4FINANCE S.A.

Moderator: Oyvind Oanes
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OPERATOR: This is Conference #: 4264549

Operator: Ladies and gentlemen, thank you for standing by and welcome to the 4finance Full-Year 2019 Results conference call.

At this time, all participants are in a listen-only mode. There will be a presentation followed by a question-and-answer session. At which time, if you wish to ask a question, you will need to press "star" and "1" on your telephone and wait for an automated message stating your line is open. I must advise you this conference is being recorded today, Thursday the 5th of March, 2020.

I would now like to hand the conference over to your speaker today, Oyvind Oanes. Please go ahead, sir.

Oyvind Oanes: Thank you and welcome, everyone, to the 4finance full-year results call. This is Oyvind Oanes speaking, the CEO of 4finance Group and with me today are, as usual, our CFO, Paul Goldfinch; our CRO, Martin Muransky; and James Etherington, our Head of Investor Relations. As usual, we would like to start the call today with a short operational update reviewing some of the key business and financial highlights for the reporting period. We will also want to present you with an update on the progress of our strategic priorities, near-prime and funding, as well as giving you an update of the most relevant regulatory topics.

If you could all now please to turn to page four of the presentation, you will see that we have delivered a stable and solid performance across most key financial indicators in the reporting period. We continue to see stable overall performance in our larger online markets: Poland, Spain and Denmark, as well as TBI Bank where we saw a seasonally very strong Q4. In those markets, we delivered a stable like-for-like performance for the period year-on-year in terms of both volume, with another EUR1 billion in new loan issuance, as well as on interest income.

We also continued to have a very tight focus on costs throughout the year and saw overall costs drop by 12 percent year-on-year, taking the cost income ratio further down to just above 51 percent by year-end. Overall, that resulted in a stable and strong bottom line performance for 2019 of above EUR50 million in profit before tax, in line with our expectations.

In 2019, we successfully adapted to new regulation in both Latvia and in Finland and are now seeing a stable, viable, profitable business in Latvia with high take-up rates of the additional services, as well as encouraging results with our new mini instalment loan product in Finland. We're now consistently seeing more than 30 thousand loan applications in those markets combined. I will come back to talk a bit more about regulations in a few minutes.

As indicated on our last call, I will give you an update on our strategically important initiative around evolving our business model into near-prime. We will spend the next couple of pages on that topic, but it's worth to mention that we launched a near-prime offer in Latvia in December as planned and have since also broadened the offer in Lithuania as well as started to ramp up the near-prime effort in Sweden following the completion of the new technical platform.

In addition to being a strong overall contributor to the group's results, TBI Bank also plays an important and integral part of our near-prime strategy, giving us access to cheaper funding through retail deposits. We successfully executed two pilots in Q4, selling Polish instalment loans to the bank and are now working hard to complete a scalable automation platform, able to

seamlessly move loans to the bank's system when we start to scale up near-prime volumes.

Overall, we delivered another stable quarter in Q4 with interest income above EUR100 million and adjusted EBITDA of EUR30 million as well as a stable and solid overall performance for the year that the management and the shareholders are very satisfied with. And I would like to take the opportunity to thank all of our staff for their contribution in delivering this result.

If you now turn to the next page, please, page 5. As a recap, we have tried to illustrate the overall business model for our near-prime initiative with TBI Bank as an integral part of that strategy. We will continue to primarily acquire customers online in our normal country businesses, leveraging our strong expertise around digital marketing and real-time credit risk assessments. Over time, we envisage distribution to also include selected partners, for example brokers and retailers.

As we develop our near-prime pilots, launch will initially be kept on the respective online business' balance sheet whilst we get comfortable with the risk parameters and overall performance of the product. Then, when we are ready to increase loan issuance and scale the portfolio, we'll use our funding platform to sell those loans to TBI Bank as portfolio true sales.

Once the loan is on TBI Bank's balance sheet, the online business is immediately compensated on an arm's-length basis so they get paid a fair market value and also get paid for the continued servicing of the loan and the customer. This will allow us to significantly reduce the funding cost for our near-prime loans and as you can see from the illustrative unit economics on this page, this is key to making the overall business model profitable and viable.

