4FINANCE REPORTS RESULTS FOR THE NINE MONTHS ENDING 30 SEPTEMBER 2016

REVENUE UP 25%, NET PROFIT EUR 49.2 MILLION, SHOWING CONTINUED PROFITABLE GROWTH

Riga, Latvia, 9 November 2016. 4finance Holding S.A. (the 'Group'), Europe's largest online and mobile consumer lending group, today announces unaudited consolidated results for the nine months ending 30 September 2016 (the 'Period').

Financial Highlights

- Revenue up 25% to EUR 287.3 million in the Period compared with EUR 229.3 million in the prior year period.
- Adjusted EBITDA was EUR 101.8 million for the Period, up 16%, leading to an adjusted interest coverage ratio of 4.0x.
- The Group's profit from continuing operations for the nine months to 30 September 2016 was EUR 49.2 million, an increase of 7% from EUR 46.0 million in 2015.
- Net loan portfolio reached EUR 510.4 million as of 30 September 2016, up 66% during the year.
- Cost to revenue ratio for the Period was 47%, vs. 39% for the nine months to 30 September 2015, reflecting a significant increase in staff numbers during the year, acquisitions and investment for future growth.
- Financial strength remains solid following recent acquisitions, with a capital to assets ratio of 26% as of 30 September 2016 and a capital to net loans ratio of 44%.
- Credit discipline maintained, with a non-performing loans to online loan issuance ratio of 9.6% as of 30 September 2016, within the expected range, and stable asset quality within banking portfolios.

Operational Highlights

- The number of registered online lending customers reached 5.7 million as of 30 September 2016, up 32% from a year ago, with a further 1.4 million registered banking customers added through TBI Bank.
- Continued product diversification in existing European markets: introduced the line of credit product in Latvia in September (kimbi.lv) and instalment loans in Romania in August (onnen.ro).
- Targeted expansion in new markets: launch of single payment loans in Dominican Republic in August (vivus.com.do).
- TBI Bank purchase finalised and showing a strong financial performance post acquisition in mid-August.
- Friendly Finance delivered 9% of overall Q3 online lending issuance volumes and was profitable for the quarter.
- Developed the responsibleborrowing.com financial education platform with customer advice websites now active in 9 countries.

George Georgakopoulos, CEO of 4finance, commented:

"With revenue growth of 25% and net profit of EUR 49.2 million, our nine months results are further evidence that 4finance is building a strong track record of delivering solid profits whilst growing the business. We have successfully adapted to market changes this year and strengthened our competitive position.

"The acquisitions we have carried out have contributed to profitable growth in the third quarter. Friendly Finance is seeing strong volume growth as we coordinate marketing efforts. TBI Bank is seeing growth in both consumer lending and deposits in a liquid local market.

"We are excited about the potential of our Latin American operations, with more than 1,500 loan applications now processed daily across three countries, over half of which are via smartphone.

"We have invested significantly over the last couple of years in new products, new markets and acquisitions. Our growth plans are well supported and the capabilities are in place to deliver revenue growth and build a diversified, sustainable business."

Key Financial Ratios

	Nine Months Ended 30 September 2016	Nine Months Ended 30 September 2015	Year Ended 31 December 2015 audited	Year Ended 31 December 2014 audited
	2016	**2015**	**2015**	**2014**
Net loan portfolio (in millions of EUR)(1)	510.4	299.1	308.3	241.4
Capital/assets ratio(2)	26%	38%	40%	35%
Capital/net loan portfolio(3)	44%	54%	56%	47%
Adjusted interest coverage(4)	4.0x	4.2x	4.2x	3.7x
Profit before tax margin(5)	22%	26%	23%	27%
Return on average equity(6)	33%	45%	41%	54%
Cost/revenue ratio(7)	47%	39%	42%	37%
Net impairment to revenue ratio(8)	24%	25%	25%	25%
Non-performing loans to loan issuance ratio(9)	9.6%	9.0%	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 loan portfolio.
(4) Adjusted EBITDA/fixed charges (interest expense excluding interest on deposits).
(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 loans with a delay of over 90 days/value of loans issued, excluding acquisitions. The value of loans issued represents loans issued for the two-year period before commencement of the 90 day past-due period, eg for 30 September 2016: 1 July 2014 to 30 June 2016.

