4FINANCE REPORTS RESULTS FOR THE TWELVE MONTHS ENDING 31 DECEMBER 2016

REVENUE UP 24%, NET PROFIT EUR 63.2 MILLION, SHOWING CONTINUED PROFITABLE GROWTH

28 February 2017. 4finance Holding S.A. (the 'Group'), Europe's largest online and mobile consumer lending group, today announces unaudited consolidated results for the twelve months ending 31 December 2016 (the 'Period').

Financial Highlights

- Revenue up 24% to EUR 393.2 million in the Period compared with EUR 318.3 million in the prior year period.
- Adjusted EBITDA was EUR 137.4 million for the Period, up 15%, leading to an adjusted interest coverage ratio of 3.6x.
- The Group's profit from continuing operations for the twelve months to 31 December 2016 was EUR 63.2 million, an increase of 9% from EUR 58.2 million in 2015.
- Net loan portfolio reached EUR 493.9 million as of 31 December 2016, up 60% during the year.
- Cost to revenue ratio for the Period was 48%, vs. 42% for the twelve months to 31 December 2015, reflecting a significant increase in staff numbers during the year, acquisitions and investment for future growth.
- Financial strength remains solid with a capital to assets ratio of 25% as of 31 December 2016 and a capital to net loans ratio of 47%.
- Credit discipline maintained, with a non-performing loans to online loan issuance ratio of 9.3% as of 31 December 2016, within the expected range, and stable asset quality within banking portfolios.

Operational Highlights

- The number of registered online lending customers reached 6.3 million as of 31 December 2016, up 36% from a year ago, with a further 1.4 million registered banking customers added through TBI Bank.
- Record online loan issuance in fourth quarter, exceeding EUR 100 million each month, with a growing contribution from Argentina and Mexico.
- Continued product diversification in existing European markets: launch of instalment loans in Czech Republic in December 2016 (kimbi.cz) following launches in Spain and Romania earlier in the year.
- TBI Bank delivered a strong financial performance in Q4, and regulatory applications are in process for passporting of credit card licenses and portfolio transfers.
- Completed transition to two-tier board structure: Mark Ruddock joins Supervisory Board and Kieran Donnelly steps down from management boards.

George Georgakopoulos, CEO of 4finance, commented:

"With revenue growth of 24% and net profit of EUR 63.2 million, our full year results continue a strong track record of delivering solid profits and growing the business. In a year of market changes, we have strengthened our competitive position in Europe and established the foundations for future growth, particularly in Latin America.

"TBI Bank continues to see growth in both consumer lending and deposits in a liquid local market. We are working closely with European regulators on a number of initiatives to use the bank's capabilities to introduce new products such as credit cards in select markets and to lower our effective overall funding cost for online loans.

"As a responsible lender, we welcome the introduction of new regulation due in a number of markets in 2017/18. We continue to make the positive case for access to online credit for consumers and the value of our products. Regulators increasingly recognise the value of meeting the demand of under-served borrowers within a regulated sector and we believe we are well positioned to meet this need.

"Our confidence in future growth builds on the significant scale, diversification, brand positioning and capabilities of the Group. As Kieran Donnelly leaves us after three years as CEO and then Chairman, we thank him for his significant contribution in establishing that platform."

Key Financial Ratios

	Year Ended 31 December, 2016 unaudited	Year Ended 31 December 2015 unaudited	Year Ended 31 December, 2014 audited
	2016	2015	2014
Net loan portfolio (in millions of EUR)(1)	493.9	308.3	241.4
Capital/assets ratio(2)	25%	40%	35%
Capital/net loan portfolio(3)	47%	56%	47%
Adjusted interest coverage(4)	3.6x	4.2x	3.7x
Profit before tax margin(5)	21%	23%	27%
Return on average equity(6)	31%	41%	54%
Cost/revenue ratio(7)	48%	42%	37%
Net impairment to revenue ratio(8)	23%	24%	25%
Non-performing loans to loan issuance ratio(9)	9.3%	9.0%	8.8%

Notes:
(1) Gross loan portfolio less provisions for bad debts.
(2) Total equity/total assets (2014 assets adjusted for effect of bond defeasance).
(3) Total equity/net customer loan portfolio.
(4) Adjusted EBITDA/interest expense.
(5) Profit before tax/interest income.
(6) Profit from continuing operations/average equity (total equity as of the start and end of each period divided by two).
(7) General administrative expenses/interest income.
(8) Net impairment losses on loans and receivables/interest income.
(9) Non-performing online loans with a delay of over 90 days/value of online loans issued. The value of loans issued represents online loans issued for the two-year period before commencement of the 90 day past-due period, eg for 31 December 2016: 1 October 2014 to 30 September 2016.

