

# **4finance Holding SA**

## **Investor Presentation for full year 2016 results**

2 March, 2017

# Summary of full year 2016: 4finance continues to deliver

- **4finance has established a leading business**
  - European market leader in online and mobile consumer finance with growing LatAm presence
  - Diversified business, including EU licensed bank, with strong financial track record
  - Total assets have doubled in a year to EUR 0.9 billion including net loans EUR 0.5 billion, issuing EUR 1.2 billion of online loans annually
- **Solid full year results, driven by online business, delivering EUR 63 million net profit**
  - Strong revenue growth, +24%, and Adjusted EBITDA generation, +15%
  - Sound business performance following changes in regulation: empirical evidence supports our ability to adapt
  - Credit risk metrics stable/improving; focus on greater cost efficiency
- **TBI Bank contributing to overall results, with multiple initiatives underway**
  - Strong contribution to profitability since acquisition and growth in consumer lending and deposits in Q4
  - Secured Romanian and Polish regulatory approvals to use credit card license in Poland
  - Opportunity to lower funding cost (notification filed with Bulgarian National Bank for Sweden/Denmark instalment portfolio transfers)
- **New market and product investments not yet mature: 15 of our 33 product instances launched H2 2015 onwards**
  - Latin America market entry showing good indications (Mexico, Argentina)
  - Instalment loan rollout (Poland, Spain, Romania, Czech Republic) now in 9 markets
  - Further testing of line of credit (Latvia) and pilot of point-of-sale product (Spain)
- **Large scale, market leading operator with capabilities in place to deliver future growth**

# 4finance: what has been achieved already

The European leader in online and mobile consumer lending:

Putting our customers first, providing a convenient and transparent service using cutting edge data-driven technology



2016 return on average equity



2016 revenue growth



2016 Adjusted EBITDA growth



2016 profit before tax margin



Countries of operation <sup>(1)</sup>



Leading market positions



2016 full time employees<sup>(2)</sup>



2016 returning customer business<sup>(3)</sup>

Twelve months of 2016...