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Conference call

A conference call with management to discuss these results is scheduled for Thursday**, November 10 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 3.5 billion in single payment and instalment loans to date.

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 nine months ending 30 September 2016 and 30 September 2015. These results include the contribution since acquisition from Friendly Finance (three months) and TBI Bank (two months).

	9 months to 30 September		
	2016 (unaudited)	2015 (unaudited)	% change
	(in millions of EUR)		
Interest income	287.3	229.3	+25 %
Interest expense	(26.2)	(21.1)	+24 %
Net interest income	**261.1**	**208.2**	**+25 %**
Net impairment losses on loans and receivables	(69.7)	(57.0)	+22 %
General administrative expenses	(134.6)	(89.0)	+51 %
Other income/(expense)	5.9	(2.9)	n.m.
Profit before tax	**62.6**	**59.3**	**+6 %**
Corporate income tax for the reporting period	(13.4)	(13.3)	+1 %
Profit from continuing operations	**49.2**	**46.0**	**+7 %**
Profit from discontinued operations, net of tax	—	5.3	(100)%
Profit for the period	**49.2**	**51.3**	**(4)%**

Interest income

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

	9 months to 30 September		
	2016	2015	% change
Online lending	(in millions of EUR)		
Total value of loans issued	840.7	782.3	+7%
Average net loan portfolio	316.9	270.3	+17%
Average annualized interest rate on loans to customers	118%	113%	
Revenue	279.3	229.3	+22%
Banking operations			
Average net loan portfolio	176.0	—	
Average annualized interest rate on loans to customers	26%	—	
Revenue (1)	8.0	—	

Note (1) Represents the consolidated TBI Bank revenue only (two months), see appendix for full TBI Bank 9 month income statement.

Interest income, or revenue, for the Period was EUR 287.3 million, a 25% increase compared with EUR 229.3 million for the nine months ending 30 September 2015. Growth in revenue from online lending was +22%, reflecting the 17% increase in the average balance of the net loan portfolio, driven by the addition of the Friendly Finance portfolio, and the 5 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%.

Interest expense

Interest expense for the Period was EUR 26.2 million, a 24% increase compared with EUR 21.1 million for the nine months ending 30 September 2015. This increase is mainly due to the SEK bonds issued in 2015 and the new EUR bond issued in May 2016. Interest expense includes EUR 1.1 million of interest paid on deposits. The average balance of the Group's indebtedness in the Period increased to EUR 288.9 million from EUR 229.3 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 69.7 million, a 22% increase compared with EUR 57.0 million for the nine months ending 30 September 2015. The increase in net impairment losses was slightly lower than the increase in revenue, reflecting lower loss given default amounts realised from portfolio sales.

Overall net impairment losses represented 24% of interest income, a reduction from 25% last year. The table below shows how this ratio compares between online and banking operations.

	9 months to 30 September
	2016
Online (4finance & Friendly Finance)	25%
Banking operations	15%

General administrative expenses

General administrative expenses reported for the Period were EUR 134.6 million, a 51% increase compared with EUR 89 million reported for the nine months ending 30 September 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 in the first half of this year, mainly attributable to hiring in product development, IT, risk, legal & compliance and finance as well as in new markets. The Group has also continued its investment 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.

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

	9 months to 30 September	
	2016	2015
	(in millions of EUR)	
Personnel costs	48.9	26.5
Marketing and sponsorship	39.6	35.6
IT expenses	9.1	6.0
Debt collection costs	6.3	4.9
Legal and consulting	7.9	3.4
Application inspection costs	3.6	2.8
Depreciation and amortization	3.2	0.9
Rent and utilities	3.1	1.8
Other	12.9	7.1
Total	**134.6**	**89.0**

For the first nine months of 2016 and 2015, marketing and sponsorship costs accounted for 29% and 40% respectively, and personnel costs accounted for 36% and 30%, 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 81% of total administrative costs in the nine months ending 30 September 2016, down from 87% in the nine months ending 30 September 2015. Such costs generally correlate to movements in loan sales over time.

Other income/(expense)

Other income for the Period amounted to EUR 5.9 million. For the nine months ending 30 September 2015, other expense was EUR 2.9 million. The increase in net other income was mainly due to the contribution from TBI Bank, gains on loan portfolio sales and interest income from other loans, mitigated by FX hedging impact.