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Conference call

A conference call with management to discuss these results is scheduled for **Thursday, March 2 at 15:00 UK time**. To register, please visit www.4finance.com/investors.

About 4finance

Established in 2008, 4finance is the largest and fastest growing online and mobile consumer lending group in Europe with operations in 16 countries. Putting innovative data-driven analysis into all aspects of the business, 4finance has grown rapidly, issuing over EUR 4 billion to date in single payment loans, instalment loans and lines of credit.

4finance operates through a portfolio of market leading brands with strong regional presence including Vivus, SMSCredit and Zaplo. A responsible lender, offering simple, convenient and transparent products and service, 4finance is meeting growing customer demand from those under-served by conventional lending.

4finance has group offices in Riga (Latvia), London (UK) and Miami (USA), and currently operates in Argentina, Armenia, Bulgaria, the Czech Republic, Denmark, the Dominican Republic, Finland, Georgia, Latvia, Lithuania, Mexico, Poland, Romania, Spain, Slovakia and Sweden. The group also provides consumer and SME lending through TBI Bank, its EU licensed banking operations 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.

FINANCIAL REVIEW

Income Statement

The table below sets out the condensed consolidated statement of profit and loss for the twelve months ending 31 December 2016 and 31 December 2015. These results include the contribution since acquisition from Friendly Finance (six months) and TBI Bank (five months). Certain items in the 2015 financials, mentioned below, are restated to reflect the presentation of the 2016 figures.

	12 months to 31 December		
	2016 (unaudited)	2015 (unaudited)	% change
	(in millions of EUR)		
Interest income	393.2	318.3	+24 %
Interest expense	(38.7)	(28.7)	+35 %
Net interest income	**354.5**	**289.6**	**+22 %**
Net fee and commission income	2.1	—	n/a
Net impairment losses on loans and receivables	(89.7)	(77.0)	+17 %
General administrative expenses	(190.4)	(133.9)	+42 %
Other income/(expense)	4.5	(4.9)	n/a
Profit before tax	**81.0**	**73.8**	**+10 %**
Corporate income tax for the reporting period	(17.8)	(15.7)	+14 %
Profit from continuing operations	**63.2**	**58.2**	**+9 %**
Profit from discontinued operations, net of tax	—	5.9	(100)%
Profit for the period	**63.2**	**64.1**	**(1)%**

Interest income

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

	12 months to 31 December		
	2016	2015	% change
Online lending	*(in millions of EUR)*		
Total value of loans issued	1,157.0	1,062.3	+9%
Average net loan portfolio	312.4	274.9	+14%
Average annualized interest rate on loans to customers	120%	116%	
Revenue	373.5	318.3	+17%
Banking operations			
Average net loan portfolio	173.5	—	
Average annualized interest rate on loans to customers	27%	—	
Revenue [(1)]	19.7	—	

Note (1) Represents the consolidated TBI Bank revenue only (five months), see appendix for full TBI Bank 12 month income statement.

Interest income, or revenue, for the Period was EUR 393.2 million, a 24% increase compared with EUR 318.3 million for the twelve months ending 31 December 2015. Growth in revenue from online lending was +17%, reflecting the 14% increase in the average balance of the net loan portfolio, driven by the addition of the Friendly Finance portfolio, and the 4 percentage point increase in average interest rate. Relatively higher growth in loan issuance continues to be seen in Poland and Spain, where interest rates are also typically higher.

TBI Bank's average interest rates are a blend of consumer lending (cash lending, point-of-sale lending and credit cards) with rates that average 45-50% and SME loans with average interest rates of approximately 8-14%. TBI Bank also generates income which is not 'interest' in nature (eg insurance, guarantees / letters of credit) and is now reported separately in the 'net fee and commission' line.

Interest expense

Interest expense for the Period was EUR 38.7 million, a 35% increase compared with EUR 28.7 million for the twelve months ending 31 December 2015. This increase is mainly due to the new EUR bonds issued in May and November 2016. The average balance of the Group’s indebtedness in the Period increased to EUR 313.3 million from EUR 230.5 million, with an average interest rate of 12%, similar to last year.