If you now turn to the next page, please, you will see that we now have active near-prime businesses and pilots across a number of our European markets. TBI Bank is obviously our largest near-prime lender with a highly profitable and growing portfolio of close to EUR300 million in consumer loans. We have talked about how we responded to changes in regulation in Lithuania

back in 2016 on previous calls and based on the strong performance of our near-prime offer, we decided to expand that with higher tickets and longer terms back in February. The early results are showing incremental sales of above 30 percent.

As for Spain and our partnership with Fintonic, we continue to make improvements to the process, with more automation and have also implemented a new scorecard that is now producing better quality origination. We will also be introducing a direct-to-consumer offer in the market a little later this year. Having run a low-key pilot in Sweden for the best part of 2019, we completed a redesign of the near-prime offer and technology at the end of last year and are now just getting ready to increase sales volumes in cooperation with a selected few brokers.

This is very much the dominant channel for loan distribution in the Swedish market and as already mentioned, we introduced a new near-prime offer in Latvia back in December under our well-known Vivus brand where they issued well above EUR1 million so far and have seen positive early risk indicators. The team is now working hard to prepare the next near-prime launch which is scheduled to be Denmark now in Q2. By then, we will have near-plan products up and running in more than half of our European markets.

If you could now please turn to page seven of the presentation. Before handing it over to Paul to review the financial results in more detail, I wanted to give you a brief status update on the ongoing regulatory changes that we are experiencing in some of our European markets. As already mentioned, we successfully adjusted our products to the new regulations last year in both Latvia and in Finland. We remain in close dialogue with the regulators in those markets, but we are not expecting any further changes there.

In Poland, there has been no further news on pricing regulation since our last call and this does not appear to be a priority for the new government following last October's election. We're actually approaching the fourth anniversary of the March 2016 regulation that is currently in force. So it has been stable for quite some time now despite last year's headlines. However, there has been

some updates in Poland on cases where customers repay their loans early and how certain fees should be refunded.

As we have announced, the Consumer Protection Authority has imposed a stricter practice than the voluntary measures we introduced up to a year ago. We don't believe this is a fair reflection of the cost that lenders have to incur to provide a loan in a responsible manner, such as verifying identity and doing credit checks and we have therefore appealed this verdict.

The judgment is immediately applicable for new loans, however, but in order not to treat our earlier customers differently when they come to us, we have voluntarily adopted this refund practice for them as well and we have actually taken a provision of just under EUR700,000 in our 2019 accounts to factor in those additional expected payments.

As for Denmark, I mentioned on our last call that we were expecting a draft proposal for new legislation in February and these have now been published. The proposals are for an APR cap of 35 percent, a total cost of credit cap of 100 percent and marketing restrictions for loans with interest rates above 25 percent. We are working with a local online lending association which has already given some input to the ongoing consultation process. Once finalised, we expect the new regulation to come into force in July this year at the earliest.

From a business perspective, the proposed framework is fairly similar to what we have seen elsewhere in the Nordic and Baltic region in the last couple of years. So while it's too early to give a view on likely business impact, I can say that we are planning how to adapt our products and we're looking at a similar approach, for example additional services, that we have used in both Latvia and in Finland.

All in all, we keep following the situation closely in all our relevant markets and continue to be confident based on past experience that we will be able to adjust and adapt our products and business model when and if that will be required.

With that, I would now like to hand it over to Paul who will talk you through the next few pages reviewing the financial performance for the period in more detail. Paul, please go ahead.

Paul Goldfinch: Thank you, Oyvind, and greetings to everybody on the call today. If we move now to slide nine, I'm pleased to report and present the financial results for the group for the final quarter of 2019. We generated EUR105 million in interest income in the quarter, an amount which was very consistent across all four quarters of the year and while this is down year-on-year, interest income, like a number of our year-on-year comparatives, are impacted by the product and market exits that took place in the latter half of 2018.