Profit before tax

For the reasons stated above, the Group's profit before tax for the Period was EUR 62.6 million, a 6% increase compared with EUR 59.3 million for the nine months ending 30 September 2015. The profit before tax margin, *i.e.,* profit before tax as a percentage of interest income, was 22% for the Period, an improvement of one percentage point from the first half of the year, and 26% for the nine months ending 30 September 2015.

Corporate income tax

The Group's corporate income tax expense increased by 1% to EUR 13.4 million for the Period, compared with EUR 13.3 million for the nine months ending 30 September 2015.

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

	9 months to 30 September	
	2016	**2015**
	(in millions of EUR)	
Current tax	25.9	17.3
Deferred tax	(12.5)	(4.0)
Total	**13.4**	**13.3**

Profit from continuing operations

For the reasons stated above, the Group's profit from continuing operations for the Period was EUR 49.2 million, a 7% increase compared with EUR 46.0 million for the nine months ending 30 September 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 5.3 million for the nine months ending 30 September 2015.

Profit for the period

For the reasons stated above, profit for the Period was EUR 49.2 million, a 4% decrease compared with EUR 51.3 million for the nine months ending 30 September 2015.

Other financial data – EBITDA and Adjusted EBITDA

	Nine Months Ended 30 September 2016	**Nine Months Ended 30 September 2015**	**Year Ended 31 December 2015**	**Year Ended 31 December, 2014**
	2016	**2015**	**2015**	**2014**
	(in millions of EUR)			
Profit for the period	49.2	51.3	64.1	46.3
Provision for corporate income tax	13.4	13.3	15.7	11.6
Interest expense	26.2	21.1	28.7	23.8
Depreciation and amortization	3.2	0.9	1.6	0.9
EBITDA	**92.1**	**86.5**	**110.1**	**82.6**
Adjustments	9.8	1.6	9.6	5.6
Adjusted EBITDA	**101.8**	**88.1**	**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, interest expense on deposits, 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.

	30 September 2016 (unaudited)	31 December 2015 (audited)	30 September 2015 (unaudited)
	(in millions of EUR)		
Cash and cash equivalents	86.2	56.9	47.5
Loans and advances due from customers	510.4	308.3	299.1
Placements with other banks	32.0	—	—
Property and equipment	22.5	4.3	4.0
Intangible assets	31.0	17.4	2.7
Goodwill	33.6	0.6	0.6
Loans to related parties	40.5	13.7	—
Deferred tax asset	25.7	12.9	14.7
Current tax assets	10.7	5.5	2.8
Financial instruments at fair value through profit or loss	3.8	10.6	9.1
Prepaid expenses	6.1	2.7	—
Other assets	43.9	5.3	43.2
Total assets	**846.5**	**438.2**	**423.7**
Loans and borrowings	348.3	229.5	226.9
Customer deposits	197.2	9.1	8.3
Corporate income tax payable	18.7	7.4	8.4
Provisions	2.2	2.4	3.0
Other liabilities	57.6	16.6	16.6
Total liabilities	**624.1**	**265.0**	**263.2**
Share capital	35.8	35.8	35.8
Retained earnings	219.9	171.0	158.5
Reorganization reserve	(31.1)	(31.1)	(32.6)
Currency translation reserve	(5.1)	(5.1)	(2.2)
Share based payment reserve	3.0	1.4	0.1
Obligatory reserve	0.2	0.2	0.2
Other reserves	(1.5)	—	—
Total equity attributable to the Group's equity holders	**221.1**	**172.2**	**159.7**
Non-controlling interests	1.2	1.1	0.9
Total equity	**222.4**	**173.3**	**160.5**
Total shareholders' equity and liabilities	**846.5**	**438.2**	**423.7**

Assets

The Group had total assets of EUR 846.5 million as of 30 September 2016, compared with EUR 438.2 million as of 31 December 2015, representing an increase of EUR 408.3 million, or 93%. The increase was mainly due to the acquisitions of Friendly Finance and TBI Bank (which also resulted in EUR 8.1 million of goodwill in Q3) as well as the EUR 100 million bond issue. Other assets above includes EUR 17.0 million within TBI Bank, i.e. assets available or held for sale & other receivables (see appendix for further details). Increases in funding for the UK joint venture, as well as for 4finance Group, were the main additional related party loans.