Net impairment losses on loans and receivables

Net impairment losses for the Period were EUR 89.7 million, a 17% increase compared with EUR 77.0 million for the twelve months ending 31 December 2015. The increase in net impairment losses was slightly lower than the increase in revenue, reflecting generally stable asset quality and the inclusion of banking operations which have a lower ratio of impairment/revenue. The profit from loan portfolio sales, which reflects an over-provisioning vs the realized asset value, is now included in the calculation of net impairment losses as per the table below. Previously these were included as part of 'other income' and the 2015 figures are restated accordingly.

	12 months to 31 December	
	2016	2015
	(in millions of EUR)	
Impairment losses on loans	105.8	84.7
Over provision on debt portfolio (portfolio sale net proceeds)	(7.6)	(2.8)
Recovery from written-off loans	(8.5)	(5.0)
Total	**89.7**	**77.0**

Overall net impairment losses represented 23% of interest income, a reduction from 24% last year.

General administrative expenses

General administrative expenses reported for the Period were EUR 190.4 million, a 42% increase compared with EUR 133.9 million reported for the twelve months ending 31 December 2015. The increase reflects both the Group's investment in growth of existing businesses as well as the impact of including the cost base of Friendly Finance and TBI Bank. The increase in personnel costs reflects the significant staff growth last year, mainly attributable to hiring in product development, IT, risk, legal & compliance and finance as well as in new markets. The Group has also invested in IT platforms to ensure the appropriate infrastructure is in place to support the development of the business. Legal and consulting expense and other costs include certain one-off items related to the evaluation of potential acquisitions and funding opportunities.

Marketing expense has been reduced as a proportion of revenue as a result of media buying efficiencies, economies of scale and greater use of marketing technologies. There was additional investment in Q4 2016 to support sales growth in new markets.

The table below sets out a breakdown of the Group’s general administrative expenses.

	12 months to 31 December	
	2016	2015
	(in millions of EUR)	
Personnel costs	68.4	39.4
Marketing and sponsorship	55.4	50.1
Research and development	7.9	4.3
IT expenses	3.6	6.9
Debt collection costs	8.5	7.0
Legal and consulting	12.1	7.5
Application inspection costs	5.4	4.0
Depreciation and amortization	5.1	1.6
Rent and utilities	5.2	2.5
Other	18.9	10.7
Total	**190.4**	**133.9**

For the twelve months of 2016 and 2015, marketing and sponsorship costs accounted for 29% and 37% respectively, and personnel costs accounted for 36% and 29%, respectively, of general administrative expenses.

Variable costs (*i.e.,* all marketing and sponsorship costs, personnel costs, application inspection costs, IT expenses, debt collection costs, communication expenses and bank services) accounted for 80% of total administrative costs in the twelve months ending 31 December 2016, down from 85% in the twelve months ending 31 December 2015. Such costs generally correlate to movements in loan sales over time.

Other income/(expense)

Other income for the Period amounted to EUR 4.5 million. For the twelve months ending 31 December 2015, other expense was EUR 4.9 million. The increase in net other income was mainly due to the contribution from TBI Bank and interest income from other loans, mitigated by FX hedging impact. Additionally, compared to the previous quarterly report, gains on loan portfolio sales are now included under net impairment losses.

Profit before tax

For the reasons stated above, the Group's profit before tax for the Period was EUR 81.0 million, a 10% increase compared with EUR 73.8 million for the twelve months ending 31 December 2015. The profit before tax margin, *i.e.,* profit before tax as a percentage of interest income, was 21% for the Period, a slightly reduction from 23% for the twelve months ending 31 December 2015.

Corporate income tax

The Group's corporate income tax expense increased by 14% to EUR 17.8 million for the Period, compared with EUR 15.7 million for the twelve months ending 31 December 2015.

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

	12 months to 31 December	
	2016	**2015**
	(in millions of EUR)	
Current tax	28.5	17.8
Deferred tax	(10.7)	(2.1)
Total	**17.8**	**15.7**

Profit from continuing operations

For the reasons stated above, the Group's profit from continuing operations for the Period was EUR 63.2 million, a 9% increase compared with EUR 58.2 million for the twelve months ending 31 December 2015.