**7,900,000+**

online applications reviewed

**3,500,000+**

online loans issued

**7,700,000+**

registered customers

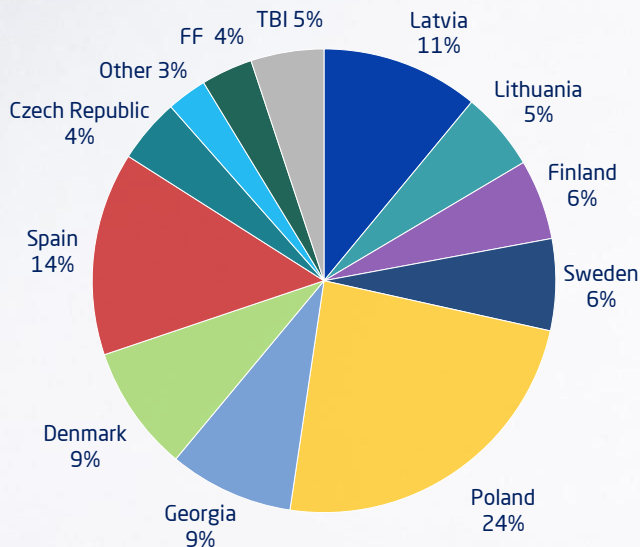
**€1,150,000,000+**

online loans issued

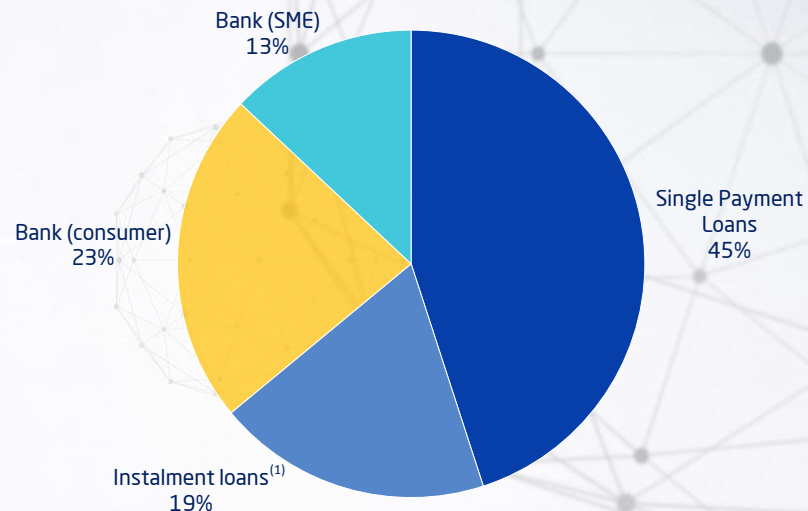


# Diversification today: by geography and product

**2016 Revenue: EUR 393m**  
*95% online / 5% banking*



**2016 Net portfolio: 494m**  
*64% online / 36% banking*



# Future growth: increases scale and diversification

## Only half of our product 'instances' are mature

- 33 online product sites live at year end
- 15 launched in Q3 2015 onwards

## Latin American expansion on track

- Argentina & Mexico volumes increasing
- Dominican Republic launched in August
- Pipeline: Guatemala, Brazil...

## Instalment loan roll out

- Recent instalment launches in larger markets Denmark (Q3 '15), Poland (relaunch Q4 '15), Spain (Q2 '16) & Romania (Q3 '16)
- Czech Republic launched in December

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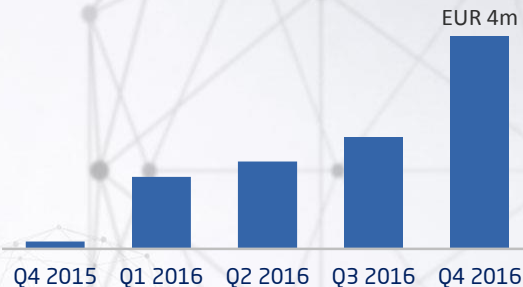
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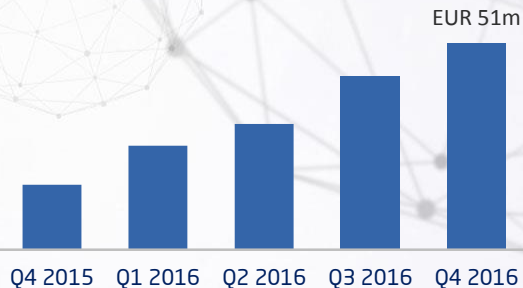
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## Quarterly Issuance (Latin America)



## Gross portfolio (new instalment loans)



# Highlights of FY 2016 results: EUR 63m profit

## Results show continued progress

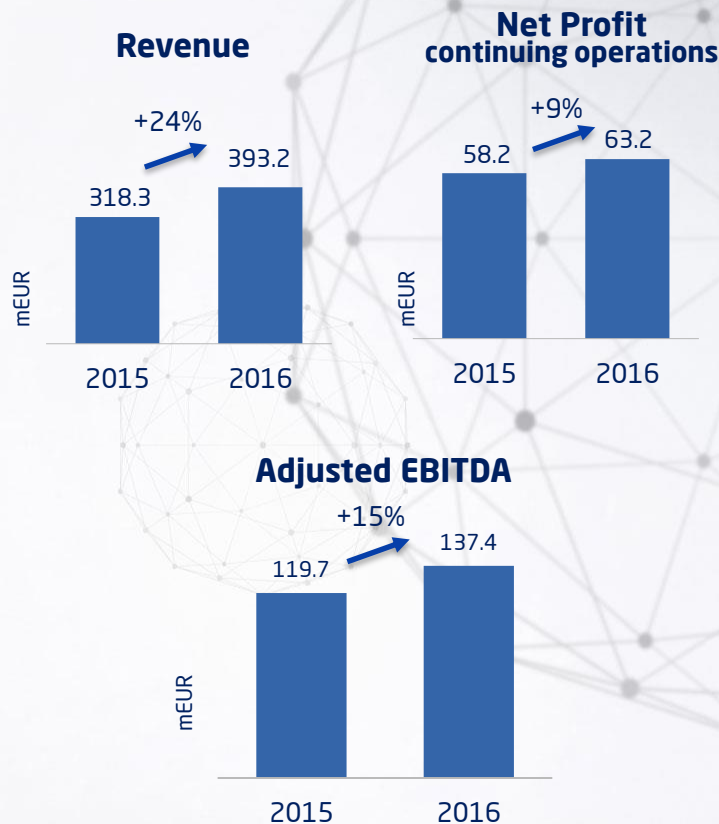
- Revenue up 24% to EUR 393.2 million, Adjusted EBITDA up 15%
- Full year cost to income ratio of 48% reflects significant increase in staff numbers during the year, acquisitions and investment for future growth
- Profit from continuing operations EUR 63.2 million, an increase of 9%