The core online markets of Poland, Spain, Denmark and the Czech Republic finished 2019 on a strong note and their respective results are very much in line with expectations and also stable with the prior year. TBI Bank generated almost EUR24 million in income in its seasonally strongest quarter and also produced very strong financial results for the full year, generating a return on equity in excess of 20 percent.

Thanks to a strong focus over the full 12 months of the year, our consolidated operating costs have reduced by 12 percent in 2019 and the overall risk performance of our loan book remained stable, which in turn is reflected in the net impairment charge in the final quarter. Martin will cover this in some detail shortly in his risk update.

As a result, we finished 2019 generating net profit before tax of just over EUR50 million. The group continues to generate strong operating cash flow and after paying bond coupons in November, we finished the year with over EUR76 million of cash in the online business, a similar level to where we started the fourth quarter.

If we turn now to slide 10, which provides the geographical breakdown of the group's interest income. Poland and Spain, our two biggest markets, generate over 45 percent of the group's income across our SPL and IL products and TBI's strong performance in both Bulgaria and Romania in 2019 has seen their share of interest income increase to above 20 percent. And while the

share of income generators in the Nordic and Baltic region has fallen slightly, we have fully adapted our products to regulatory changes in the region and we retain a very strong footprint in all of these well-established markets going forward.

Turning now to slide 11 which depicts the quarterly breakdown and development of our operating cost base. We set ourselves an internal target of a 50 percent cost income ratio for the year and while we didn't quite achieve that level, we're more than satisfied with the progress and achievements over the course of 2019. We finished the year with total operating costs of EUR198 million, a year-on-year reduction of 12 percent or EUR27 million in absolute terms.

Overall headcount reduced by 230 FTEs over the course of the year and we also saw a reduction in personnel costs by just over EUR7 million. Our marketing team successfully implemented a combination of best-in-class external solutions and an in-house proprietary toolset, the result of which was a significant improvement in both the effectiveness and efficiency of our acquisition costs, as well as a 10 percent year-on-year decrease in total spend and while our operating costs in the fourth quarter did increase, this was primarily due to our seasonal boost in marketing which takes place in the fourth quarter each year.

Further optimisation of our cost base remains a strategic objective for 2020. We launched some more structural initiatives in the second half of last year which will generate material synergies in a number of our operational processes. We're pleased with the progress to-date and remain on course to implement these initiatives in the second half of the year.

If we turn now to slide 12, we finished 2019 in a very stable position across the set of metrics. Interest income was close to EUR425 million for the year and we continue to generate solid levels of both EBITDA and profit before tax. We retain good headroom in both our key covenant metrics, with the equity to receivables ratio at a healthy 29 percent, up slightly from the prior year, and our adjusted interest coverage metric on a 12-month basis being 2.4 times.

If we turn now to slide 13, which discusses the progress we are making in terms of our funding strategy. As we discussed on the last quarterly call, I wanted to give you an update on our plans for the refinancing of our euro bonds which mature in May next year.

I'm pleased to report that we have made very good progress in this area. Over the course of the last few months in 2019, we met with a number of banks to consider the various options available to us. In January, we subsequently asked a short list of banks to meet with us in Riga to pitch specific proposals and we have engaged two banks to work with us in this process.

While I'm a little restricted on what I can concretely disclose at this stage, it's our current intention to fully refinance the bonds with a new euro issue, likely in a Nordic bond format. Timing of any transaction will obviously depend on market conditions and these have been very volatile recently, although I would say in general that we have seen more robust trading dynamics in our U.S. dollar bond since the last call, and it's on an upward trend.

We were actively looking to buy back a further position in late January before we entered into a blackout period and we were unable to source bonds even several points above the price on the screen. This is a strong contrast to the dynamics we saw in our buybacks last year. We do plan to meet with investors over the next couple of weeks for a non-deal roadshow following these results. To the extent any of you are not contacted, but would like to meet with Oyvind, James and myself, please don't hesitate to contact James or I.

As Oyvind highlighted in earlier slides, we continue to make good progress with the utilisation of TBI's balance sheet for our online instalment loans with further portfolios in Poland sold to the bank in the fourth quarter. We also continue with progress in the development of the technology platform which will underpin the scalability of these portfolio sales in the future.