Profit from discontinued operations, net of tax

There were no operations classified as discontinued in the Period. For the prior year period, former operations in Estonia, Russia and United Kingdom were reflected separately as discontinued operations which recorded a profit of EUR 5.9 million for the twelve months ending 31 December 2015.

Profit for the period

For the reasons stated above, profit for the Period was EUR 63.2 million, a 1% decrease compared with EUR 64.1 million for the twelve months ending 31 December 2015.

Other financial data – EBITDA and Adjusted EBITDA

	Year Ended 31 December, 2016 unaudited	Year Ended 31 December 2015 unaudited	Year Ended 31 December, 2014
	2016	**2015**	**2014**
	(in millions of EUR)		
Profit for the period	63.2	64.1	46.3
Provision for corporate income tax	17.8	15.7	11.6
Interest expense	38.7	28.7	23.8
Depreciation and amortization	5.1	1.6	0.9
EBITDA	**124.9**	**110.1**	**82.6**
Adjustments	12.5	9.6	5.6
Adjusted EBITDA	**137.4**	**119.7**	**88.2**

Note:

(1) Adjusted EBITDA is 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 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 December 2016 (unaudited)	31 December 2015 (audited)
	(in millions of EUR)	
Cash and cash equivalents	162.2	56.9
Loans and advances due from customers	493.9	308.3
Assets held for sale	16.0	—
Property and equipment	12.3	4.3
Intangible assets	39.8	17.4
Goodwill	43.4	0.6
Loans to related parties	67.2	13.7
Deferred tax asset	24.0	12.9
Current tax assets	16.1	5.5
Derivatives	11.2	10.6
Prepaid expenses	5.6	2.7
Net investment in finance leases	13.1	—
Financial assets available for sale	5.5	—
Other assets	21.5	5.3
Total assets	**931.7**	**438.2**
Loans and borrowings	397.2	229.5
Deposits from customers	237.1	9.1
Provisions	2.2	2.4
Corporate income tax payable	14.6	7.4
Other liabilities	45.6	16.6
Liabilities held for sale	4.8	—
Total liabilities	**701.6**	**264.9**
Share capital	35.8	35.8
Retained earnings	233.9	171.0
Reorganization reserve	(31.2)	(31.1)
Currency translation reserve	(9.6)	(5.1)
Share based payment reserve	1.7	1.4
Obligatory reserve	0.3	0.2
Other reserves	(1.5)	—
Total equity attributable to the Group's equity holders	**229.4**	**172.2**
Non-controlling interests	0.7	1.1
Total equity	**230.1**	**173.3**
Total shareholders' equity and liabilities	**931.7**	**438.2**

Assets

The Group had total assets of EUR 931.7 million as of 31 December 2016, more than double the EUR 438.2 million as of 31 December 2015. The increase was mainly due to the acquisitions of Friendly Finance and TBI Bank as well as the proceeds from EUR 150 million in new bond issues. The goodwill amount includes EUR 27 million from Friendly Finance and EUR 16 million from TBI Bank. Assets and liabilities with no value for 2015 are ones associated with TBI Bank. Related party loans include two groups: formerly owned assets in Russia, North America and UK (EUR 36 million) and loans to 4finance Group (EUR 30 million).

Loan Portfolio

As of 31 December 2016, the Group's net loan portfolio equaled EUR 493.9 million, compared with EUR 308.3 million as of 31 December 2015, representing an increase of EUR 185.6 million, or 60%. The increase includes EUR 26.2 million in net loans from Friendly Finance and EUR 177.5 million from TBI Bank. Details of TBI Bank's portfolio classification are shown in the appendix.

Classification of the Group's online loan portfolio

The following table sets out the classification of the Group's online loan portfolio in terms of performing and non-performing loans, including accrued interest.

Loan portfolio	**31 December 2016**				**31 December 2015**			
	Gross Amount	**Allowance for doubtful debts**	**Net Amount**	**% of Net Portfolio**	**Gross Amount**	**Allowance for doubtful debts**	**Net Amount**	**% of Net Portfolio**
	(in millions of EUR, except percentages)				*(in millions of EUR, except percentages)*			
Performing	277.4	(28.8)	248.6	78.6 %	268.4	(24.3)	244.1	79.2 %
Non-performing	196.6	(128.8)	67.8	21.4 %	157.1	(92.9)	64.2	20.8 %
Total	**474.0**	**(157.6)**	**316.4**	**100.0%**	**425.5**	**(117.2)**	**308.3**	**100.0%**

Performing online loan portfolio

The following table shows the Group's performing online loan portfolio by product.