## Positive contribution from acquisitions

- TBI Bank: EUR 20m revenue, strong deposit growth in Q4
- Friendly Finance: EUR 14m revenue for H2 2016 (up 65% year-on-year)
- Sharing best practice, strengthening key control functions

## Asset quality trends positive, within expectations

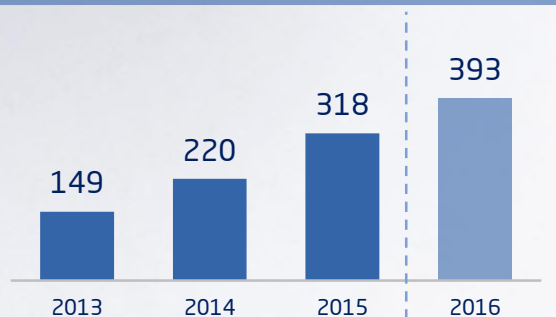
- Stable online NPL/sales ratio of 9.3% and impairment/revenue ratio 23%
- Pro-active portfolio management via debt sales (net proceeds demonstrate prudent provisioning)
- TBI Bank asset quality stable (NPL/gross loans ratio 10.8% with 103% provision coverage on consumer loans & strong SME collateral coverage)



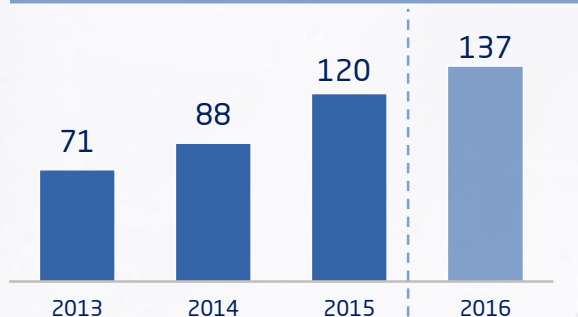


# Financial highlights - profitable growth

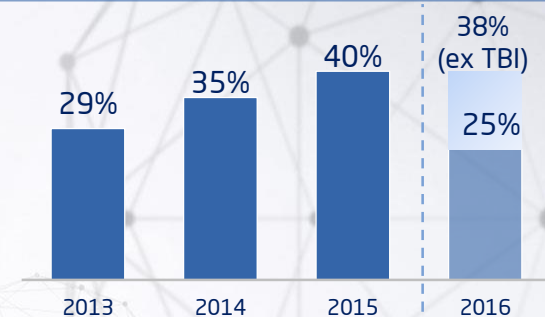
## Revenue, m EUR



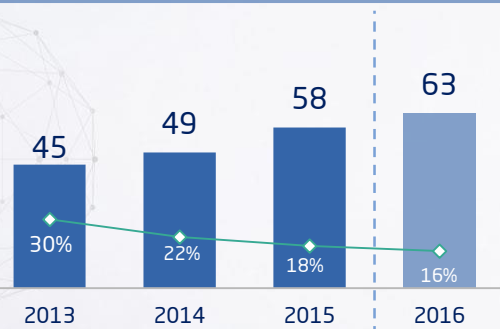
## Adjusted EBITDA, m EUR



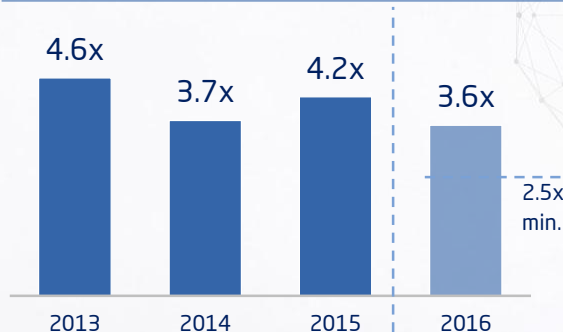
## Capital to assets ratio, % <sup>(1)</sup>