TBI Bank is in the final stage of preparing a passport application to the Bulgarian National Bank for Lithuania to support portfolio sales from that

market. We finished 2019 with a healthy capital position and we declared a further dividend of EUR9 million in the final quarter of the year.

If we turn now to slide 14, our online loan issuance in the final quarter totaled EUR240 million, bringing full-year issuance in excess of EUR1 billion, the fifth successive year we've passed this milestone. TBI loan issuance surpassed EUR100 million in the final quarter, the first time the bank has achieved this milestone. This was driven by a 25 percent increase in consumer lending over the quarter. The overall portfolio increased by 5 percent to a record high, EUR580 million at year-end. The mix of the portfolio remains well balanced between online and TBI.

I'll now ask Martin, our Chief Risk Officer, to take you through the more detailed slides on our asset quality and the dynamics of our impairment charge.

Martin Muransky: Many thanks, Paul. Good morning or good afternoon to everyone on the call. Let me walk you through the key points related to risk performance for the fourth quarter of last year as well as the entire year of 2019. Let's start first with slide 15. The net impairment for the full year of 2019 totaled close to EUR123 million.

This is a very stable figure year-over-year and commensurate with the development during 2019 when compared to the previous period and in particular when taking into consideration that the online loan issuance volume was down year-on-year, which was partially offset by the year-on-year growth of loan issuance that we have observed at TBI Bank. And we did not have so many gains from portfolio sales during 2019, especially in the online portfolio, which is attributable to the fact that 2019 was a year of so to say regular operations in terms of debt sales versus 2018, which was a very specific period, with larger portfolio being sold as a result of IFRS 9 adoption and the related sales of older portfolios.

We also consider the 17 percent year-on-year reduction in gross impairment charges a positive development reflective of now well-established debt sale strategy in place with forward flow agreements in some nine countries,

including Bulgaria, Romania with TBI Bank, compared to some five countries that we have had in 2018. The net impairment result for the quarter totaled EUR30.5 million and was composed of EUR37.8 million of gross impairment charges, down almost 9 percent year-on-year and stable quarter-on-quarter.

We spoke in the last call about tightening risk parameters on some of our instalment loan products and we have done that with good results, but we have seen some additional gross impairment from earlier originations, for example in Poland and Spain. We have also been monitoring the pilot of our Spanish near-prime portfolio closely and have made several policy adjustments and implemented a newly developed scorecard in December of last year as we test and learn before scaling the product more broadly.

As part of the quarterly net impairment result, we also had EUR4.1 million of net debt sale gains, well within the anticipated level for the quarter, despite one significant spot debt sale in Poland which was completed a month later and already in 2020, versus our original plan for December of last year. And finally, we had EUR3.2 million in recoveries from written-off assets, which is a stable figure throughout the year.

The net impairment as well as the debt sale results continue to develop broadly per our expectation and remain reflective of the evolution of the net receivable mix.

Interest income was stable quarter-on-quarter, as was already mentioned, yet down 11 percent year-on-year and this has also affected the net impairments to interest income for the year which reached 29 percent versus some 26 percent in the past year.

The overall cost of risk totaled 17.5 percent for the quarter versus 18.1 percent previously, whereas the full-year 2019 cost of risk improved to 17.1 percent versus 17.7 percent for the previous year. Cost of risk for online was at 27.5 percent for 2019 and remained higher versus a year ago where it reached 24 percent and this is an unchanged situation since last quarter and remaining to be driven by a combination of both lower debt sales and somewhat reduced

overall gross receivable amount year-on-year, the latter attributable to product or markets that were rationalised during the year.

Cost of risk at TBI Bank continued to develop very well, ending the year at 4.6 percent versus 8 percent a year ago, which is a result of the normalisation in the bank's portfolio in Romania, maintained at its regular performance levels across the whole of 2019.

During 2019, we have managed to add several new external data sources to enable us to better assess customer risk profiles at origination and also at the same time to enrich our risk models, including, for example, some aggregate transactional data we gained in Denmark, Finland or Spain or also additional income related data we have gained in Denmark and Latvia.