As of 30 September 2016 and 31 December 2015, 74% and 83% respectively of the Group's assets were self-liquidating (*i.e.,* loans and advances due from customers, placements with other banks and cash as a percentage of total assets).

Loan Portfolio

As of 30 September 2016, the Group's net loan portfolio equaled EUR 510.4 million, compared with EUR 308.3 million as of 31 December 2015, representing an increase of EUR 202.1 million, or 66%. The increase includes EUR 26.0 million in net loans from Friendly Finance and EUR 184.9 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. To facilitate comparison with prior periods, the subsequent tables exclude the Friendly Finance portfolio.

Loan portfolio	**30 September 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)							
Performing	269.7	(25.2)	244.5	75.1 %	268.4	(24.3)	244.1	79.2 %
Non-performing	210.1	(129.2)	80.9	24.9 %	157.1	(92.9)	64.2	20.8 %
Total	**479.8**	**(154.4)**	**325.4**	**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, excluding Friendly Finance, by product.

	30 September 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	166.9	67.0 %	177.3	66.1 %
Instalment Loans	80.3	32.2 %	90.6	33.8 %
Line of Credit	2.0	0.8 %	0.5	0.2 %
Total performing loan portfolio	**249.2**	**100.0%**	**268.4**	**100.0%**

Note: 1) Loan amounts include accrued interest.

Non-performing online loan portfolio

The Group has written off any loans which have been overdue for more than 730 days. As of 30 September 2016, the Group's non-performing loan portfolio, excluding Friendly Finance, was EUR 195.1 million, representing 9.6% 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 30 September 2016 represented 44% of total gross loans outstanding as of that date. EUR 18.5 million, or 9.5%, of this was non-performing interest. The Group's total gross non-performing loan portfolio increased by 38.0 million, or 24%, 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 (excluding Friendly Finance) by product.

	30 September 2016	**31 December 2015**	**30 September 2015**
	(in millions of EUR, except percentages)		
Non-performing loan portfolio by product:			
Single Payment Loans	142.7	118.7	111.8
Instalment Loans	51.8	38.4	33.5
Line of Credit	0.6	0.0	0.0
Total non-performing loan portfolio	**195.1**	**157.1**	**145.4**
Allowance for doubtful NPL debts	119.7	92.9	83.2
Allowance for doubtful NPL debts / non-performing loans	61 %	59 %	57 %
Overall allowance / NPL coverage ratio	74 %	75 %	74 %
Value of loans issued[1]	2,037	1,739	1,599
Ratio of NPLs to value of loans issued	**9.6%**	**9.0%**	**9.1%**
Average Loss Given Default rate	53 %	53 %	47 %

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 30 September 2016 reporting date is 1 July 2014 to 30 June 2016.

Liabilities

The Group had total liabilities of EUR 624.1 million as of 30 September 2016, compared with EUR 265.0 million as of 31 December 2015, representing an increase of EUR 359.1 million. Liabilities increased due to the EUR 100 million bond issuance in May 2016 and the addition of TBI Bank's EUR 186.0 million in customer deposits.

Loans and borrowings

As of 30 September 2016, the Group had loans and borrowings of EUR 348.3 million, compared with EUR 229.5 million as of 31 December 2015. The Group's loans and borrowings accounted for 56% of total liabilities as of 30 September 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.

	30 September 2016	31 December 2015
	(in millions of EUR)	
AS Trasta Komercbanka	5.0	5.9
4finance Notes	309.0	217.1
Friendly Finance Notes	2.9	—
Allianz Bank Bulgaria AD	4.0	—
Placements with TBI Bank	13.4	—
Other(1)	14.0	6.5
Total loans and borrowings	**348.3**	**229.5**

Note:
(1) 'Other' consists primarily of 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 (the 'TKB Credit Line'). As of 30 September 2016, the amount outstanding under the TKB Credit Line was EUR 5.1 million at an interest rate of 7%. This loan is expected to be repaid prior to year end.

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 were listed on the Prime Standard regulated market segment of the Frankfurt Stock Exchange in August 2016. 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 30 September 2016, the Group had total customer deposits of EUR 197.2 million. Banking operations contributed EUR 186.0 million in deposits at an average cost of approximately 2% with the balance from 4spar in Sweden at an average cost of 8%. Further details of TBI Bank's deposits are presented in the appendix.

