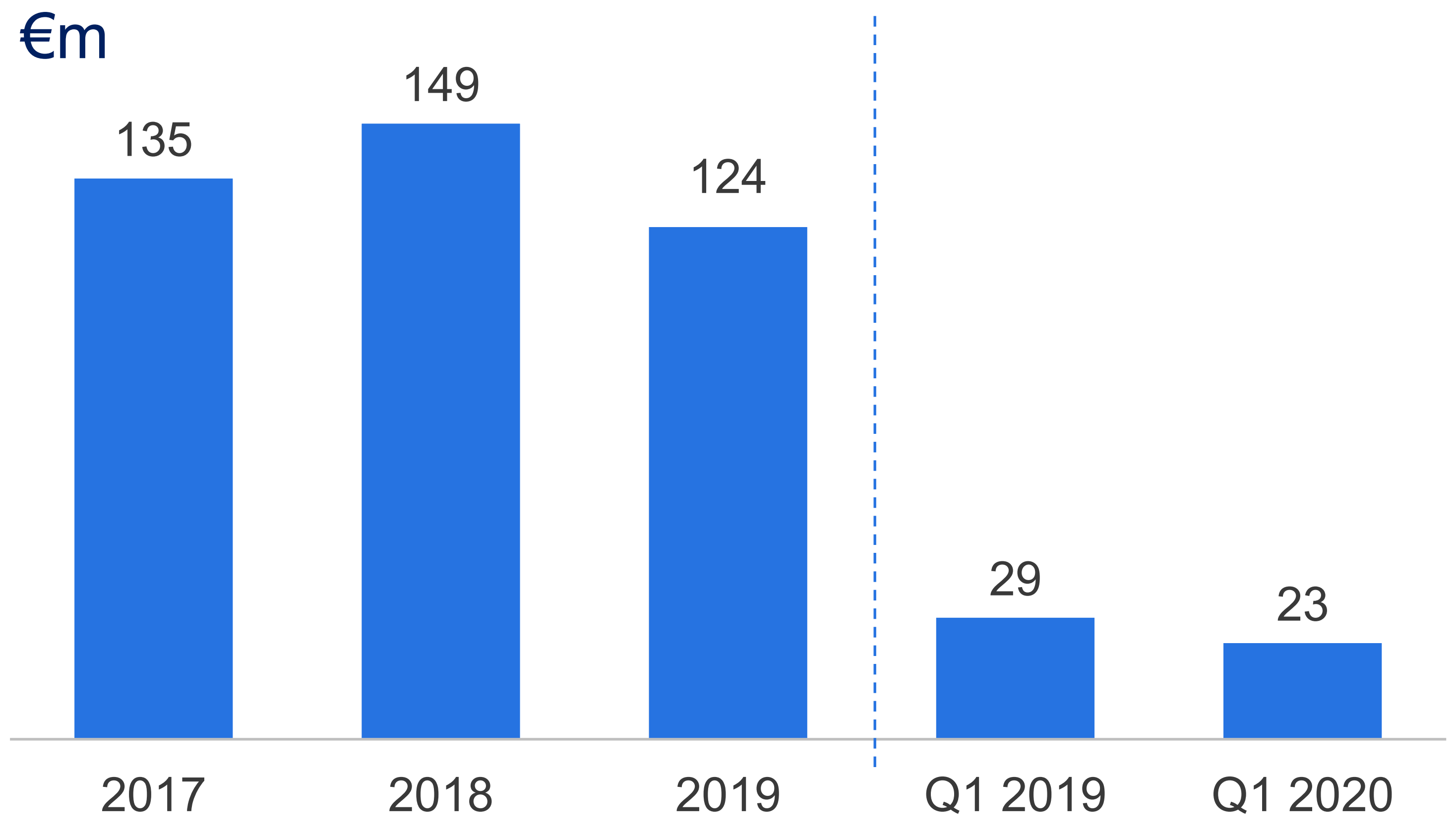
See appendix for definitions of key metrics and ratios