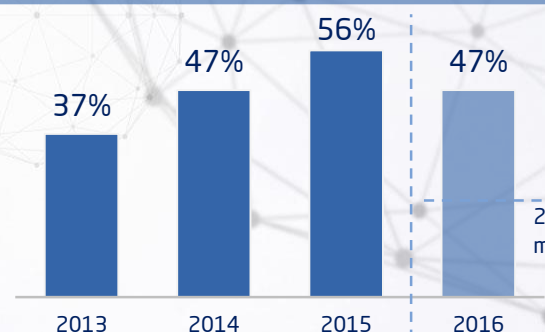
## Net profit from continuing operations (m EUR) and net margin



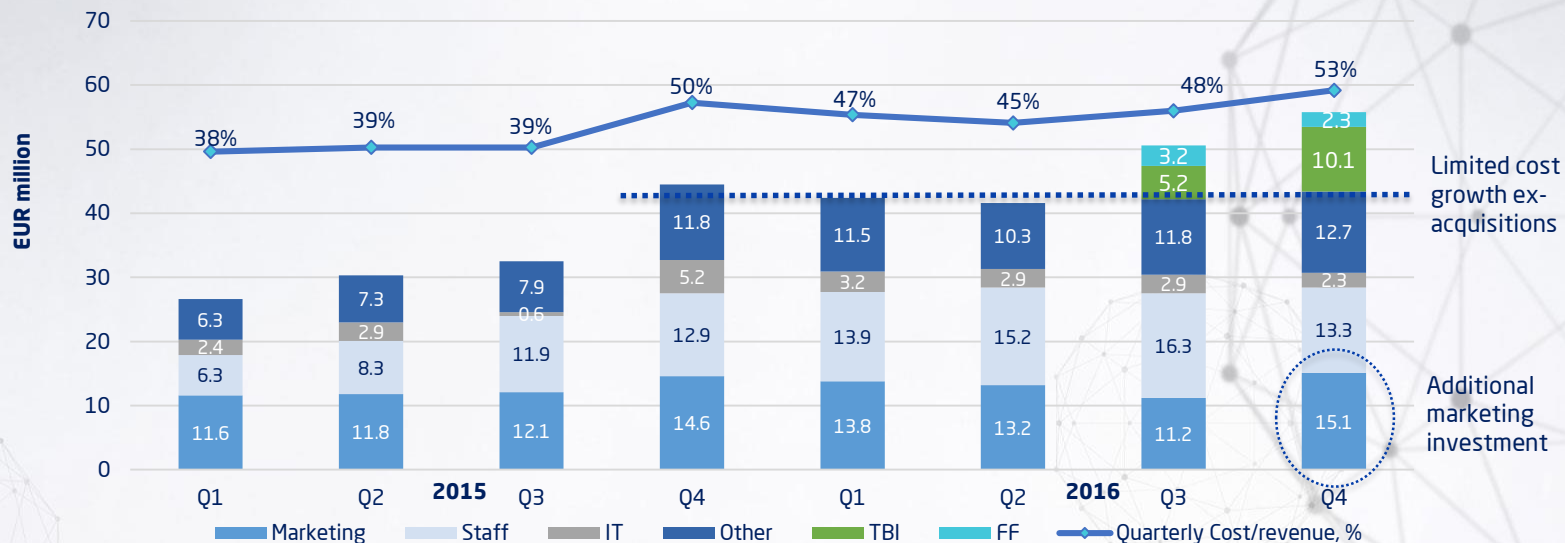
## Adjusted interest coverage ratio



## Capital/net loans, %



# Quarterly expenses breakdown



- Cost base pre-acquisitions only increased by 4% in H2 2016 compared to H1; TBI only includes two months in Q3
- Selective additional marketing investment in Q4 to support sales growth
- Overall cost/income ratio a focus: revenue increase from growth in non-mature products plus cost efficiency improvements

Note: Other includes debt collection, legal and consulting, application inspection costs, communications, bank expenses, travel, rent and utilities, depreciation & amortisation and other expenses  
 Q1-3 figures reflect reported unaudited results and Q4 figures reflect balance to full year results