Towards the end of the year, we have also started with the implementation of an improved technical solution, allowing for faster risk model deployments to production as well as their more regular calibration and performance monitoring, the latter now available with daily updates.

Let me move now to slide 16. The non-performing loan ratio for the year remained relatively stable at 20.7 percent verses 19.4 percent last year whereas we have seen an increase of the ratio in the online segment to almost 25 percent versus 22 percent in 2018. As mentioned before, the main drivers here were the lower debt sales in the period, as well as lower new loan issuance in the segment, mostly during the second half of 2019 and being attributable to some of the instalment loan products.

The non-performing loan ratio remained also quite stable year-on-year in TBI Bank with 16.2 percent in 2019 versus 15.9 percent in the prior year. The total provision coverage on a group level remained stable at around 21 percent with a strong total non-performing loan coverage ratio of 102 percent and respectively 121 percent for the online segment only. All figures slightly lower versus 2018 as a result of more forward flow based debt sales being in place versus the previous period, thus driving a lower coverage requirement.

The non-performing loan coverage remained also mostly stable for TBI Bank at almost 73 percent. The lower non-performing loan coverage at TBI Bank versus the online segment remains attributable to the near-prime nature of TBI's consumer loans and the small business lending book which remains well secured with collaterals with an average loan to value of approximately 50 percent.

This concludes the points I wanted to highlight in terms of risk performance for the quarter and the past year and thus handing back over to Oyvind.

Oyvind Oanes: Thank you, Martin. Before we open it up for questions, let me try and summarise, on page 17 of the presentation, the key takeaways from today's presentation and try and put them into context of 4finance overall and why we believe the business is in a strong position. 4finance continues to be a large-scale market leader in the consumer finance space, making significant progress in diversifying its business model by going broader in terms of products, as well as addressing the larger near-prime segment, as discussed in today's presentation.

We are confident that we will be successful in this respect, building on more than a decade of online lending experience, which is pretty unique. Having now successfully adjusted the business model to new regulatory environments across most of the markets also proved the resilience of the company and its ability to transform and adapt. We continue to deliver solid performance across most key financial indicators with stable quarterly interest income above EUR100 million and adjusted EBITDA above EUR30 million.

We also believe that the profit before tax result of EUR50 million for 2019 is something to be proud of. Our proven track record on the funding side gives us confidence around our near-prime strategy as well as for our upcoming refinancing of our corporate bonds. The management team is now well established and focused on delivering the strategic initiatives, executing on the agenda around evolving and broadening the business model.

With that, many thanks for your time and attention and we will now open up the floor to questions.

Operator: Thank you, ladies and gentlemen. We will now begin the question-and-answer session. If you wish to ask a question, please press "star" and "1" on your telephone keypad and wait for the automated message advising your line is open. Please state your first and last name before you ask your question. If you wish to cancel your request, please press "star" and "2." Once again, please press "star" and "1" if you wish to ask a question and "star" and "2" if you wish to answer – if you wish to cancel your request.

Thank you and the first question comes from the first line. Please go ahead. Your line is now open.

Frank Lehmann: Yes. Hi. My name is Frank Lehmann. I'm calling from Berlin, Germany. Thank you very much for taking my questions. I have two of them and mainly to Oyvind. Thank you for presenting the page five. I was quite interested in seeing the selling of loans within the group to the TBI Bank. Can you give us a number what the maximum within the group within this fiscal year you would think you can achieve in moving in terms of assets into the TBI balance sheet from within the group? I understand you'd done a few millions in Poland, you're moving into Lithuania, but how big can this action be?

Second question, I noticed that over time you have been moving more and more, and you emphasise that in your presentation, into near-prime products. Should I not see a significantly lower cost of risk? Because that's not what I'm seeing right now. I see slightly lower cost of risk, but I'm not sure whether with the near-prime you should be compensated also with much lower cost of risk. Can you maybe enlighten me here a little bit? Thank you very much.

Oyvind Oanes: Sure. Thank you for those questions, Frank. Maybe I say something about your first question first.