# Strong financial profile – stability and profitability

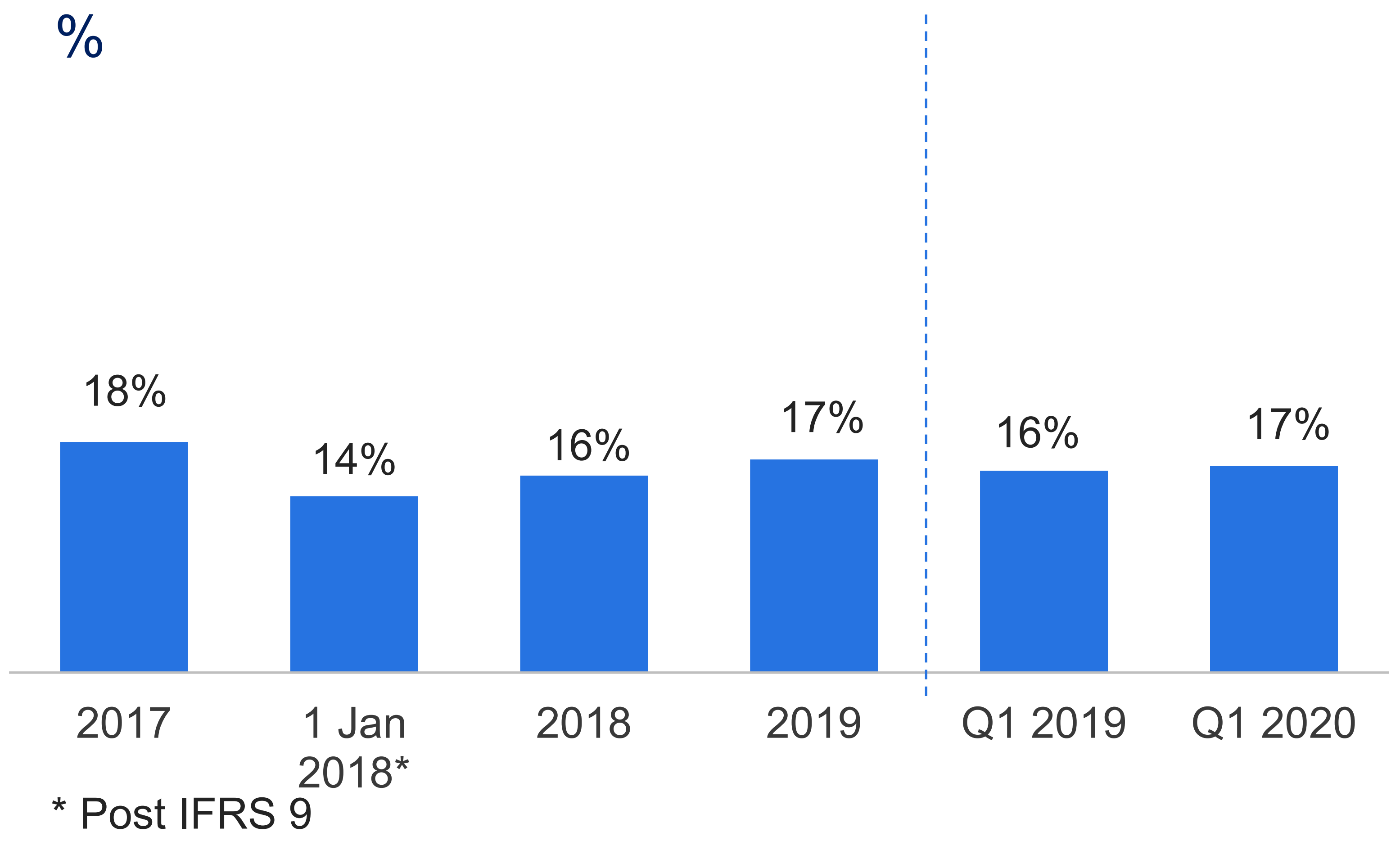
## Interest income



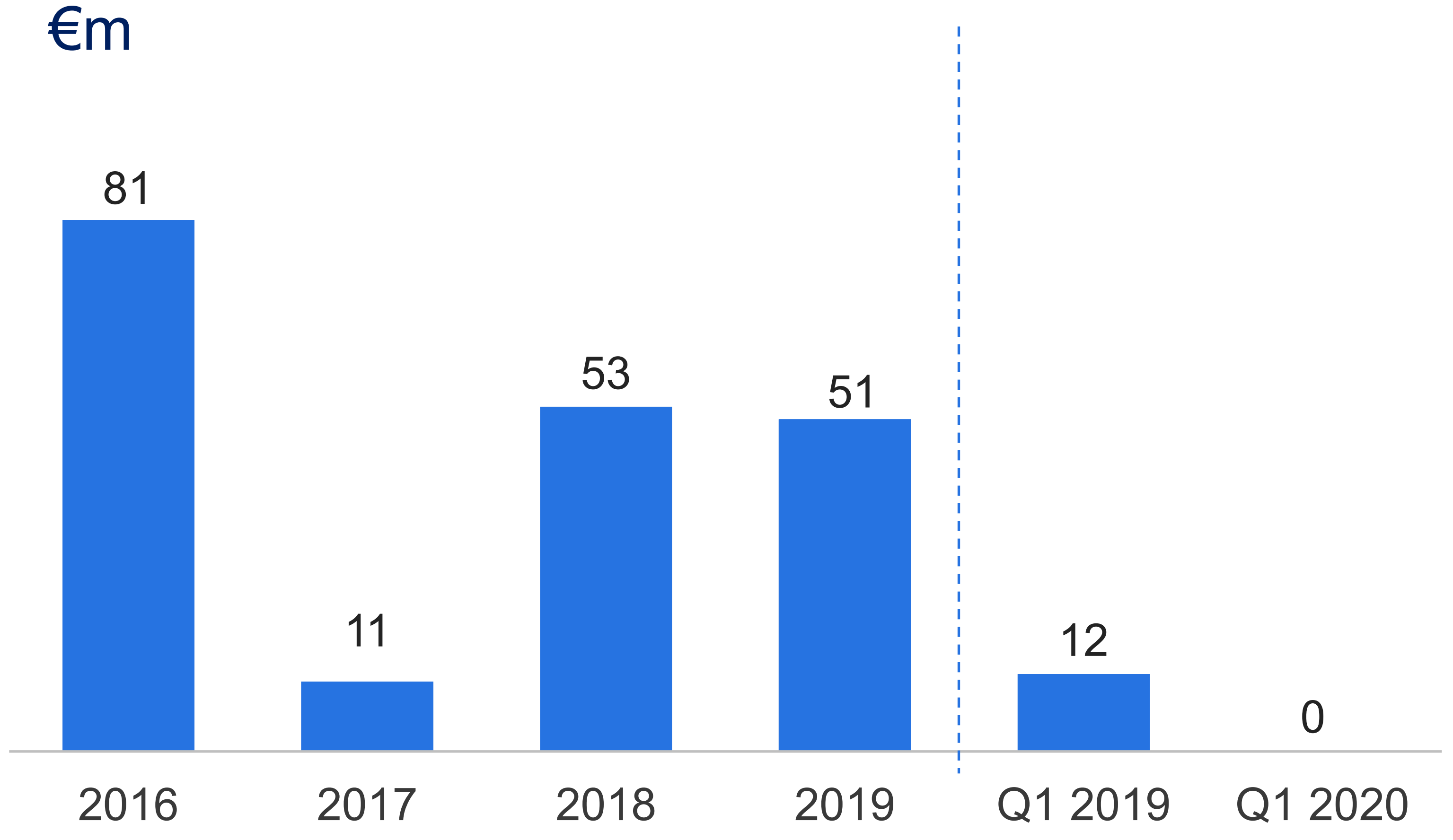

## Adjusted EBITDA



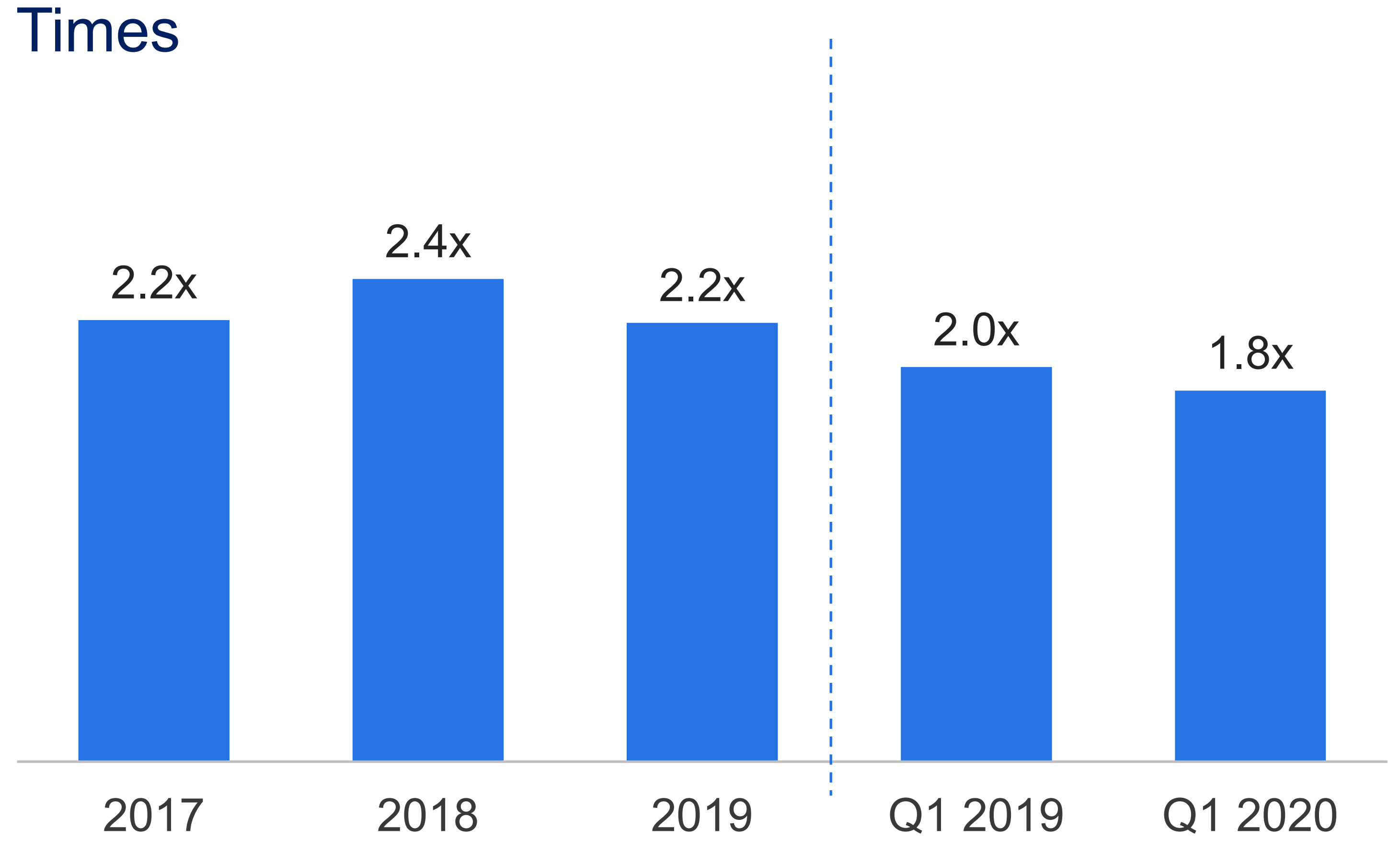

## Equity / assets ratio



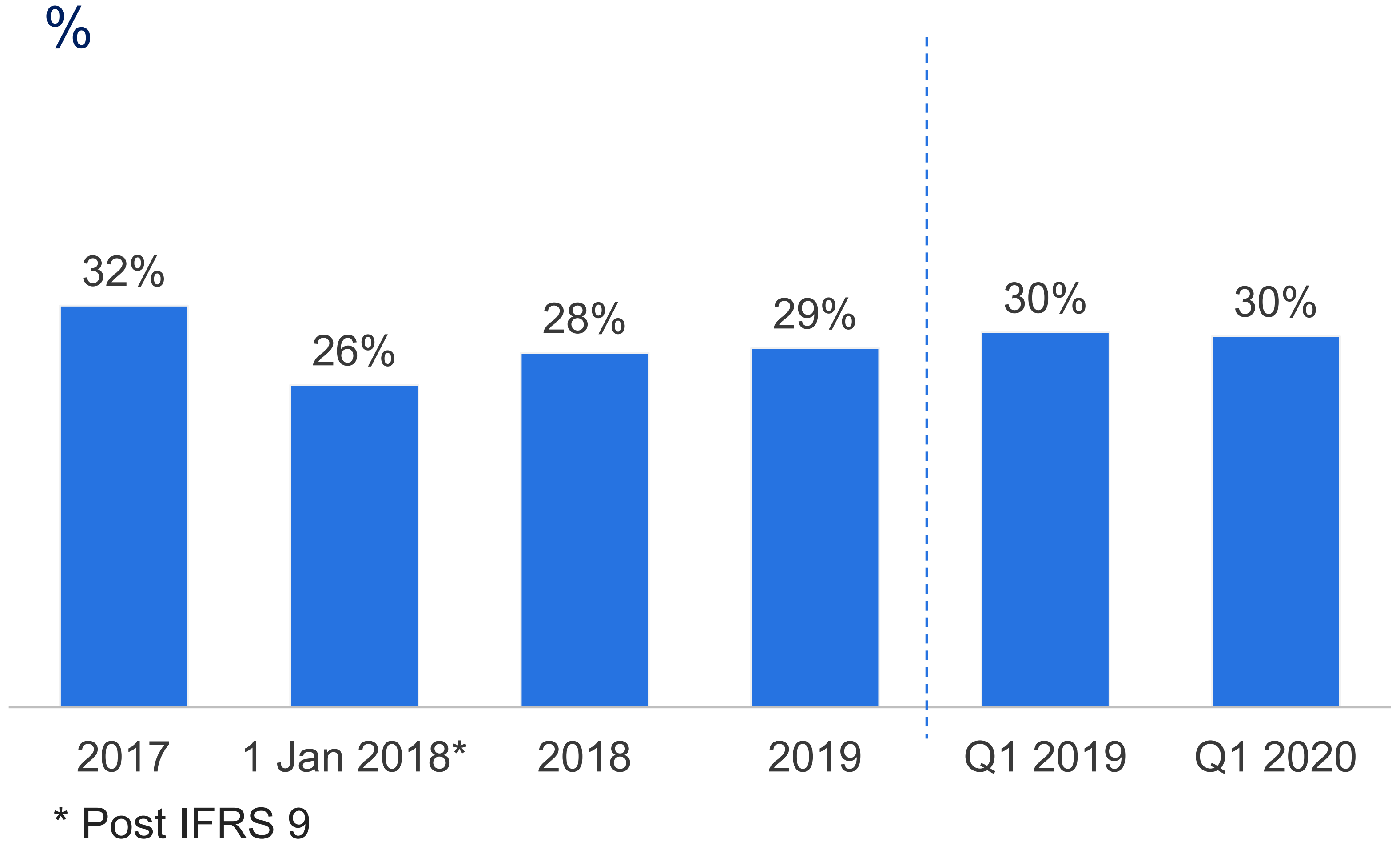

## Profit before tax




## Adjusted interest coverage ratio (1)




## Equity / net receivables (2)



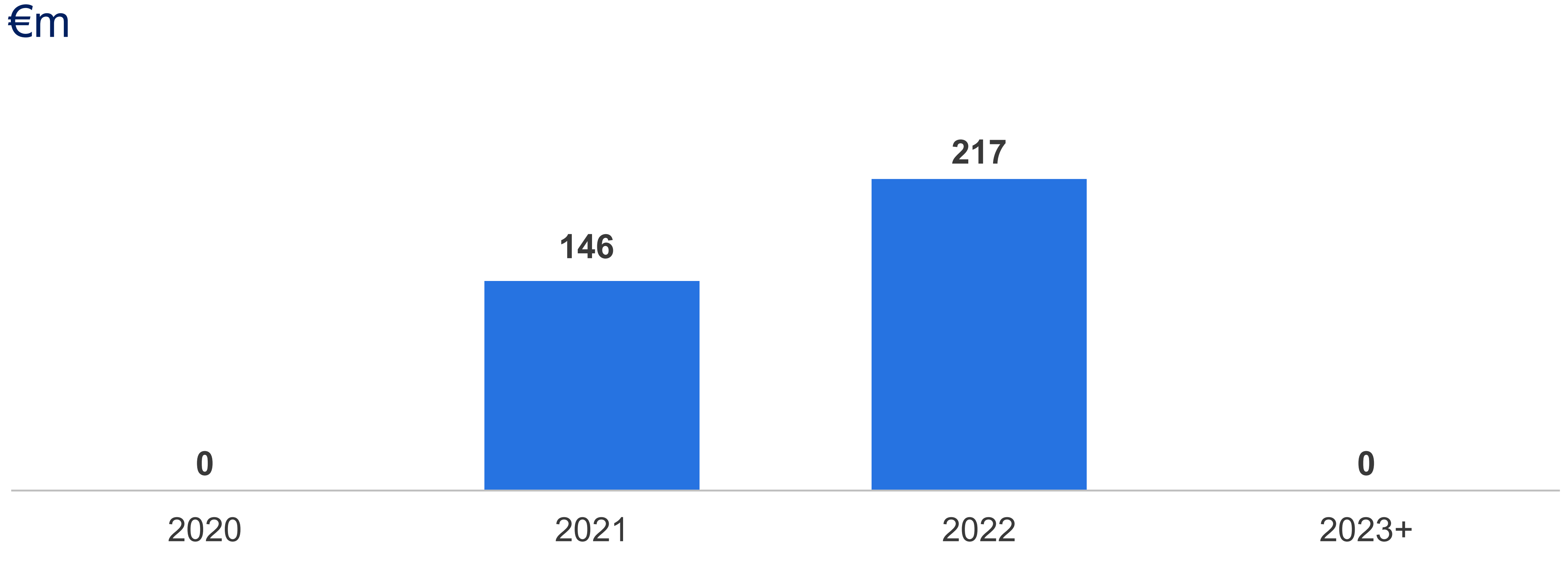

**Note (1)**: The full covenant calculation of interest coverage ratio is based on proforma last twelve month figures, and is currently 2.5x
**(2):** The full covenant calculation of equity/net loans includes related party loans and finance leases, and is currently 27%

# Funding strategy

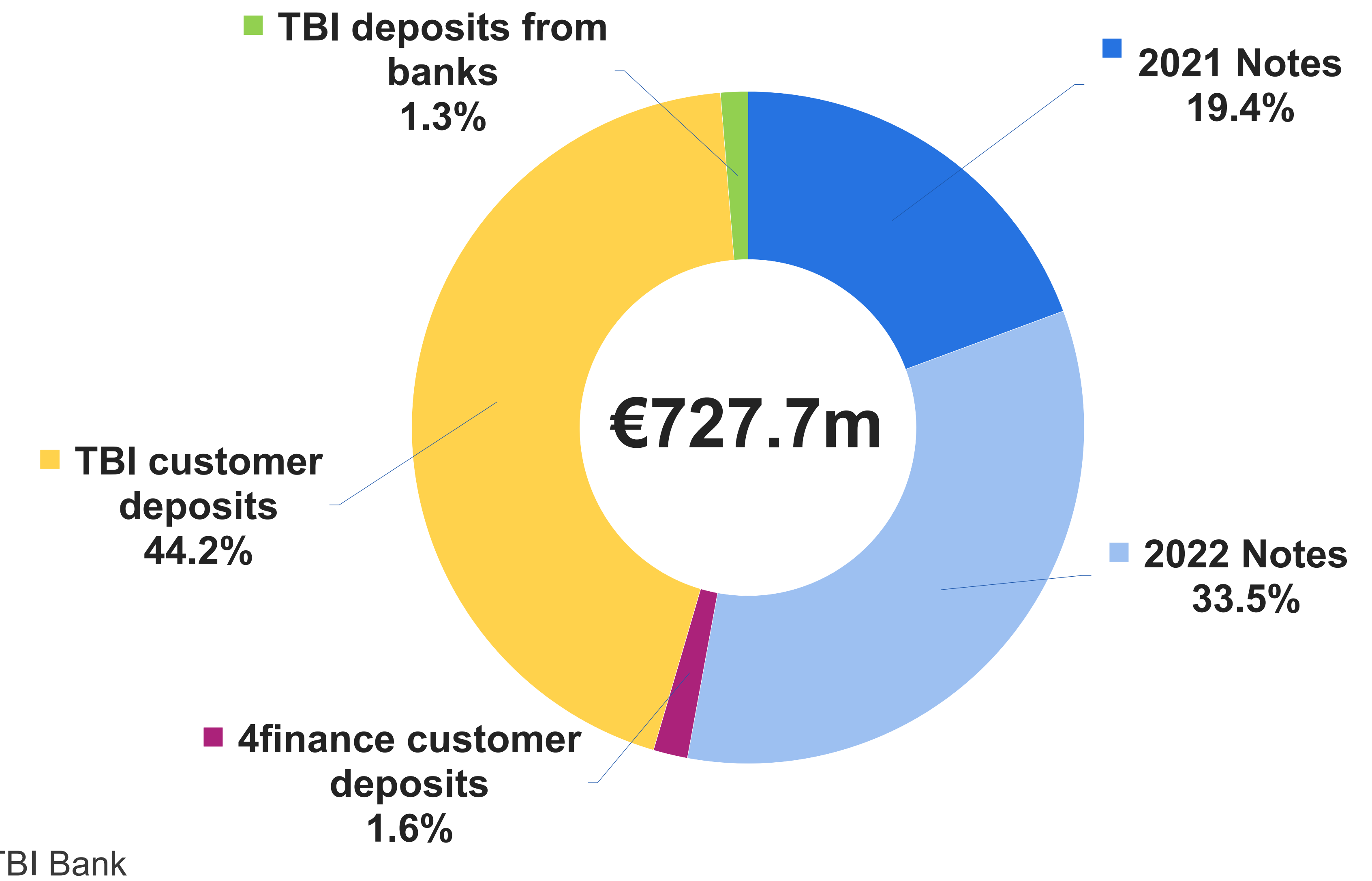
**Strategy to diversify sources of funding and reduce overall funding cost over time**

- Strong cash generation and cash position
  - Cash generated from portfolio in Q1 and April/May
  - Online cash c.€90m at end May (after coupons and buybacks)
  - TBI Bank increased deposit levels in Q1 and has strong liquidity ratios
- Accessing TBI Bank balance sheet to fund online loans
  - Successful initial portfolio sales of Polish instalment loans H2 2019
  - Passport application for Lithuania to support portfolio sales from that market submitted in April, due to start in Q3
- Further de-leveraging already achieved in 2020
  - $35.9m of USD 2022 bonds and €1.1m of EUR 2021 bonds purchased in 2020 year-to-date
  - Proforma covenant interest expense reduced by 18% year-on-year
  - Retain ongoing flexibility to buy back bonds with spare liquidity
- Strong capital position
  - 30% equity / net receivables ratio
  - TBI Bank capital adequacy c.22% after adoption of 2019 profit in April
- Consultations underway on potential extension to EUR 2021 bonds
  - Allows financial results and markets to normalise prior to refinancing