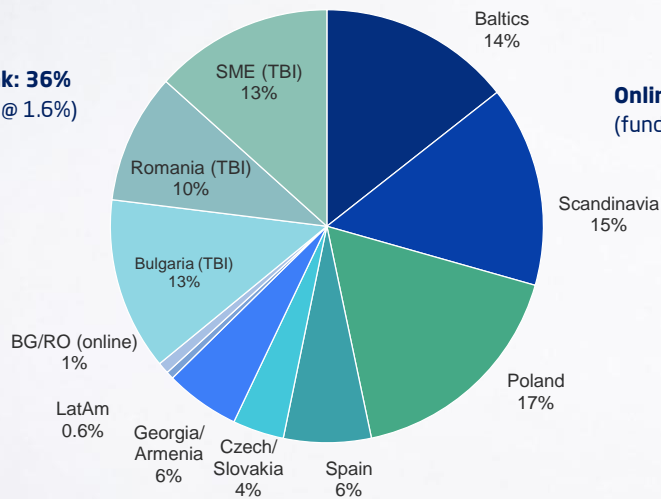


# Diversified overall loan portfolio

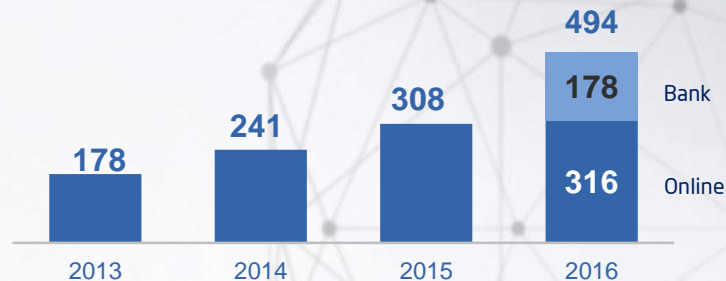
- **Net portfolio c.EUR 500m following inclusion of TBI Bank**
  - 87% consumer loans
  - 64% online loans / 36% banking
  - Online loans issued in 2016: EUR 1,157m
    - growth of 9% from 2015

## Net loan portfolio, 31/12/2016

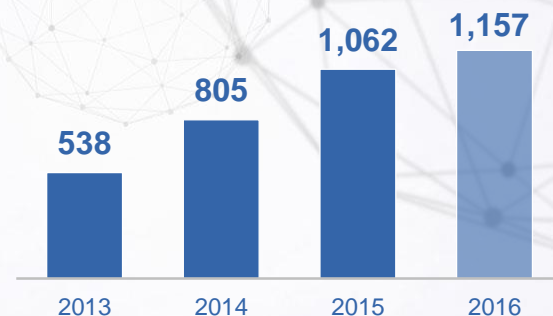
**TBI Bank: 36%**  
(funded @ 1.6%)



## Net loan portfolio<sup>(1)</sup>, mEUR



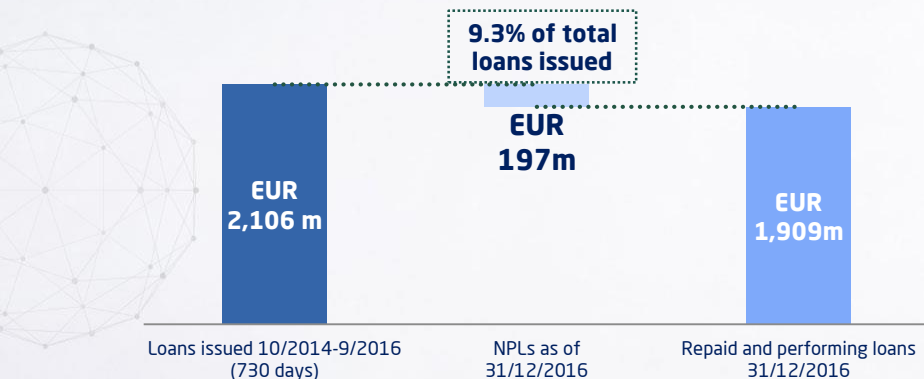
## Online loans issued<sup>(2)</sup>, mEUR