	31 December 2016		**31 December 2015**	
	Amount	**% of Portfolio**	**Amount**	**% of Portfolio**
Performing loan portfolio by product: (1)	*(in millions of EUR, except percentages)*			
Single Payment Loans	193.5	69.8 %	177.3	66.1 %
Instalment Loans	81.0	29.2 %	90.6	33.8 %
Line of Credit	2.9	1.0 %	0.5	0.2 %
Total performing loan portfolio	**277.4**	**100.0%**	**268.4**	**100.0%**

Note: 1) Loan amounts include accrued interest.

Non-performing online loan portfolio

The Group's policy is to write off any online loans which have been overdue for more than 730 days. As of 31 December 2016, the Group's non-performing online loan portfolio was EUR 196.6 million, representing 9.3% of the value of loans issued between 1 July 2014 and 30 June 2016. Given the mostly short-term nature of the Group's online lending, the majority of loans issued during a reporting period are repaid prior to the period end, while non-performing loans are accumulated for 730 days. The Group's non-performing loan (NPL) portfolio as of 31 December 2016 represented 41% of total gross loans outstanding as of that date. EUR 17.0 million, or 9.5%, of this was non-performing interest. The Group's total gross non-performing loan portfolio increased by 39.5 million, or 25%, during the Period. The trend in non-performing loans is in line with expectations given the growth of the portfolio in higher return markets such as Spain that also have higher NPL/gross portfolio ratios.

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

	31 December 2016	**31 December 2015**
	(in millions of EUR, except percentages)	
Non-performing loan portfolio by product:		
Single Payment Loans	146.9	118.7
Instalment Loans	48.8	38.4
Line of Credit	0.9	0.0
Total non-performing loan portfolio	**196.6**	**157.1**
Allowance for doubtful NPL debts	128.8	92.9
Allowance for doubtful NPL debts / non-performing loans	66 %	59 %
Overall allowance / NPL coverage ratio	80 %	75 %
Value of loans issued(1)	2,106	1,739
Ratio of NPLs to value of loans issued	**9.3%**	**9.0%**
Average Loss Given Default rate	57 %	53 %

Notes:
(1) The value of loans issued as of a particular date represent loans issued for the two-year period before commencement of the 90 day past-due period. For example, the applicable period for the 31 December 2016 reporting date is 1 October 2014 to 30 September 2016.

Liabilities

The Group had total liabilities of EUR 701.6 million as of 31 December 2016, compared with EUR 264.9 million as of 31 December 2015, representing an increase of EUR 436.7 million. Liabilities increased due to the EUR 150 million bond issuance during 2016 and the addition of TBI Bank's EUR 224.4 million in customer deposits.

Loans and borrowings

As of 31 December 2016, the Group had loans and borrowings of EUR 397.2 million, compared with EUR 229.5 million as of 31 December 2015. The Group's loans and borrowings accounted for 57% of total liabilities as of 31 December 2016 and 87% of total liabilities as of 31 December 2015. The table below sets out the loans and borrowings by type as of the dates indicated.

	31 December 2016	31 December 2015
	(in millions of EUR)	
4finance Notes	376.3	217.1
TBIF	3.5	—
FF Notes	2.8	—
Loans from bank	0.2	—
AS Trasta Komercbanka	—	5.9
Other[(1)]	14.4	6.5
Total loans and borrowings[(2)]	**397.2**	**229.5**

Note:
(1) 'Other' consists primarily of loans to Friendly Finance and loans from related parties.
(2) Includes accrued but unpaid interest.

In May 2011, AS 4finance entered into a credit line agreement with AS Trasta Komercbanka ('TKB'), which allows borrowings of up to EUR 7.7 million. This loan was repaid in full and canceled at the end of November 2016.

In August 2014, 4finance S.A. issued USD 200.0 million of 11.75% notes (the '*2019 Notes*') which are listed on the Irish Stock Exchange and are senior to all of the Group's future subordinated debt. The *2019 Notes* will mature in August 2019.