## Debt maturity schedule, proforma for 31 May 2020 (1)




## Overview of funding structure, 31 March 2020 (2)

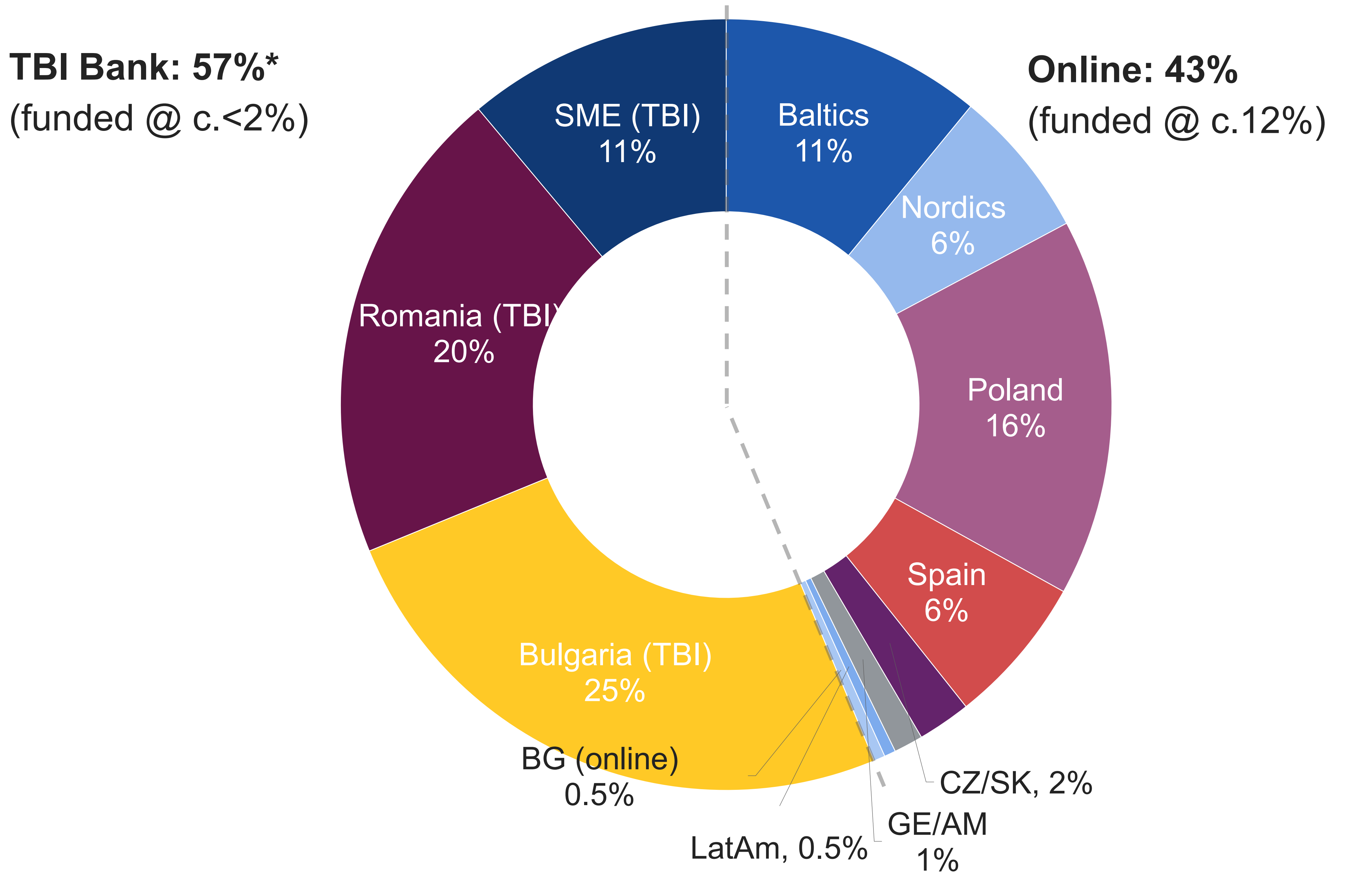



Notes:
(1) Represents the principal value of public bonds outstanding that comes due in each respective period, net of buybacks and bonds owned by TBI Bank
(2) The chart reflects the principal and accrued interest amounts of each of the instruments, net of buybacks and bonds owned by TBI Bank

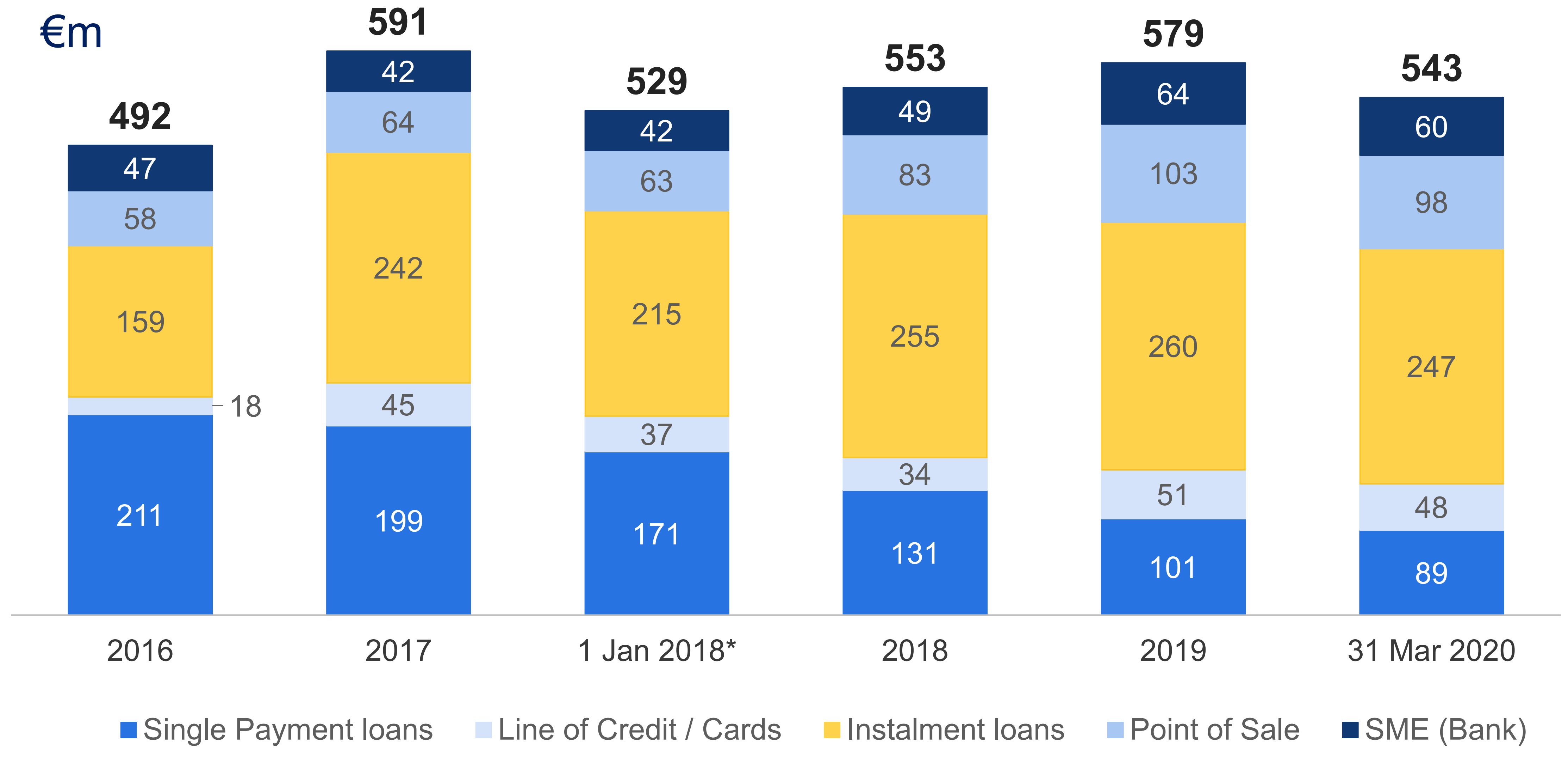
# Diversified loan portfolio

- Selective approach to new loan issuance
- Overall net receivables totals €542m
  - 4% reduction during Q1
  - 89% consumer loans
  - 43% online loans / 57% banking