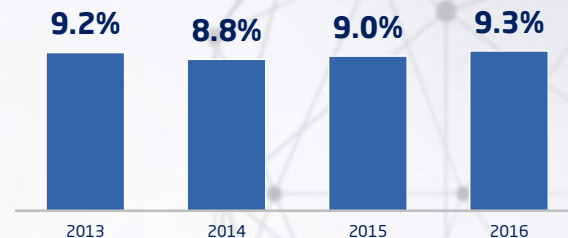
# Online: non-performing loans and provisioning stable

- Loans that are overdue more than 90 days are considered as non-performing (NPLs)
- At the end of 2016, NPLs represented 9.3% of total issued loans over the last 730 days (excluding acquisitions)
- Actual loss experienced on NPLs is approximately 50%-60% (57% as of 31/12/2016)
- Provisions for default are typically 5-10 p.p. higher

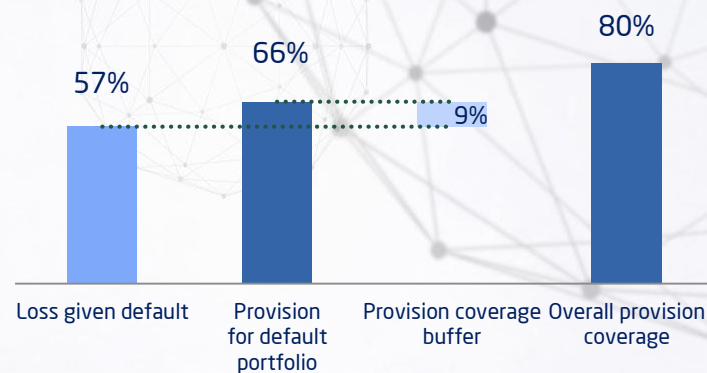
## Non-performing loans (NPLs) as % of total loans issued<sup>(1)</sup>



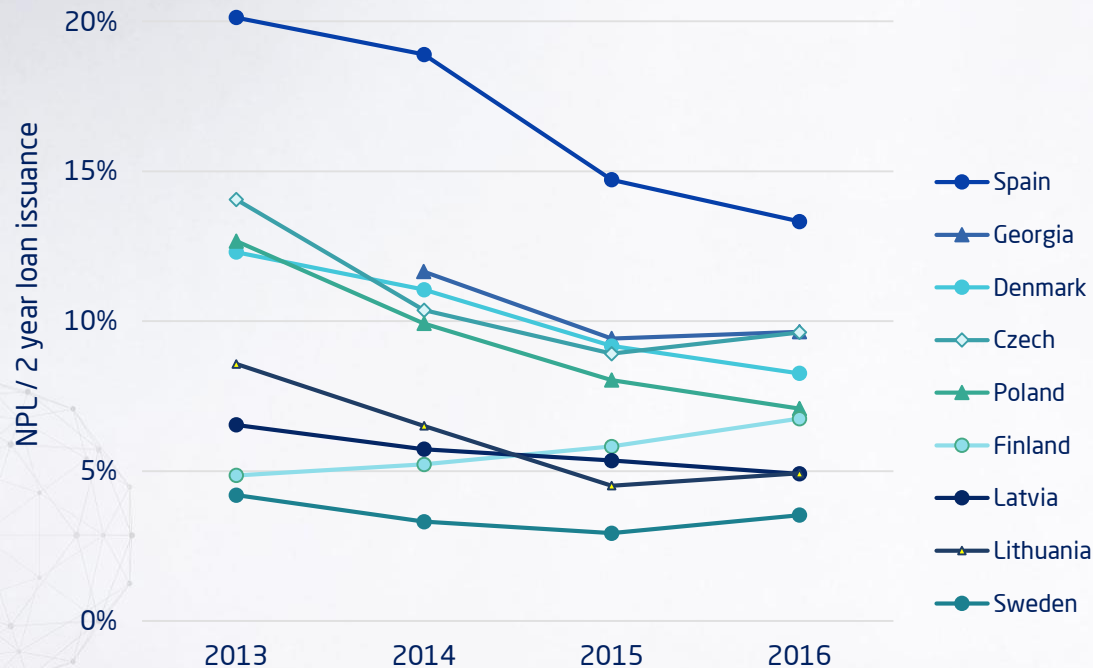
## Stable NPLs to issued loans ratio<sup>(1)</sup>