In March 2015, 4finance S.A. issued SEK 225.0 million of 11.75% notes (the '*2018 Notes*') which are senior to all of the Group's future subordinated debt. The *2018 Notes* were listed on the corporate bond list of Nasdaq Stockholm in August 2015. In September 2015, a further SEK 150.0 million of *2018 Notes* were issued at par, bringing the total amount outstanding to SEK 375.0 million out of a total programme size of SEK 600.0 million. The *2018 Notes* will mature in March 2018.

In May 2016, 4finance S.A. issued EUR 100.0 million of 11.25% notes (the '*2021 Notes*') which are senior to all of the Group's future subordinated debt. The 2021 Notes are listed on the Prime Standard regulated market segment of the Frankfurt Stock Exchange. In November 2016, a further EUR 50.0 million of 2021 Notes were issued at par. The 2021 Notes will mature in May 2021.

In November 2015, Friendly Finance Poland issued PLN 15.0 million of 10% Notes due in May 2018.

Customer deposits

As of 31 December 2016, the Group had total customer deposits of EUR 237.1 million. Banking operations contributed EUR 224.4 million in deposits at an average cost of approximately 2% with the balance from 4spar in Sweden at an average cost of 7%. Further details of TBI Bank's deposits, which grew strongly in the fourth quarter, are presented in the appendix.

Equity

As of 31 December 2016, the Group's total equity amounted to EUR 230.1 million, compared with EUR 173.3 million as of 31 December 2015, representing an increase of EUR 56.8 million, or 33%, which was mainly attributable to profits generated. The Group has not paid any dividends to its shareholders within the Period and its capital to assets ratio as of 31 December 2016 was 25%. This reflects the significant increase in assets of the Group (for illustration, the capital to assets ratio excluding TBI Bank as of 31 December 2016 was 38%, comparable with prior periods). The capital to net loan portfolio ratio as of 31 December 2016 was 47%, reflecting the Group's strong capitalization which gives significant headroom to bond covenants.

Off-Balance Sheet Arrangements

The Group's total off-balance sheet commitments as of 31 December 2016 were EUR 9.6 million. This includes TBI Bank's undrawn lending commitments of EUR 8.3 million and financial guarantees EUR 0.5 million as well as EUR 0.8 million in connection with the Group's online portfolio (line of credit product).

Condensed Consolidated Statement of Cash Flows for the Period

The table below sets out the Group's condensed consolidated statement of cash flows.

	12 months to 31 December	
	2016	2015
Cash flows from operating activities	*(in millions of EUR)*	
Profit before taxes	**81.0**	**79.6**
Adjustments for:		
Depreciation and amortization	5.1	1.8
Net losses on foreign exchange from borrowings	1.8	15.2
Increase in impairment allowance	54.3	40.6
Write-off and disposal of intangible and property and equipment assets	7.6	0.6
Provisions	(0.2)	1.4
Interest income	(6.7)	(2.1)
Interest expenses	38.7	28.7
Equity-settled share-based payment transactions	0.3	0.0
Profit or loss before adjustments for the effect of changes to current assets and short-term liabilities	182.0	165.7
Adjustments for:		
Increase in loans due from customers	(52.0)	(107.0)
Net (decrease)/increase in deposits from customers	37.0	—
Change in financial instruments measured at fair value through profit or loss	(3.2)	8.0
Increase in other assets	(48.7)	(10.4)
Gains from sale of portfolio	7.6	3.6
Increase in accounts payable to suppliers, contractors and other creditors	18.0	11.1
Acquisition of non-controling interest	(2.0)	—
Gross cash flows from operating activities	138.7	71.2
Corporate income tax paid	(33.9)	(19.8)
Net cash flows from operating activities	**104.8**	**51.4**
Cash flows used in investing activities		
Purchase of property and equipment and intangible assets	(26.5)	(19.3)
Loans issued to related parties	(65.0)	(59.1)
Loans repaid from related parties	11.0	48.5
Interest received	1.2	1.9
Acquisition of subsidiaries, net of cash acquired	(63.8)	(1.4)
Net cash flows used in investing activities	**(143.1)**	**(29.3)**
Cash flows from financing activities		
Loans received and notes issued	175.5	79.0
Repayment and repurchase of loans and notes	(14.3)	(49.4)
Interest payments	(36.2)	(28.1)
Deposit interest payments	(1.8)	—
Dividend payments	(0.7)	(0.6)
Net cash flows from financing activities	**122.5**	**0.9**
Net (decrease) / increase in cash and cash equivalents	**84.2**	**23.0**
Cash and cash equivalents at the beginning of the period	**56.9**	**34.4**
Effect of exchange rate fluctuations on cash	0.5	(0.6)
Cash and cash equivalents at the end of the period	**141.6**	**56.9**