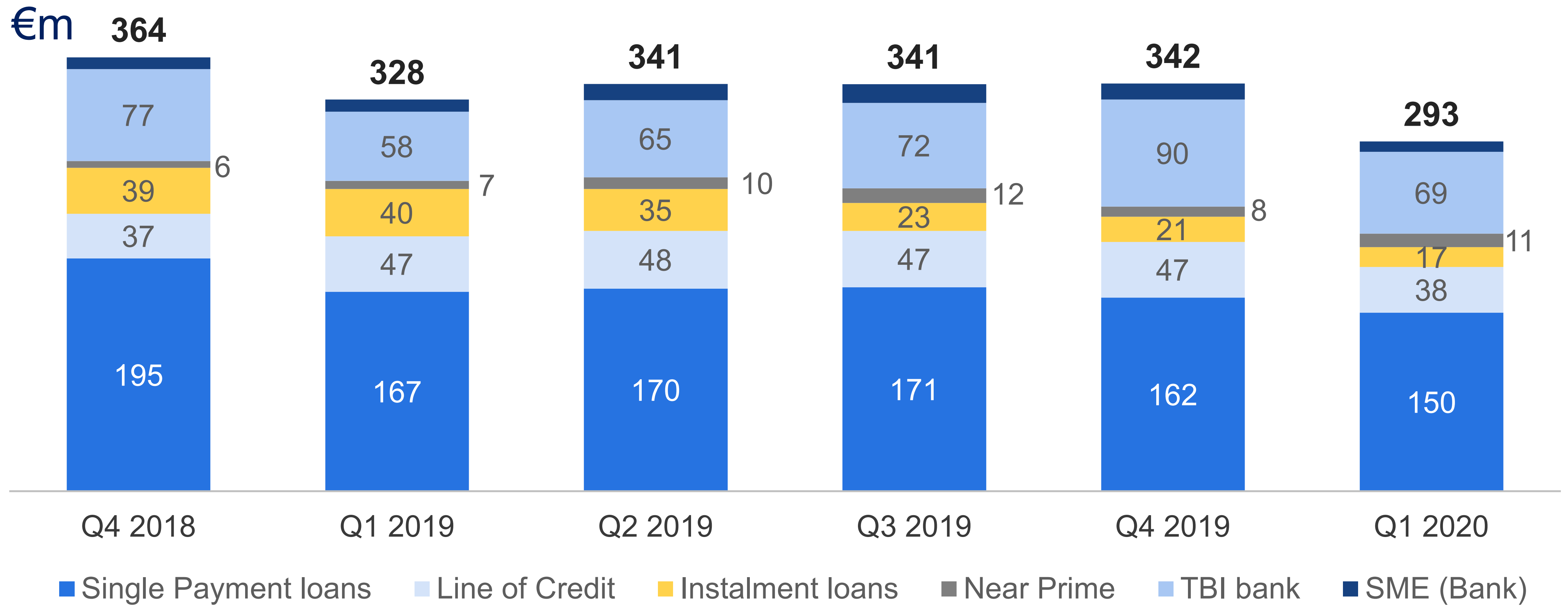
## Net receivables, 31 March 2020




## Net receivables (1)




## Online loans issued (1)




See appendix for definitions of key metrics and ratios

* Includes TBI bank, BG online and €1.8m of purchased Poland portfolio

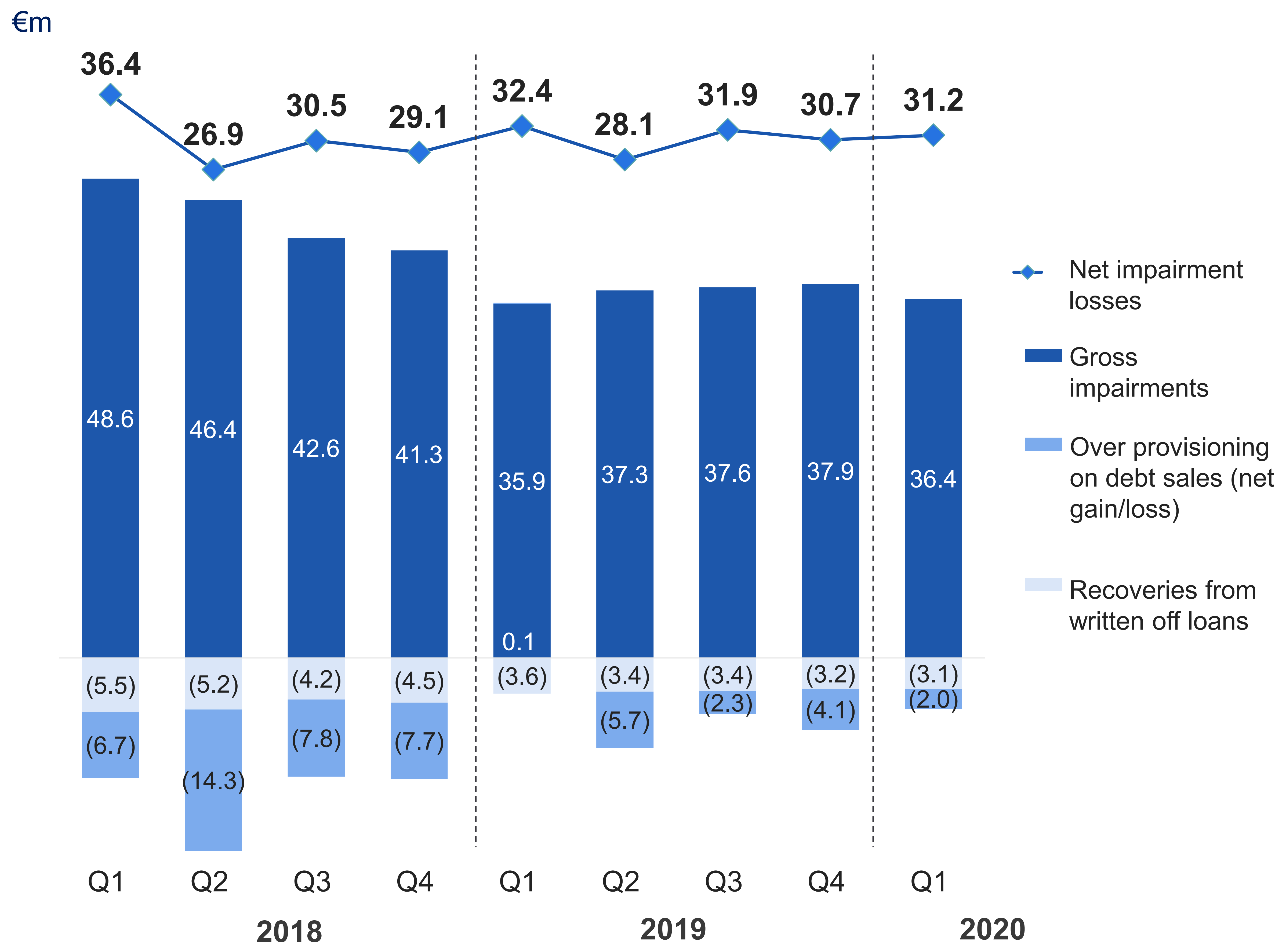
**Notes:**

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

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

# Analysis of net impairments and cost of risk

## Net impairment charges by quarter (1)




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

- Q1 2020 net impairment charges remain fairly elevated
  - Most products in line with expectations. Some additional provisions in Armenia IL portfolio (in run-off)
  - Overall impact of Covid-19 increased net impairments by approximately €3 million in Q1 (higher macro provisions, delayed debt sales, some impact on delay indicators)
- Overall cost of risk relatively stable
  - Overall cost of risk 17.4% (Q1 2020, including TBI Bank) vs 18.4% (Q1 2019)
  - Online cost of risk 29.5% vs 28.9% (Q1 2019)
  - Net impairment / interest income 32.3% vs 30.4% (Q1 2019)
- Proactive and ongoing adjustments to risk parameters across markets since mid-March
  - 63 changes to underwriting scorecards/policies
  - 82 changes to debt collection scorecards/policies
  - Ongoing regular reviews by market (eg Spain, Poland)

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

See appendix for definitions of key metrics and ratios

# Asset quality and provisioning

- Gross NPL ratios increased in ‘online’ due to delayed debt sales, but asset quality relatively stable. Coverage ratios remain over 100%
  - Online gross NPL ratio 28.3% as of March 2020, compared with 24.9% as of December 2019
  - Overall gross NPL ratio 22.2% as of March 2020 from 20.7% as of December 2019
  - Some delayed debt sales already restarting in May, including Poland

| | 31 March 2020 | | | | 31 December 2019 | | | |
|---|---|---|---|---|---|---|---|---|
| | Gross amount | Impairment allowance | Net amount | % of Gross Amount | Gross amount | Impairment allowance | Net amount | % of Gross Amount |
| ***€m, except percentages*** | | | | | | | | |
| **Online receivables** | | | | | | | | |
| Performing [1] | 255.3 | (41.2) | 214.1 | 71.7% | 285.5 | (45.6) | 239.9 | 75.1% |
| Non-performing [2] | 100.6 | (77.5) | 23.2 | 28.3% | 94.6 | (69.1) | 25.5 | 24.9% |
| **Online total** | **355.9** | **(118.7)** | **237.3** | **100.0%** | **380.1** | **(114.7)** | **265.4** | **100.0%** |
| **TBI Bank receivables** | | | | | | | | |
| Performing [1] | 292.7 | (12.4) | 280.3 | 84.0% | 296.4 | (12.0) | 284.4 | 83.8% |
| Non-performing [2] | 55.6 | (30.5) | 25.0 | 16.0% | 57.1 | (28.0) | 29.1 | 16.2% |
| **TBI Bank total** | **348.2** | **(42.9)** | **305.3** | **100.0%** | **353.5** | **(40.1)** | **313.5** | **100.0%** |
| **Overall group receivables** | | | | | | | | |
| Performing [1] | 548.0 | (53.6) | 494.4 | 77.8% | 581.9 | (57.7) | 524.2 | 79.3% |
| Non-performing [2] | 156.2 | (108.0) | 48.2 | 22.2% | 151.7 | (97.1) | 54.6 | 20.7% |
| **Overall total** | **704.2** | **(161.6)** | **542.6** | **100.0%** | **733.7** | **(154.8)** | **578.9** | **100.0%** |