## Conservative online loan provision coverage



# Online: asset quality trends for single payment loans



- Non-performing loans to loan issuance ratio tends to improve over time in each market
  - More data: better scorecards
  - More experience: better debt collection
  - More returning customers
- Different characteristics for each market
  - Portfolio mix shift drives overall Group NPL/sales ratio (eg growth in Spain)
  - Current trend is in line with expectations
  - Increases in some markets with lower new issuance (Finland, Lithuania, Sweden)
- Higher NPL ratio countries also have higher interest rates and revenue
  - Impairment / revenue ratio stable

# TBI Bank update: solid results and progress on initiatives

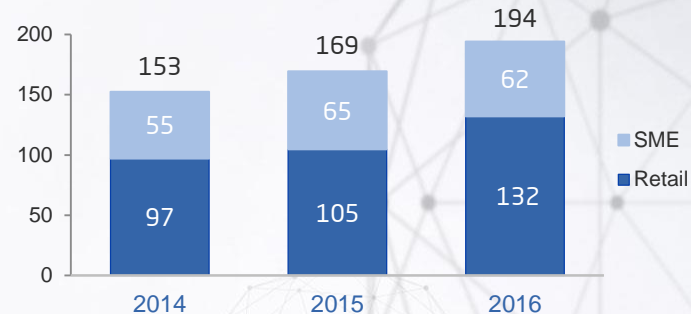
## TBI results: solid year end performance

- **Solid profitability**
  - FY16 RoE of 25%
  - EUR 7.5 million contribution to Group net profit
- **Strong retail business growth**
  - EUR 46 m additional deposits in Q4 at sub 2% blended cost
  - EUR 14 m growth in consumer loans in Q4
- **Stable asset quality and robust capital ratios**
  - 10.8% gross NPL ratio with low impairment / revenue ratio
  - Capital Adequacy Ratio of 22.3%

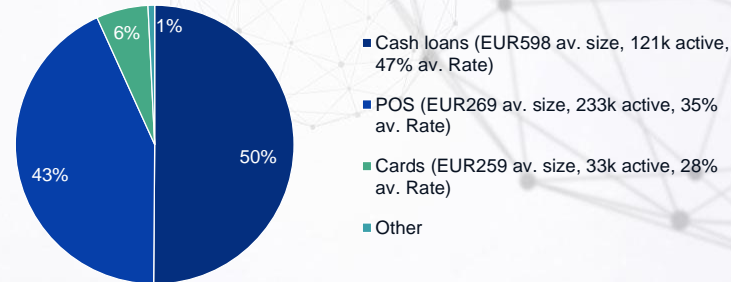
## TBI initiatives: good early progress

- **Progress with cross border regulatory applications**
  - **Products:** Approved by Romanian and Polish regulatory for credit cards
  - **Lowering group funding cost:** Notification to Bulgarian regulator for Sweden/Denmark portfolio transfers
- **Medium term plan: move towards 'digital bank'**
  - Enhance product offering for joint European customer base
  - Potential to address other market segments (near-prime)

## Net loan portfolio<sup>(1)</sup>, 31/12/2016, mEUR



## Consumer gross portfolio by type, 31/12/2016



# 4finance adapts successfully to market changes

- **Strong 2016 results delivered against backdrop of market changes**
  - Google ban on Ads for loans with <60 days maturity in July 2016
  - Poland, Latvia, Lithuania all saw regulatory changes implemented in first quarter of 2016
- **Empirical evidence supports our ability to adapt: we have “levers to pull”**
- **Overall online revenue, pre acquisitions, increased 13% year-on-year**
- **Upcoming changes being pro-actively addressed**
  - Romania (Jan 2017): small volumes currently
  - Georgia (Jan 2017): 9% of 2016 revenue (6% in Q4)
  - Poland (TBC): proper consultation process now underway
  - Finland and Sweden (Mid-2018): consultation process underway with long timeframe (mid 2018 implementation)