Equity

As of 30 September 2016, the Group's total equity amounted to EUR 222.4 million, compared with EUR 173.3 million as of 31 December 2015, representing an increase of EUR 49.1 million, or 28%, 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 30 September 2016 was 26%. This reflects the significant increase in assets of the Group (for illustration, the capital to assets ratio excluding TBI Bank as of 30 September 2016 was 40%, comparable with prior periods). The capital to net loan portfolio ratio as of 30 September 2016 was 44%, reflecting the Group's strong capitalisation which gives significant headroom to bond covenants.

Off-Balance Sheet Arrangements

The Group's total off-balance sheet commitments as of 30 September 2016 were EUR 11.6 million. This includes TBI Bank's undrawn lending commitments of EUR 10.4 million and financial guarantees EUR 0.6 million as well as EUR 0.6 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.

	9 months to 30 September	
	2016	2015
Cash flows from operating activities	*(in millions of EUR)*	
Profit before taxes	**62.6**	**64.6**
Adjustments for:		
Depreciation and amortization	3.2	0.9
Net losses on foreign exchange from borrowings	(3.4)	—
Increase in impairment allowance	75.9	60.2
Write-off and disposal of intangible and property and equipment assets	0.8	0.1
Provisions	(0.2)	2.0
Interest income	(4.9)	(1.9)
Interest expenses	26.2	21.1
Equity-settled share-based payment transactions	1.5	0.0
Profit or loss before adjustments for the effect of changes to current assets and short-term liabilities	161.7	147.0
Adjustments for:		
Increase in loans due from customers	(80.2)	(116.3)
Change in financial instruments measured at fair value through profit or loss	4.2	9.5
Increase in other assets	(24.1)	(17.3)
Gains from sale of portfolio	3.4	2.0
Increase in accounts payable to suppliers, contractors and other creditors	28.4	6.3
Acquisition of non-controling interest	(2.0)	—
Gross cash flows from operating activities	91.4	31.2
Corporate income tax paid	(24.0)	(13.4)
Net cash flows from operating activities	**67.4**	**17.8**
Cash flows used in investing activities		
Purchase of property and equipment and intangible assets	(17.7)	(2.7)
Loans issued to related parties	(42.6)	(20.5)
Loans repaid from related parties	11.0	16.5
Interest received	1.1	1.3
Allocation for potential acquisition	(6.6)	—
Acquisition of subsidiaries, net of cash acquired	(61.4)	(1.4)
Net cash flows used in investing activities	**(116.2)**	**(6.8)**
Cash flows from financing activities		
Loans received and notes issued	135.7	66.8
Repayment and repurchase of loans and notes	(27.3)	(36.5)
Interest payments	(29.8)	(26.5)
Dividend payments	(0.7)	(0.6)
Net cash flows from financing activities	**77.9**	**3.2**
Net (decrease) / increase in cash and cash equivalents	**29.1**	**14.2**
Cash and cash equivalents at the beginning of the period	**56.9**	**34.4**
Effect of exchange rate fluctuations on cash	0.2	(1.1)
Cash and cash equivalents at the end of the period	**86.2**	**47.5**

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 67.4 million from EUR 17.8 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 116.2 million in the Period. The largest component was consideration for 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 nine months ending 30 September 2016 and for the full year 2015.

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. For the purposes of consolidation with the Group's income statement in this report, presented on page 3, certain components of fee and commission income that relate to lending activities are classified as interest income. The remainder and other sources of income are included within the Group's 'other income' line.

	30 September 2016	31 December 2015
	(unaudited, in millions of EUR)	*(audited, in millions of EUR)*
Interest income	34.0	33.9
Interest expense	(2.4)	(4.7)
Net interest income	**31.5**	**29.2**
Fee and commission income	6.1	9.1
Fee and commission expense	(1.2)	(1.9)
Net fee and commission income	**5.0**	**7.2**
Net trading gain	1.5	4.7
Other operating expenses	(21.9)	(23.5)
Loss on impairment of financial assets	(5.1)	(4.2)
Impairment of other assets	0.0	(0.1)
Other operating income	2.8	5.1
Profit before tax from continuing operations	**13.9**	**18.4**
Income tax expense	(1.3)	(1.8)
Profit from continuing operations	**12.6**	**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 preliminary goodwill calculation under IFRS are used, rather than the book values presented below. Certain line items such as placements with/from banks and customer deposits are also shown separately.