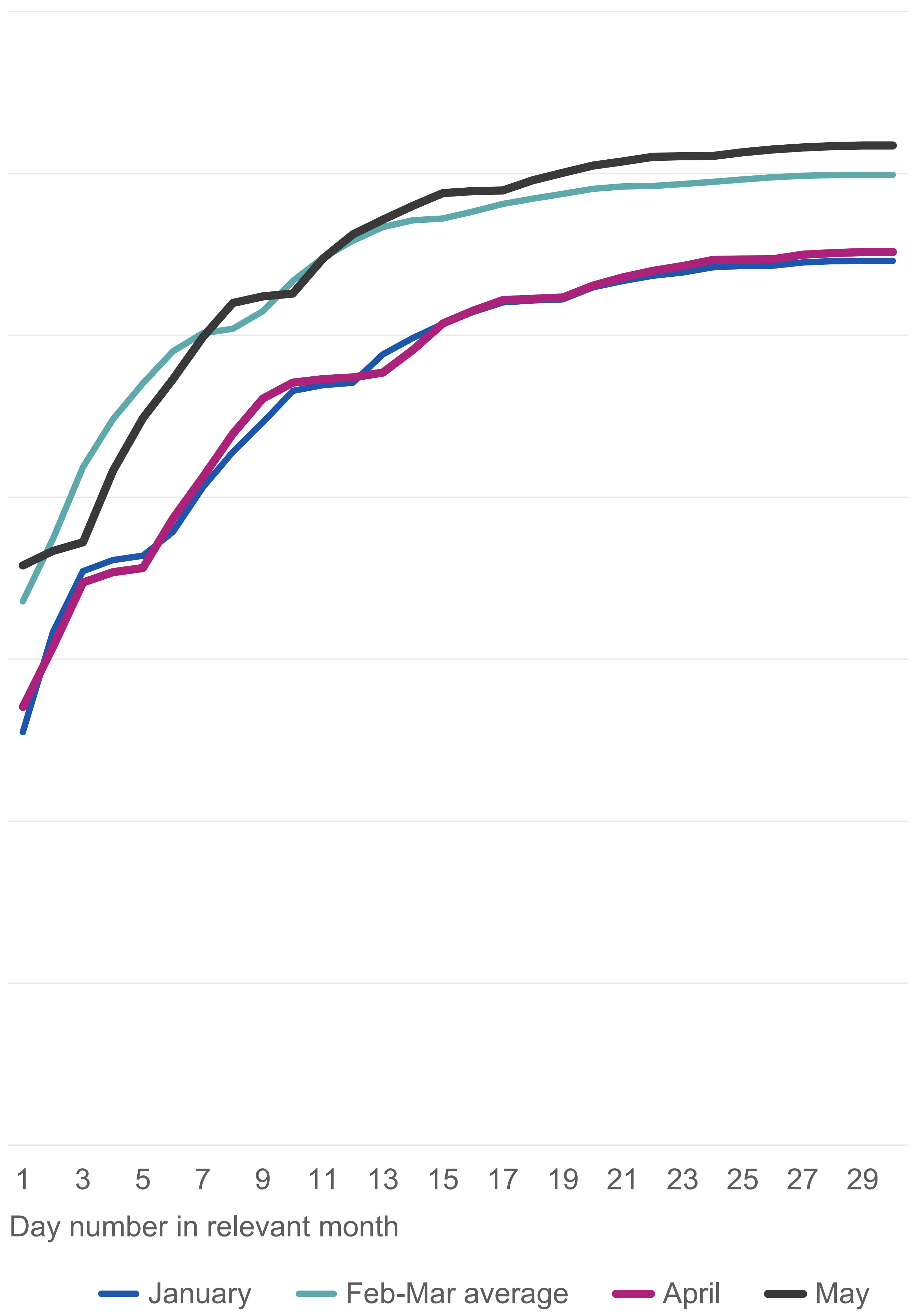
**Notes**:
(1) Performing receivables 0-90 DPD
(2) Non-performing receivables 91+ DPD (and, for TBI Bank, shown on a customer level basis)

# Recent collections performance

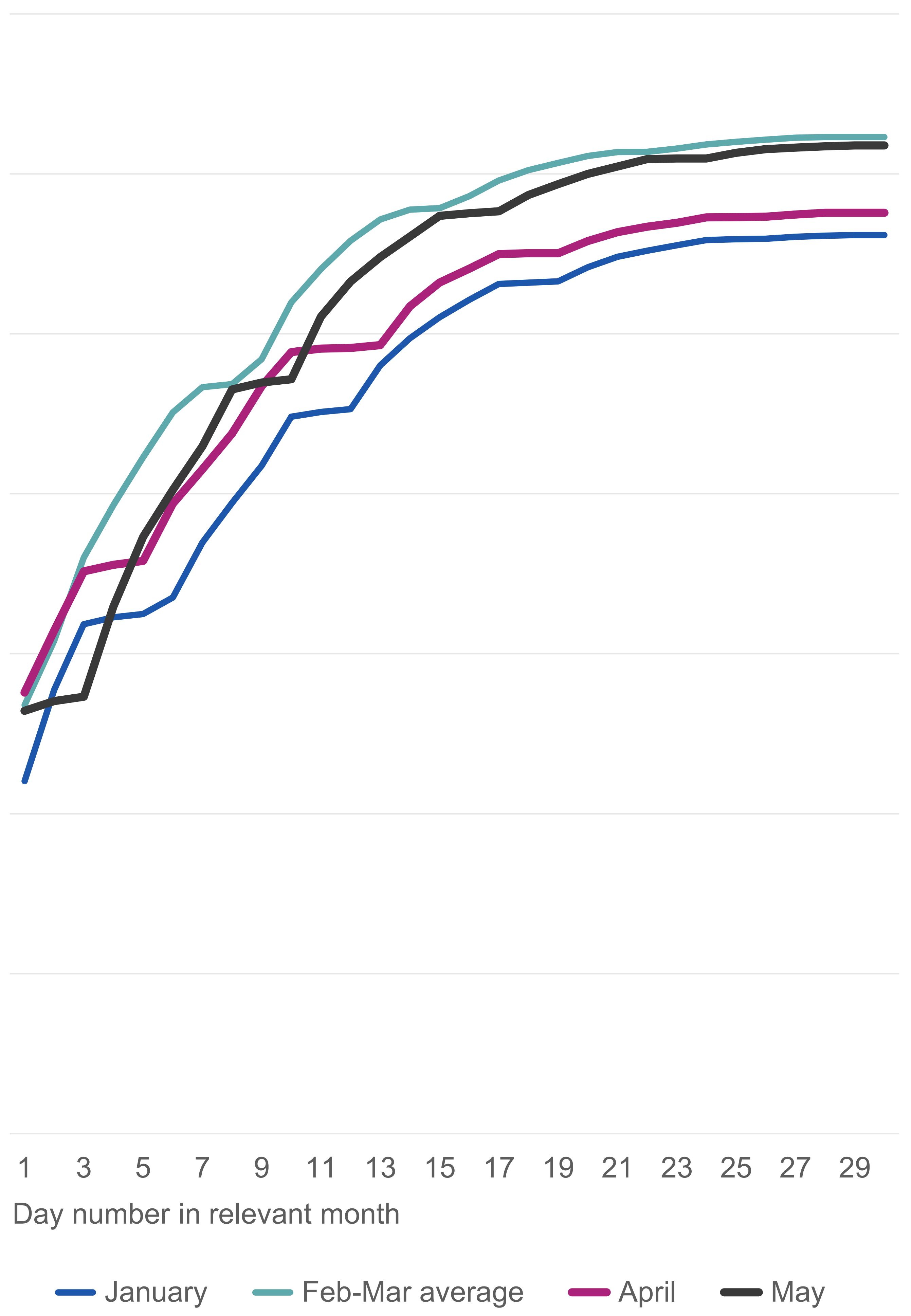
- April and May repayment dynamics in line with prior months
  - April performance comparable with January
  - Improvement in May
- Requests for payment deferrals, either proactively offered by 4finance, or offered in accordance with local regulation, have been relatively limited
  - Main take-up in Czech Republic, Armenia and TBI Bank

| **Payment deferral take-up in selected markets** (% of eligible portfolio by value) | |
|---|---|
| Poland | 2% |
| Spain | 3% |
| Denmark | 1% |
| Baltics | 1% |
| Czech Republic | 12% |
| Armenia | 17% |
| TBI consumer | 12% |
| TBI SME | 43% |

## Repayment dynamics (single payment)




## Repayment dynamics (instalment)




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

# Summary

**Pro-active response to Covid-19 across the business, with good results**

- Rapidly adapted operations to home working, ensuring employee safety and continuous services for customers
- Focus on risk management, but remained "open for business" in April/May, particularly for our returning customers
- Customer repayment behaviour within normal ranges in April/May, with proactive support offered for customers who have been impacted

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

- Key decisions taken to streamline footprint, focus on larger markets and right-size cost base
- Continued development of near-prime business, both on product side (Latvia, Lithuania, Sweden launches) and TBI Bank funding side (Lithuania passport application)
- Encouraging demand and issuance trends in May (22% increase in online loans issued vs April) with improvement expected to continue in June

**Strong balance sheet and funding position, with further action being taken**

- Strong liquidity position in both 'online' and TBI Bank
- Strong cashflow generation, deployed in significant bond buybacks to reduce leverage
- Consultations underway on potential extension to EUR 2021 bonds to allow financial results and markets to normalise prior to long term refinancing