# 4finance is a responsible lender and supports regulation

- **What does responsible lending mean to 4finance?**

- **Marketing:** clear, simple and transparent products and terms
- **Pricing:** position rates at lower end of market to 'self select' responsible borrowers who 'shop around'
- **Underwriting:** credit check and underwriting for ALL loans, including returning, with 30% average new customer acceptance
- **Customer care:** local language, well staffed and responsive teams
- **Extensions:** limited use (only a quarter of customers), no ballooning interest (interest paid for prior month) or 'cycle of debt'
- **Collections:** "push" payments from customer to 4finance, no automatic withdrawal from bank accounts
  - ... these are practices common to mainstream bank lending ... only common characteristic with "payday" lending is 30 day term

- **As a responsible lender, we welcome appropriate regulation**

- Active in regulatory / legislative consultations through industry associations and at top Group level including Group CEO
- Supportive of clear regulatory frameworks
- Clear, transparent products and pricing with IT/development resources to adapt products where needed
- Launch of '**responsible borrowing**' global website ([www.responsibleborrowing.com](http://www.responsibleborrowing.com)) with local sites in 9 markets
- Secured Consumer Credit company license from Finansinspektionen in Sweden in September, Microfinance organisation registration from National Bank in Georgia in December, Czech license application underway
- Active preparation / monitoring of upcoming regulatory changes and proposals



# Conclusion

- 4finance has established a leading business
- Solid full year results, driven by online business, delivering EUR 63 million net profit and EUR 137 million Adjusted EBITDA
- TBI Bank contributing to overall results, with multiple initiatives underway
- New market and product investments not yet mature: 15 of our 33 product instances launched H2 2015 onwards
- Large scale, market leading operator with capabilities in place to deliver future growth

**4finance continues to deliver**

# Appendix



# Income statement

INCOME STATEMENT, M EUR	FY'2015 unaudited	FY'2016 unaudited	% Change
<b>Interest income</b>	<b>318.3</b>	<b>393.2</b>	<b>24%</b>
Interest expense	(28.7)	(38.7)	35%
<b>Net interest income</b>	<b>289.6</b>	<b>354.5</b>	<b>22%</b>
Net fee and commission income	-	2.1	n/a
Net impairment losses on loans and receivables	(77.0)	(89.7)	17%
General administrative expenses	(133.9)	(190.4)	42%
Other income/(expense)	(4.9)	4.5	n/a
<b>Profit before tax</b>	<b>73.8</b>	<b>81.0</b>	<b>10%</b>
Tax	(15.7)	(17.8)	14%
<b>Profit from continuing operations</b>	<b>58.2</b>	<b>63.2</b>	<b>9%</b>
Discontinued operations, net of tax	5.9	-	(100)%
Net profit	64.1	63.2	(1)%
Net impairment to revenue ratio %	24%	23%	
Cost to income ratio %	42%	48%	
Net profit margin (continuing operations), %	18%	16%	

# Balance sheet

BALANCE SHEET, M EUR	FY'2015 audited	FY'2016 unaudited	% Change
<b>Loans and advances</b>	<b>308.3</b>	<b>493.9</b>	<b>60%</b>
Cash and cash equivalents	56.9	162.2	185%
Assets held for sale	-	16.0	n.m.
Property and equipment	4.3	12.3	186%
Intangible assets (IT platform)	17.4	39.8	129%
Goodwill	0.6	43.4	n.m.
All other assets	50.7	164.1	221%
<b>Total assets</b>	<b>438.2</b>	<b>931.7</b>	<b>113%</b>
Loans and borrowings	229.5	397.2	73%
Deposits from customers	9.1	237.1	n.m.
All other liabilities	26.3	67.3	156%
<b>Total liabilities</b>	<b>264.9</b>	<b>701.6</b>	<b>165%</b>
<b>Total equity</b>	<b>173.3</b>	<b>230.1</b>	<b>33%</b>
<b>Total equity and liabilities</b>	<b>438.2</b>	<b>931.7</b>	<b>113%</b>
<b>KEY RATIOS</b>	<b>FY'2015</b>	<b>FY'2016</b>	
Capital/assets ratio	40%	25%	
Capital/net loan portfolio	56%	47%	
Adjusted interest coverage ratio	4.2x	3.6x	
Return on average equity <sup>(1)</sup>	41%	31%	
Return on average assets <sup>(1)</sup>	16%	9%	

(1) RoAE and RoAA based on net profit from continuing operations