Net cash flows used in operating activities are calculated as profit before taxes, adjusted for non-cash and other items and the effect of changes to current assets and short-term liabilities, less corporate income tax paid. Net cash flows generated in operating activities in the Period increased to EUR 104.8 million from EUR 51.4 million in the same period last year.

The Group's cash flows used in investing activities mainly include the purchase and disposal of property, equipment and intangible assets, acquisitions, loans issued and loans repaid. Net cash used in investing activities was EUR 143.1 million in the Period. The main components were the Friendly Finance and TBI Bank acquisitions made during the Period. The Group's cash flows from financing activities mainly reflect proceeds that were received from borrowings (including the EUR bond issuance) and the repayment of principal and interest on indebtedness.

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 twelve months ending 31 December 2016 and 31 December 2015. The financial information consolidated on a Group level is for TBIF Financial Services B.V., which on standalone basis does not provide any services and has no significant profit effect.

Income statement

The table below sets out the income statement for TBI Bank, presented on the same basis as the bank's published 2015 IFRS financial statements.

	31 December 2016	**31 December 2015**
	(unaudited, in millions of EUR)	***(audited, in millions of EUR)***
Interest income	46.9	33.9
Interest expense	(3.3)	(4.7)
Net interest income	**43.7**	**29.2**
Fee and commission income	8.6	9.1
Fee and commission expense	(1.7)	(1.9)
Net fee and commission income	**7.0**	**7.2**
Net trading gain	1.5	4.7
Other operating expenses	(31.5)	(23.5)
Loss on impairment of financial assets	(6.5)	(4.2)
Impairment of other assets	0.0	(0.1)
Other operating income	4.4	5.1
Profit before tax from continuing operations	**18.5**	**18.4**
Income tax expense	(2.1)	(1.8)
Profit from continuing operations	**16.4**	**16.6**

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, shown on page 6 of the report, 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 December 2016	**31 December 2015**
	(unaudited, in millions of EUR)	***(audited, in millions of EUR)***
Cash on hand and balances with central banks	34.0	56.0
Placements with other banks [1]	55.0	20.6
Non-current assets held for sale	7.7	4.6
Loans to customers [2]	194.3	169.3
Available-for-sale financial assets	5.5	6.1
Financial assets held for trading	0.5	—
Held-to-maturity investments	4.1	—
Other assets	3.3	3.8
Current tax assets	0.3	0.1
Intangible assets	1.1	1.1
Property, plant and equipment	13.0	12.6
Total assets	**318.6**	**274.2**
Deposits (placements) from banks	—	12.6
Deposits from customers	224.4	189.8
Other borrowings	7.5	6.2
Tax liabilities	0.4	0.1
Other liabilities	11.8	8.7
Total liabilities	**244.1**	**217.5**
Share capital	41.7	40.2
Retained earnings	12.9	(0.1)
Other reserves	3.7	—
Revaluation reserve	0.1	—
Foreign currency translation reserve	(0.1)	—
Current result	16.4	16.7
Equity attributable to the owners of the parent	**74.6**	**56.7**
Non-controling interest	—	—
Total equity	**74.6**	**56.7**
Total shareholders’ equity and liabilities	**318.6**	**274.2**

Notes:
1. Placements with other banks are included on the Group's balance sheet within 'cash and cash equivalents'.
2. Loans to customers includes finance leases, which are shown separately on the Group's balance sheet to net customer loans.

Loan portfolio

Below is TBI Bank's loan portfolio split by consumer and SME customers as of the dates indicated.

	31 December 2016	31 December 2015	% Change
Consumer	144	115	26 %
SME (including financial leases)	65	68	(5)%
Total gross loans	**209**	**183**	**15 %**
Provisions	15	13	12 %
Total net loans	**194**	**169**	**15 %**

As of 31 December 2016, consumer loans made up 69% of TBI Bank's gross loans, up from 63% as of 31 December 2015. The overall loan portfolio has a roughly equal contribution from both Bulgaria and Romania.