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

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# Thank you and Questions

# Appendix – responsible lending and regulatory overview

# Sustainability through good governance and responsible lending

## Operating as a mainstream consumer finance business

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

## Developing meaningful and constructive regulatory relationships

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

## Responsible lending: putting customers first

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

# Regulatory overview

| Country | % of interest income (Q1 2020) | Products (1) | Regulator | CB (2) | License required (3) | Interest rate cap (1) | Status |
|---|---|---|---|---|---|---|---|
| **Argentina** | 1% | SPL | Consumer Protection Directorate | - | - | - | |
| **Armenia** | 2% | LOC | Central Bank of the Republic of Armenia | Yes | Yes | Nominal | |
| **Bulgaria** – Online | 2% | SPL | Bulgarian National Bank | Yes | Yes | APR (inc. fees) | Stable framework |
| **Bulgaria** – Bank | 13% | IL, LOC, POS, SME | | | | | |
| **Czech Republic** | 5% | SPL, IL | Czech National Bank | Yes | Yes | - | Stable framework |
| **Denmark** | 11% | LOC, IL | FSA and Consumer Ombudsman | Yes | Yes | APR & TCOC being introduced | Danish FSA licensing process ongoing. New regulations regarding interest rate caps (35% APR cap, 100% cost of credit cap) and marketing restrictions in final stages of review. Expected to start in July |
| **Finland** | 1% | IL(4) | Finnish Competition and Consumer Authority | - | - | Nominal & fees | New interest rate caps in force from September 2019. Further discussions on temporary reduction to 10% are ongoing |
| **Latvia** | 5% | MTP, IL | Consumer Rights Protection Centre | - | Yes | Nominal, fees & TCOC | Stable framework since new interest rate caps in July 2019 |

**Notes:**
(1) Abbreviations:
APR – Annual Percentage Rate; IL – Instalment loans; LOC – Line of Credit / Credit Cards; MTP – Minimum to pay; POS – Point of Sale; SPL – Single Payment Loans; SME – Business Banking (Small-Medium Sized Enterprise); TCOC – Total Cost of Credit
(2) Indicates whether the regulator is also the main banking supervisory authority in the relevant market
(3) Indicates license or specific registration requirement
(4) 'Mini-IL' (4 monthly instalments) from September 2019

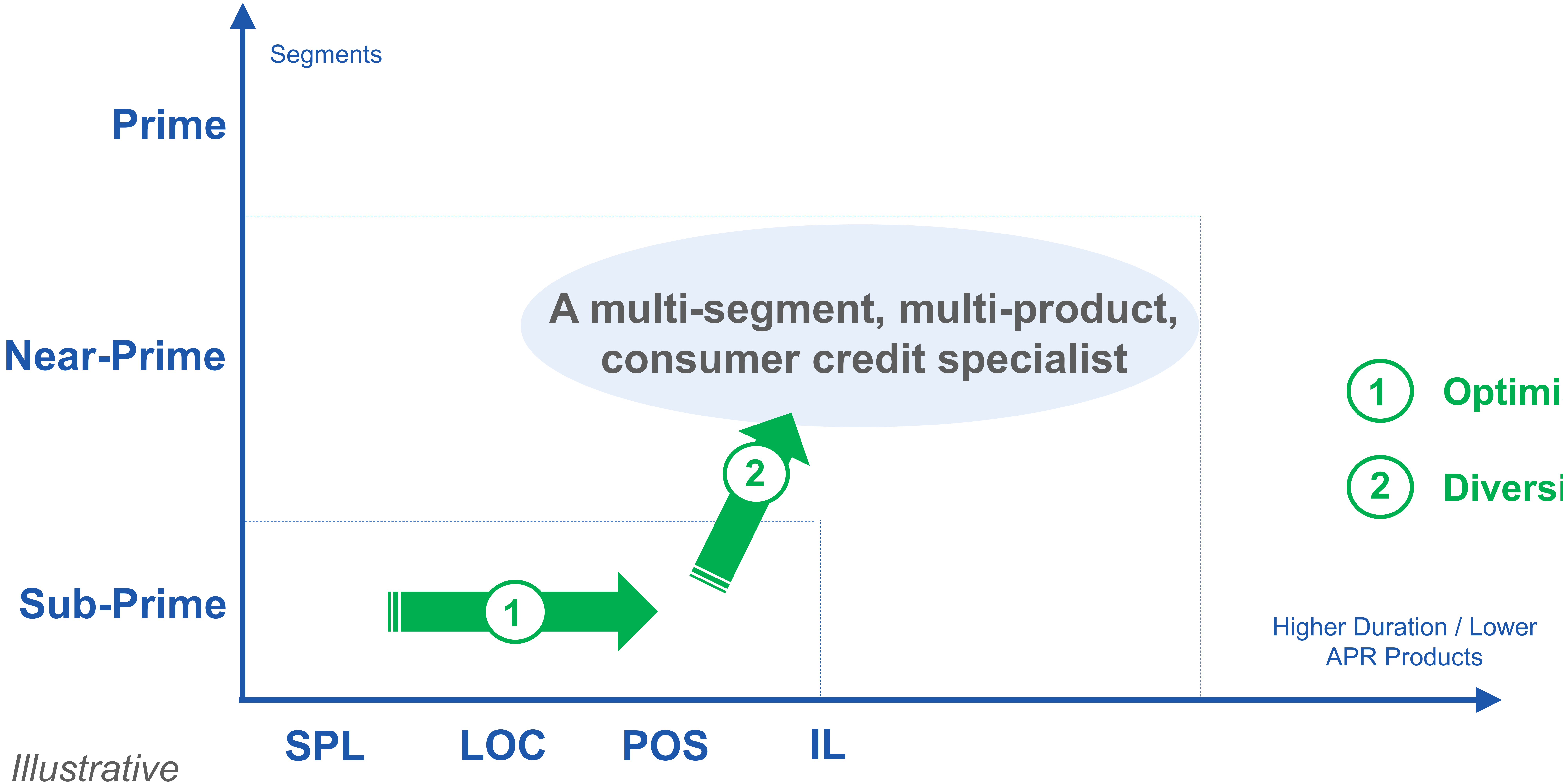
# Regulatory overview (continued)

| Country | % of interest income (Q1 2020) | Products [(1)] | Regulator | CB [(2)] | License required [(3)] | Interest rate cap [(1)] | Status |
|---|---|---|---|---|---|---|---|
| **Lithuania** | 2% | SPL, IL | Central Bank of Lithuania | Yes | Yes | Nominal, fees & TCOC | Stable framework |
| **Mexico** | 1% | IL | National Financial Services Consumer Protection Commission | - | Yes | - | Stable framework |
| **Poland** | 23% | SPL, IL | Office of Competition and Consumer Protection | - | - | Nominal, fees & TCOC | Non-interest cost caps adjusted in April for one year to 15% fixed and 6% annual with a 45% total limit |
| **Romania** | 10% | IL, LOC, POS, SME | National Bank of Romania | Yes | Yes | - | Bill to introduce interest rate cap under discussion |
| **Slovakia** | <1% | SPL | National Bank of Slovakia | Yes | Yes | APR (inc. fees) | Stable framework |
| **Spain** | 22% | SPL, IL | N/A | - | - | - | |
| **Sweden** | 1% | LOC, IL | Swedish Financial Supervisory Authority | Yes | Yes | Nominal & TCOC | Stable framework since new interest rate caps in September 2018 |