	30 September 2016	31 December 2015
	(unaudited, in millions of EUR)	*(audited, in millions of EUR)*
Cash on hand and balances with central banks	41.4	56.0
Placements with other banks	32.0	20.6
Non-current assets held for sale	7.8	4.6
Loans to customers	181.8	169.3
Available-for-sale financial assets	5.5	6.1
Other assets	3.6	3.8
Current tax assets	0.8	0.1
Intangible assets	1.1	1.1
Property, plant and equipment	13.3	12.6
Total assets	**287.3**	**274.2**
Deposits (placements) from banks	13.4	12.6
Deposits from customers	186.0	189.8
Other borrowings	4.5	6.2
Tax liabilities	0.3	0.1
Other liabilities	12.1	8.7
Total liabilities	**216.3**	**217.5**
Share capital	41.7	40.2
Retained earnings	14.3	(0.1)
Other reserves	2.2	—
Revaluation reserve	0.1	—
Foreign currency translation reserve	0.1	—
Current result	12.6	16.7
Equity attributable to the owners of the parent	**71.0**	**56.7**
Non-controling interest	—	—
Total equity	**71.0**	**56.7**
Total shareholders' equity and liabilities	**287.3**	**274.2**

Loan portfolio

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

	30 September 2016	31 December 2015	% Change
Consumer	130	115	13 %
SME (including financial leases)	66	68	(2)%
Total gross loans	**196**	**183**	**7 %**
Provisions	14	13	6 %
Total net loans	**182**	**169**	**8 %**

As of 30 September 2016, consumer loans made up 66% of TBI Bank's gross loans, up from 63% at year end. 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	8.9%	13.7%	10.5%
Provision coverage(1)	101%	27%	68%

Note (1) In addition to provisions, SME portfolio is backed by collateral with average loan-to-value of 56%.

Customer deposits

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

	30 September 2016	31 December 2015	% Change
Consumer deposits total	134	123	9 %
- Current accounts	11	13	(12)%
- Term deposits	123	110	12 %
SME deposits total	52	66	(21)%
- Current accounts	31	49	(36)%
- Term deposits	21	17	22 %

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 third quarter was 1.6%.

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 30 September 2016.

	Standalone	Consolidated
Common equity Tier 1 ratio	24.8%	24.0%
Capital adequacy	24.8%	24.0%
Liquidity ratio	37.1%	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 26 August 2016.

New licenses and establishments

The Group commenced operations in the Dominican Republic at the end of August 2016.

The Group secured its Consumer Credit Company license in Sweden from the Finansinspektionen in September 2016.

Acquisitions and disposals

The Group finalised the TBIF Financial Services B.V. acquisition with a EUR 13 million adjustment payment (calculated based on reviewed results for January to mid-August 2016), bringing the total consideration to EUR 82 million.

Litigations and contingent liabilities

No member of the Group is engaged in new legal or arbitration proceedings which may have a material effect on the Group's financial position or profitability.

Changes in management

In September 2016, Paul Goldfinch joined 4finance as Group Chief Financial Officer. Paul has 25 years of experience in finance and accounting, including 16 years with UBS, and was most recently CFO of the Corporate and Investment Bank Division of Sberbank.

At the same time, Martins Baumanis has taken on the role of Executive Vice President Loans, with global product responsibility for single payment, instalment and line of credit loans.

Changes in the regulatory framework

Czech Republic: As indicated in the previous report, new regulations will come into force from 1 December 2016, with a licensing process running from February 2017 to June 2018.

Sweden: Government proposals for new regulations in the consumer finance sector was published in October 2016. These are similar to recent legislation in other European countries, including an interest rate and cost of credit cap, limitation on extensions and affordability checks. There will be a further consultation period and new regulations will come into force from July 2018.

Bulgaria: A proposal to reduce the statutory rate of interest for late payments, on which the interest rate cap in Bulgaria is based, was introduced to parliament at the end of October. This is at a preliminary stage and an industry consultation is expected. If implemented, this would be applicable to both online lending and banking operations in Bulgaria.

Romania: The Romanian Central Bank has introduced new rules governing the process for creditworthiness assessment of online lending customers, which should be implemented by the end of 2016.

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