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

	Consumer	SME	Overall
Non-performing loans to gross portfolio ratio	8.4%	16.1%	10.8%
Provision coverage(1)	103%	23%	66%

Note (1) In addition to provisions, SME portfolio is backed by collateral with average loan-to-value of 50%.

Customer deposits

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

	31 December 2016	31 December 2015	% Change
Consumer deposits total	180	123	47 %
- Current accounts	13	13	2 %
- Term deposits	167	110	52 %
SME deposits total	44	66	(33)%
- Current accounts	27	49	(45)%
- Term deposits	18	17	4 %

The average interest rate paid on term deposits varies by type and currency, ranging from 0.6% to 2.5%. The overall average cost of funds for the fourth quarter was 1.6%, with good growth seen in retail deposits in Bulgaria during Q4 2016.

Capital and liquidity ratios

TBI Bank continues to have a very strong capital and liquidity position. During the Bulgarian National Bank's recent Asset Quality Review and Stress Tests, published in August 2016, TBI Bank was amongst the top 5 ranked banks for capital position under an adverse scenario and no additional provisioning was recommended.

The table below shows TBI Bank's statutory capital and liquidity ratios as of 31 December 2016.

	Standalone	Consolidated
Common equity Tier 1 ratio	22.3%	24.0%
Capital adequacy	22.3%	24.0%
Liquidity ratio	37.0%	n/a

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 9 November 2016.

New licenses and establishments

In December 2016, the Group's Vivus business in Georgia received its microfinance organisation license from the National Bank of Georgia. The MyCredit (Friendly Finance) business in Georgia is also going through the same license application process.

The Group has applied for a license in the Czech Republic for both its Zaplo and Friendly Finance businesses under the new licensing regime mentioned in the previous report.

The Group established a subsidiary in Kazakhstan to facilitate potential entry into that market via Friendly Finance.

Acquisitions and disposals

In December 2016, the Group invested in a Series A round in Billfront, a fintech lender to digital marketing companies.

Changes in management

In February 2017, Darren Cairns and Clemens Baader left the Group's executive committee. Darren was Chief Marketing Officer for nearly two years and is leaving the Group by mutual consent. Damian Zozula, Digital Marketing Director, is acting as interim Chief Marketing Officer. Clemens was Chief Analytics Officer for just over a year. In order to simplify our operating structure, this will no longer be a separate position on the executive committee. The leadership team thank Darren and Clemens for their important contributions to the growth of 4finance.

Kieran Donnelly stepped down as chairman of the 4finance management boards at the end of December 2016. He remains a member of the supervisory board of TBI Bank. George Georgakopoulos, CEO, now chairs the management board of 4finance Group SA and the board of directors of 4finance Holding SA and Paul Goldfinch, CFO, chairs the board of directors of 4finance SA.

In addition, in February 2017, Mark Ruddock was appointed to the Supervisory Board. Mark is CEO of FinstarLabs and has over 15 years of leadership experience in venture-backed startups, spanning enterprise software, mobile applications and online financial services.

Changes in the regulatory framework

Finland: the Ministry of Justice in Finland published a proposal in February 2017 to amend online lending legislation. This includes extending the 50% APR cap to cover all loans (currently it only applies to loans under EUR 2,000). The Group is contributing to the ongoing consultation process. The rules are expected to be finalised by the end of 2017, with implementation in mid-2018.

Poland: the Ministry of Justice in Poland published a draft bill in December 2016 that seeks to reduce the non-interest caps introduced in March 2016 to 10% fixed plus 10% annual (from the current levels of 25% fixed plus 30% annual). Given the strong reaction to the proposed changes, the consultation process was extended and is still ongoing with unclear timing and outcome.

Georgia: new legislation came into force in January 2017 implementing a 100% effective interest rate cap on consumer lending. Previously there was no cap. Our operations in Georgia through Vivus and MyCredit brands are compliant with the new rules.

Financing

The Group is always considering alternatives for financing, including actively managing liquidity risks and strengthening its long-term capital structure. This ongoing process includes addressing the potential exercise by bondholders this summer of the put option embedded in the 2019 Notes. The company is currently reviewing a range of options to manage the possible exercise of that put, include refinancing and/or modifying the terms of its existing indebtedness, and accessing additional capital in the international capital markets.

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