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

# Appendix – strategic evolution of portfolio

# Evolving and broadening our business model



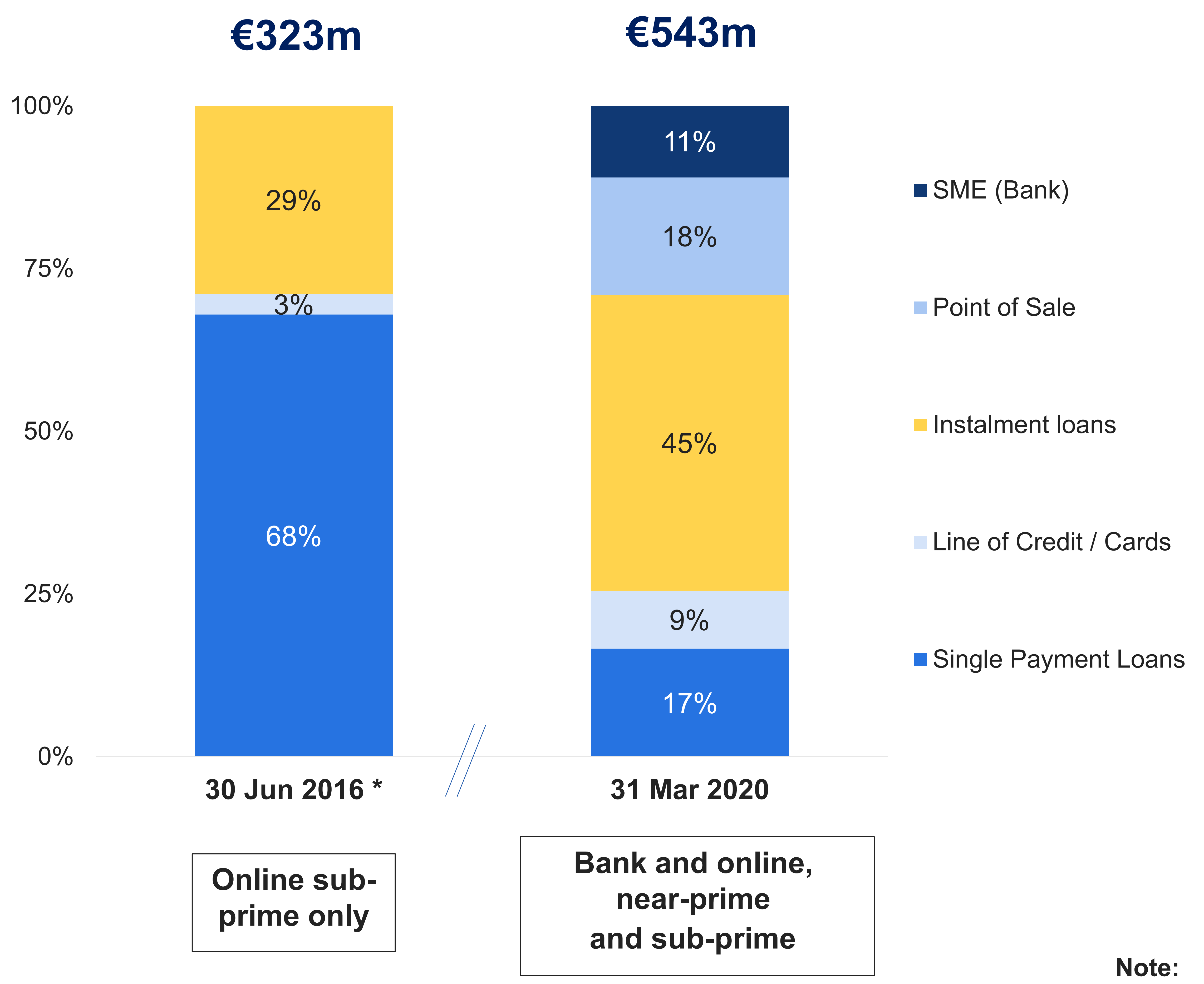

*Illustrative*

1 **Optimise**

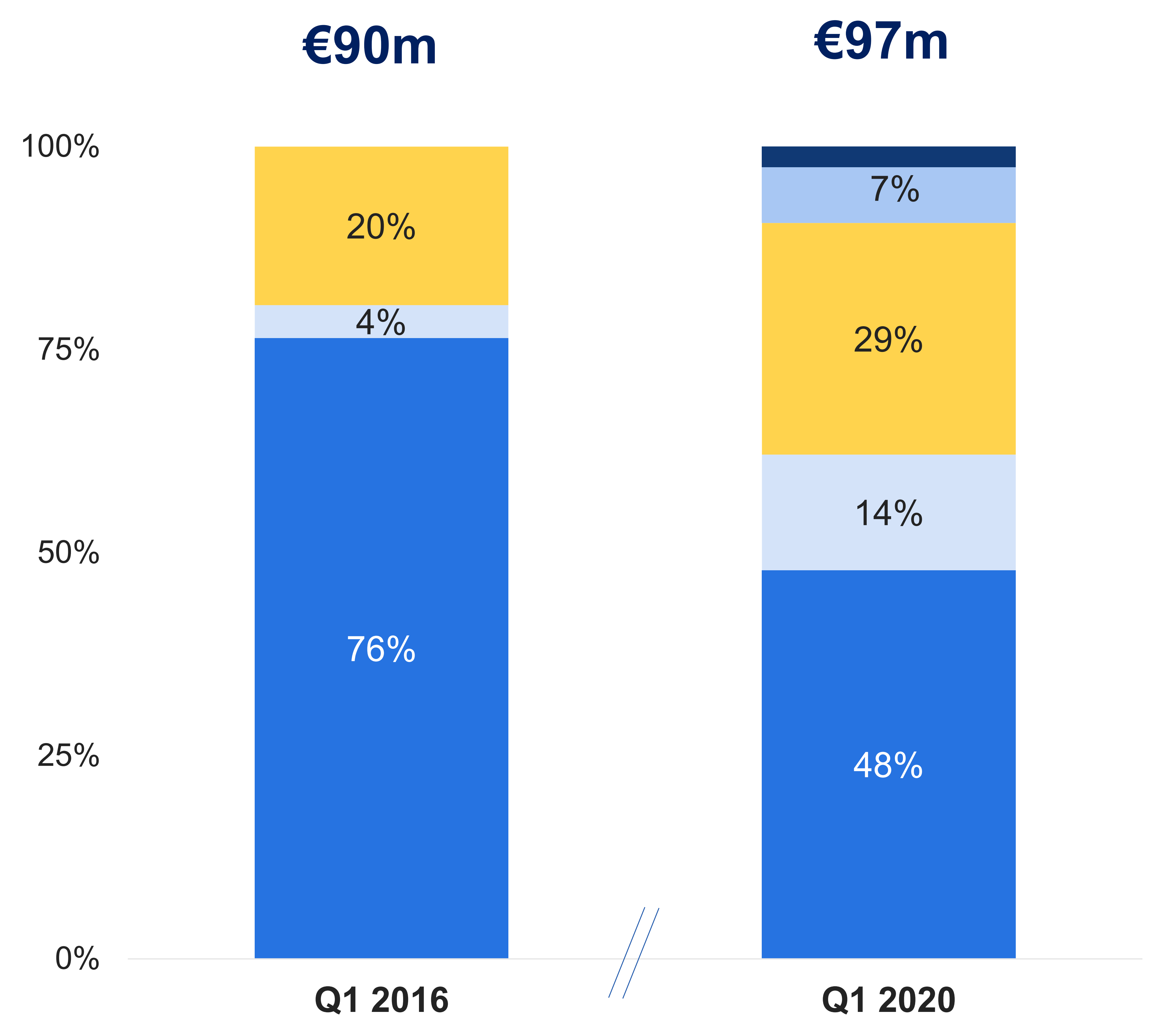
2 **Diversify & Grow**

# Evolution of product mix

## Net receivables by product (1)




## Interest income by product (1)




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

**Note:**

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

# Funding near-prime growth via TBI Bank

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

4 FINANCE

**Online acquisition**

**Initial portfolio development**

Early stage customer acquisition and credit metrics monitored and enhanced

Payment of fair market value

**Funding Platform**

In-house IT funding platform ensuring ongoing automated portfolio transfers

True sale of portfolio(s), loan servicing

TBIBank

**Retail deposit funding**

**Bringing portfolios to scale**

Market specific portfolios grow with ongoing sales to reach scale

- **Regular sales of Polish instalment loans since September 2019**
- **Passporting application submitted for Lithuania (largest near-prime portfolio)**

**Illustrative near-prime “unit economics”(1)**

- Indicative APRs: 20-40%
- Cost/Income ratio: c.40%
- Cost of Risk: 6-8%
- Cost of Funds: 3-5%
- Return on Assets: 3-5%(2)

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

# Asset quality and provisioning – loan 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 |
| *€m, except percentages* | | | | | | | | |
| **Online principal** | | | | | | | | |
| Performing [1] | 234.7 | (35.7) | 199.0 | 73.7% | 263.4 | (39.7) | 223.7 | 77.4% |
| Non-performing [2] | 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 [1] | 285.3 | (12.1) | 273.2 | 84.0% | 289.6 | (11.8) | 277.8 | 83.8% |
| Non-performing [2] | 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 group principal** | | | | | | | | |
| Performing [1] | 520.0 | (47.8) | 472.2 | 79.1% | 552.9 | (51.5) | 501.5 | 80.6% |
| Non-performing [2] | 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%** |

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

# Appendix – financials and key ratios

# Income statement

| *In millions of €* | Q1 2020 (unaudited) | Q1 2019 (unaudited) | % change YoY |
|---|---|---|---|
| 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** |
| **Adjusted EBITDA** | **23.3** | **29.4** | **(21)%** |

# Balance sheet

| *In millions of €* | 31 March 2020 (unaudited) | 31 December 2019 |
|---|---|---|
| **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 | 27.7 | 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 | 0.0 | (0.0) |
| **Total equity** | **160.8** | **165.8** |
| **Total shareholders' equity and liabilities** | **972.7** | **973.1** |

# Statement of Cash Flows

| In millions of € | 3 months to 31 March | |
|---|---|---|
| | 2020 | 2019 |
| **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 |
| 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** | **53.0** |
| 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** |

| In millions of € | 3 months to 31 March | |
|---|---|---|
| | 2020 | 2019 |
| **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 | 0 | 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 | - | 0 |
| 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) | (1) |
| 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) | 0 |
| **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** |

# Key financial ratios

| | Q1 2020 | Q1 2019 |
|---|---|---|
| **Capitalisation** | | |
| Equity / assets | 16.5% | 16.1% |
| Equity / net receivables | 29.6% | 29.9% |
| Adjusted interest coverage | 1.8x | 2.0x |
| TBI Bank consolidated capital adequacy | 18.8% | 21.0% |
| **Profitability** | | |
| Net interest margin: | | |
| - Online | 76.4% | 80.2% |
| - TBI Bank | 24.6% | 25.2% |
| - Overall group | 50.0% | 55.7% |
| Cost / income ratio | 52.7% | 52.0% |
| Normalised Profit before tax margin | 11.1% | 12.7% |
| Normalised Return on average equity | 11.8% | 10.4% |
| Normalised Return on average assets | 2.0% | 1.7% |
| **Asset quality** | | |
| Cost of risk: | | |
| - Online | 29.5% | 28.9% |
| - TBI Bank | 4.7% | 4.5% |
| - Overall group | 17.4% | 18.4% |
| Net impairment / interest income | 32.3% | 30.4% |
| Gross NPL ratio: | | |
| - Online | 28.3% | 22.7% |
| - TBI Bank | 16.0% | 17.3% |
| - Overall group | 22.2% | 20.4% |
| Overall group NPL coverage ratio | 103.5% | 106.4% |

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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