Frank Lehmann: Sure.

Oyvind Oanes: Without giving too much of a sort of forward-looking statement here, but if we look at the various pilots that we either have ongoing or that we're planning for this year and also thinking a little bit about how, as I tried to explain, there will be a bit of a lag in terms of the volume we write up front

when we launch a near-prime product until we move that money onto the TBI balance sheet. Because naturally these are new products and we would want to make sure that what we essentially move onto the bank's balance sheet is of good quality.

So if we look at this year, we'll probably be looking at somewhere between EUR20 million and EUR30 million. That's more of a guess based on how we plan our pilots, but obviously over time, our view is that we will build up a near-prime portfolio roughly in the same size as we see our other online portfolio today of EUR200-300 million over time.

So that is the ultimate goal. How much we'll move on to the balance sheet this year is obviously smaller just because it does take some time to ramp this up in terms of volume, which we will do prudently, and also make sure we move on the right quality of loans to the bank's balance sheet.

In terms of risk, you're also obviously right and I think when we look at the businesses where we have had near-prime products in the market for quite some time, take a Lithuania where we're seeing risk levels at significantly lower than some of the other numbers. The portfolio hasn't been so big yet. So when you put that into the overall mix, you might not see that come through yet, but I might ask Martin to add to this.

But take Lithuania, take the bank, where we've operated in the near-prime space for a longer period of time, we're seeing cost of risk in the mid single-digit levels which is obviously very comfortable.

Frank Lehmann: OK.

Oyvind Oanes: And that will shift over time as we build up the near-prime book obviously.

Frank Lehmann: And if I may, the shifting of assets or the selling within the group into the regulated bank, which gives you all the benefits from the cheap deposits, is that limited to near-prime only or could you not also build an in-house ABS book of non-prime or whatever you want to call it, the normal online product, and have that refinanced within the TBI Bank or is there a limitation with the

regulator in Bulgaria who says this is not the stuff I want to have in a regulated bank in Bulgaria?

Oyvind Oanes: No. I mean, there's a little bit of that obviously, but we would want to reserve it predominantly for near-prime, but we will also selectively move on other high-quality instalment loans, like for example what we've done in Poland, so for the pilots we talked about. I wouldn't necessarily classify that as near-prime, but that is higher quality instalment loans.

Frank Lehmann: OK.

Oyvind Oanes: So we'll be sort of cherry-picking a bit and selling that onto the bank, but predominantly, this is something we would reserve for the ramp-up of near-prime.

Frank Lehmann: And if you allow me a last question, if that channel of refinancing works well for within the group, you could potentially give up on issuing euro bonds, you could finance yourself with deposits in a much more significant way than you do it right now?

Oyvind Oanes: Potentially a few years down the line...

Frank Lehmann: In a few years yes. OK. Fine. But certainly it's a much more attractive alternative. OK. Thank you very much. I'll step back in the line. Appreciate the answers.

Operator: Thank you. We will now take our next question. Please go ahead. Your line is now open.

Nick Dimitrov: Hi there. This is Nick Dimitrov from Morgan Stanley Investment Management. I have a couple of questions and the first one is somewhat related to the questions of the previous investor. So looking at the mechanics of transferring loans from the non-bank to the bank, you did talk about the capacity, you did say it's going to be possibly EUR20 million to EUR30 million in 2020. In order to do that, do you need to get a separate approval for every transaction from the regulator or you have just a general agreement and

you can transfer loans at your discretion? How does it work from a regulatory point of view?

Paul Goldfinch: Hi, Nick. It's Paul here. From a regulatory point of view, what we do is TBI applies for a passport in these respective markets and then that covers these transactions on an ongoing basis, so therefore we don't need to get an approval for every single transaction. So TBI obtained clearance from the National Bank of Bulgaria last year to passport into Poland and therefore, subsequent to that, we're able to proceed and do these ongoing loan sales of these Polish instalment loans.

Nick Dimitrov: Got it. And in terms of seasoning, do they have to season for some time outside of the bank and then you sell them to the bank or how does it work?

Paul Goldfinch: Yes, that's typically how we do it for these Polish instalment loans. Usually we look for work between one or two repayments, see how the vintage matures a little bit and then, as Oyvind said, we sort of look at the better quality end of these instalment loans and sell them across to the bank.

Nick Dimitrov: Got it. One question on the cost of risk. So I did see that the cost of risk at TBI Bank declined quite substantially from 8 percent in 2018 to 4.6 percent in 2019 and I understand that a lot of this was driven by the Romanian SMEs. However, we've seen NPLs at the bank advance from 15.9 percent to 16.2 percent, so there's a marginal increase there and at the same time, you grew the bank by roughly about 20 percent year-over-year, which kind of doesn't necessarily tie in with that dramatic decrease in the cost of risk. Is it fair to assume that we're going to see an increase in the cost of risk of TBI considering kind of the dynamics that I just mentioned?

Martin Muransky: Let me take this question. First of all, I have to make a correction here. This was not the SME loan portfolio that was rationalised or normalised in the past year, but the consumer portfolio of cash loans in Romania.

Now, before the result of changing risk policy, applying a number of new tools, scorecards, models, also improving the collection process significantly which yielded the improvement in cost of risk across the entire period and it

also had positive effects into impairments, which then, as a result, drive also the impairment cost down with a lagged effect once you have the cohorts that you originated with healthier quality over time in place.

Now, on the NPL side, why you see the mismatch here is that there is a slightly different write-off policy applied at TBI, both in Romania and Bulgaria, which is driven by the fact that there are relatively high incremental gains in recoveries over a longer time period, so the loans are not being written off at 360 days, which is a group standard, but at 720 in Romania and 1,080 in Bulgaria and because also the debt sales are not so frequent, as in some of our 4finance markets, which, based on forward flows, happen on a biweekly or monthly or bimonthly basis, in TBI the frequency of the debt sales is lower while you have the write-off period longer, so the NPL ratio as such does not decline so fast and so often as you will see in the online business generally if you have the receivables growing.

Plus the balances of new originations grew as well in TBI which again takes part of the provisions, which then take longer until they reach the write-off stage.

Nick Dimitrov: OK. So in other words, if you kind of look at 2020, should we see cost of risk at TBI then marginally go up from the current 4.6 percent? If you can give me a guidance there.

Martin Muransky: Yes. We've indicated already on the last call that we would expect a slight increase, but nothing dramatic. This is a near-prime portfolio, so we will always expect a single-digit figure here.

Nick Dimitrov: OK. Question on dividends. So, you paid out EUR5 million in the summer and another EUR9 million in December, so total about EUR14 million, which is exactly 50 percent of your net income for 2019. When you think about dividends in 2020, is 50 percent dividend payout ratio kind of a fair metric to use or you think that 2019 was kind of an anomaly in that regard and we should see the dividend payout ratio decline in 2020?

Paul Goldfinch: Look, I think obviously each year we have a discussion with the supervisory board and the shareholders in terms of the level of dividends that we'll pay,

but in terms of our bond covenants, just to remind you, Nick, that the two bond covenants effectively set a cap on dividends each year of 50 percent of the prior year's retained earnings. So that's the maximum we can pay.

Nick Dimitrov: OK. Got it. It's looking at your tangible equity to tangible assets, there's been a bit of an erosion there in the last quarter which was driven by the dividend payout, and that's why I was asking the question.

Paul Goldfinch: That's right. Yes.

Nick Dimitrov: All right. I think that most of my questions have been answered. Thank you.

Operator: Thank you. As we don't have any more questions at the moment, may I remind you please press "star," "1" on your telephone and wait for the automated message advising your line is open. If you wish to cancel your request, please press "star" and "2."

There are no further questions at this time. Please continue.

Oyvind Oanes: OK. So if there are no further questions, we would like to thank you once again for calling in today and we hope to be able to meet with many of you in the coming weeks and months and also look forward to catching up again next quarter. With that, I'll just say thank you and good-bye.

Operator: Thank you, ladies and gentlemen. That does conclude our conference for today. Thank you for participating. You may all disconnect.

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